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Weekly Contributions 42-50
Latin America Division, ORE, CIA
17 October 1950

Of the developments reported on this week, D/LA finds that on Brazil (p. 3) of particular interest.

CURRENT DEVELOPMENTS

GENERAL: Recent Communist efforts to reduce Hemisphere solidarity have been ineffective (p. 2). At the sixth conference of the Inter-American Press Association, that organization reorganized and strengthened, may be more effective in its campaigning for freedom of the press in the Americas (p. 2).

NORTHERN AREA: Trinidad's elections have revealed Radical strength (p. 3).

CENTRAL AREA: The election of Brazil's ex-dictator Vargas as president may make more difficult economic cooperation between that country and the US (p. 3).

SOUTHERN AREA: In Argentina, the situation of US meat packers has recently improved (p. 4). In Chile, the cohesiveness of the government coalition may soon be tested (p. 4).

SPECIAL SUBJECTS

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1. GENERAL: Ineffectiveness of Communist Efforts on Hemisphere Solidarity

Communists have had virtually no success in their recent efforts to exploit situations which, except for the effectiveness of counter-forces and failure by Communists to make the most of their opportunities, might well have resulted in the impairment of relations between certain Latin American countries. In all of these attempts, the Communists, who apparently lack capable leadership, failed to make a strong or concerted effort or to develop effective propaganda to support their plans.

In Guatemala, Peru, and Ecuador, for example, the Communists recently failed in their efforts to delay or to obstruct the processes involved in ratification of the Rio treaty (they had previously delayed ratification in Guatemala). In Ecuador, Communist agitation for a change in the boundary with Peru thus far has been without serious effect, and in Mexico, Communist student groups were prevented by the school authorities from demonstrating at the ceremony on the return of Mexican battle flags from the US. A Guatemalan Communist reportedly insulted the Mexican flag at the Mexican-Guatemalan border but was almost lynched by the crowd witnessing the incident.

Communists will continue, despite recent failures, in their attempts to exploit or to create controversial issues in the Hemisphere. It is true that counter-forces will generally render Communist efforts of this type inconsequential. However, it seems quite possible -- particularly in the cases of a bitter international controversy or of an issue which the Communists could keep alive by holding the balance of power -- that Communist action might be considerably more than an irritant to inter-American relations.

2. Sixth Inter-American Press Conference

The sixth conference of the Inter-American Press Association (a non-governmental organization) held recently in New York City and which resulted in the reorganization and strengthening of the association should enable it to campaign more effectively for freedom of the Hemisphere press from government control and inter-American press solidarity in the face of governmental attack on any of its members. A more tightly knit, permanent body with voting rights allotted to individual newspapers and periodicals was substituted for the previous informal and loose organization in which such voting rights had been assigned by countries. The conference also established a committee to investigate infractions on freedom of the press throughout the Hemisphere and condemned as anti-democratic any efforts of governments to abolish or limit this basic freedom.

Although minor threats to inter-American harmony may occur due to the association's criticism of certain American governments in their treatment of the press (the Peronista newspapers in Argentina have already denounced the conference), US interests should, on balance, be benefitted by any increase in the effectiveness of this non-governmental organization to foster freedom of the press.

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3. **BRITISH WEST INDIES: Trinidad Elections Reveal Radical Strength**

Trinidad's first general election under the new colonial constitution has revealed relatively strong support for the Home Rule Party of T. U. B. Butler. Butlerites have won six of the 18 elective seats in the 29-member Legislative Council --- three times as many as any other single party. It is certain that the Butlerites will demand substantial representation in the Executive Council, in which five of the ten members are elected by the Legislative Council. The Executive Council will be, in effect, the principal instrument of government policy.

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Butler's followers are, in general, poor, uneducated rural laborers in the agricultural and oil areas; as their champion, Butler has demanded complete home rule and independence from Britain's "cruel imperialism" and "reactionary colonial policy". His influence is feared by the conservatives --- British officials and other Europeans, as well as those non-Europeans engaged in commerce and industry.

The election results are of considerable significance to US security interests. As they have established the political influence of Trinidad's working class, and have revealed the susceptibility of this class to Butler's highly emotional appeal for native rule, it is probable that US policies and activities involving Trinidad -- whose oil fields, refineries, harbor, and airfield facilities are of strategic importance -- will be subject to attack by local politicians if they can exploit anti-US themes for personal advantage. Moreover, such politicians will receive prompting from the local Communist organization, which has been expanding recently and which reputedly is attempting penetration of the Butler Home Rule Party.

4. **BRAZIL: Ex-Dictator Vargas Elected President**

It appears certain at this time that ex-dictator Getúlio Vargas will be Brazil's next president. (See D/LA Wklies, 26 Sep 50 and 3 Oct 50.) With more than 80% of the votes counted (an estimated 7.7 million votes were cast), Vargas leads General Eduardo Gomes by more than 1.3 million votes and the government-sponsored candidate, Cristiano Machado, by more than 1.8 million votes.

Vargas, confident of his victory, stated in a press interview that "his government will be of a laborist orientation, like that of England and the Scandinavian countries," and that it will be evolutionary and not revolutionary. He added that he would welcome foreign capital investment as long as such capital did not desire to invest in those sectors which national capital could cover or which, in the interests of sovereignty and national defense, must be controlled by national capital. Vargas' statement that he was confident the present government would fulfill its promise of a normal transfer of public power may have been a veiled threat in view of rumors of a military coup to prevent

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his assuming the presidency on next 31 January. D/LA estimates that there will be no successful attempt to take over the government and that Vargas will be inaugurated as the next president of Brazil.

It is not likely that Vargas will take a position openly hostile to the US, but many of his extreme nationalistic ideas might reverse somewhat Brazil's past close cooperation with the US, particularly in economic matters. There is no evidence to support rumors that Vargas and President Perón of Argentina will attempt to form an anti-US bloc; the traditional hatred of the average Brazilian for Perón's Argentina as well as the probable unwillingness of either leader to play a subordinate personal role would seem to militate against such an alliance.

5. ARGENTINA: Situation of US Meat Packers Improved

The situation of the US meat packers operating in Argentina has been improved by a government resolution which will resolve favorably long-standing uncertainty concerning their financial position. The resolution provides that the government will compensate the meat packers for deficits incurred during the period 1 October 1946 to 31 August 1950, plus a profit margin of 5.75 percent of the price of livestock processed for export; also, it allows for "justified normal" expenses for plant maintenance and improvement. Actually, previous government subsidy payments to the packers covered the major portion of their deficits, but until the new resolution was issued there was no clear definition as to whether such payments were temporary loans or permanent reimbursement. Further payments to the packers will be made upon completion of the audit presently under way. According to Ambassador Griffis, the packers have agreed that under the new resolution they are receiving "a far greater percentage of profit than any important packing house in the United States". While the resolution applies only to past operations and therefore does not guarantee similarly favorable prospects for the packers in the future, it is at least an example of Argentina's current efforts to improve economic relations with the US.

6. CHILE: The Cohesiveness of the Coalition May Soon Be Tested

The cohesiveness of the government coalition, which has been in force since February of this year, may soon be tested. Increasing pressures from the left and disharmony within and among the coalition parties may provide the setting of the test, for which the current controversy over the choice of successor to the late Senator Alessandri may possibly provide the immediate cause. If the present coalition should be disrupted, any new coalition would probably be more leftist. While such an eventuality would not impair the basic stability of the government, it might make it more difficult for the US to obtain the required flow of copper and other strategic materials from Chile.

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The Current Situation in Panama

(Summary — Political tension has continued but the essential basis for the continuance of the regime has not been destroyed. The economic situation remains unfavorable. There has been no improvement in the low efficiency of the national police and the secret police. There has been no significant change in over-all Communist strength or influence during recent months. While Panama continues to endorse US international policies, difficulties are developing in US-Panamanian relations.

— US security interests continue to be endangered because the Panama police are incapable of preventing the use of Panamanian territory as a base for Communist sabotage operations.)

Political

Political tension has been almost continuous during recent weeks but the essential basis for the continuance of the regime — the armed truce between Arias and Police Chief Remon — has not, as yet, been destroyed. Opposition elements, including powerful student groups, Liberal Party factions, and some former supporters of the president, have been chiefly responsible for past and present tension; the president himself has also contributed to it by his ill-advised efforts to strengthen his administration and to undermine Police Chief Remon's key political position (D/LA Wkly, 29 Aug 50). Remon, up to the present, has refused to ally himself with the opposition, although he has warned that he would oust the president if the latter's action made this course necessary. In the event of a crisis, Remon is capable of supporting a change of government, but despite these dangers, it is quite possible that Arias will continue to hold his place. He is unlikely, however, to increase his strength enough during the remainder of 1950 to make certain the stability of his regime.

Economic

The economic situation remains unfavorable, in spite of some favorable elements. Favorable elements include Panama's good international credit rating, the refinancing of the foreign debt at lower interest rates, reduction in the floating debt, and the decree law of June 1950 which encourages new capital investments. In addition, there are prospects for employment of Panamanians by implementation of the new highway convention, (see International). Nevertheless, unemployment is still high, economic activity is below normal, the national income is still below the level of 1943, and the government is having its usual difficulty in balancing the budget. It is estimated that there will be no appreciable improvement in the economic situation in coming months.

Military

There has been no improvement in the low efficiency and capability of the national police and secret police, nor in their ability to prevent the use of Panamanian territory as a base of Communist sabotage operations. Furthermore, rivalries between the two services still constitute a handicap to efficient action.

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Subversive

The numerically small Communist party (337 members) has maintained its rather disproportionate influence during recent months. Communists experienced a legal setback when the Supreme Court recently affirmed the constitutionality of the cabinet resolution outlawing Communist activities. The Communists are now less successful in spreading published propaganda than before the Korean war (the press refuses to publish their copy), and their influence on labor has decreased, particularly in the Canal Zone. Nevertheless, the Communists still have a mouthpiece in Congress through whom they are able to propagandize orally against the US. They are probably in a position either to use the Liberals for a propaganda cover or to provoke them to anti-US activity in coming months (because of the similarity of the Party line to that of the Liberals on many issues). In addition, the president's recognition of the fact that the Communists still maintain enough influence on student groups to cause strikes has prevented him from implementing certain anti-Communist measures. Since the president may find it politically inexpedient to suppress Communist activities effectively during coming months, D/LA expects no significant change in Communist strength or influence.

International

While there has been no change in Panama's endorsement of US international policies, difficulties are developing in US-Panamanian relations. Current US-Panamanian problems are due chiefly to political situations created by unavoidable delays in the implementation of US projects which would partially relieve the unemployment situation. Work on the Inter-American highway, in which President Arias had expressed particular interest, cannot be renewed at present. Despite a new US-Panamanian highway convention (signed in September) which provides substantial benefits to Panama in terms of road maintenance and jobs, political opponents of the president may make trouble over various administration moves, such as its action granting the US extremely liberal use of roads for the defense of the Canal and allied uses. The settlement of US-Panamanian problems may become more difficult in coming months.

There has been no change in the government's cooperative attitude toward the UN, but reported statements of public officials from time to time indicate disappointment over the failure thus far of the Unified Command to accept Panama's offer of aid in the Korean situation (D/LA Wkly, 29 Aug 50).

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