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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

19 April 1952

STAFF MEMORANDUM NO. 223

SUBJECT: Possible Developments in the Argentine Situation

This memorandum is designed to serve as background and an interim substitute for the pending NIE-66 on Argentina, in which the situation will be examined in more detail and more definite estimative conclusions reached.

1. Introduction. For a combination of economic, historical and psychological reasons, Argentina has always represented a special problem to the US, inside the general framework of relations with the Latin-American republics. When Peron came to power in 1943, he merely intensified certain aspects of this problem by pursuing a foreign policy at variance with that of the US and by initiating a revolutionary social and economic program within Argentina which had repercussions throughout Latin America. To date, Peron has been able to count on relative prosperity to finance his social and economic experimentation. Now, for the first time, he apparently faces a period of economic stringency serious enough to threaten his tenure of power. At the same time, his able helpmate Evita reportedly has only a 35% chance to recover from her present illness, so that Peron may lose the one most able to muster popular support for him. The situation raises new questions for the US: Is it indeed likely that Peron will fall? What measures might Peron take in order to maintain himself in power? If he were to fall, what government would take his place and what would its policies be?

PRESENT SITUATION

2. The causes of Argentina's economic difficulties are mainly two: a long-term governmental policy favoring industrial development at the expense of agriculture, and current crop failures and reduced production of meat. As long as production and prices of basic

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Argentine commodities were good, most Argentines were satisfied with the Peronist program, although economists warned against the expenditure of war-time profits on industries for which the Argentine economy was not ready. Nationalistic pride, spurred by Peronist propaganda, insisted on Argentine ownership and management of all types of industry to erase "economic colonialism", held to be the bane of Latin-American countries. Levies on agricultural production, by means of state purchasing of export products and managed exchange rates, provided the funds for buying out foreign interests and other ambitious industrial ventures. The pinch affected only the middle-class land owners who had opposed the Peron regime from the beginning. In 1951, however, continued droughts affected both grain and meat production. The 1951-52 grain harvest was the worst on record, and there may be no wheat to export from the current crop of a country normally one of the world's greatest exporters. Meatless days have been instituted in an effort to meet commitments on meat exports to England. Loss of exchange from the normal flow of exports will, in turn, increase difficulties in the supply of essential imports.

3. Peron has had two main sources of power: the Army and organized labor. The first put him in office in 1943, but since then labor has been a much more dependable support. This was true in 1945 when the Army jailed Peron, only to release him when the descamisados -- the underprivileged masses for whom Evita is an idolized patroness -- demonstrated in his favor. Again in 1951, military elements were involved in an abortive plot, and Peron subsequently took steps to purge the Army of suspected opponents. The power of the CGT, the General Confederation of Workers, ably managed by Evita, has steadily increased and has become almost a state within a state, as its leaders and those of the Peronista party form a single working group. This was a natural development of the social revolution staged by Peron, in which the lower two thirds of the population gained political and economic stature at the expense of the middle class that formerly ruled Argentina. There is more than propaganda in Peron's claims that he has established a new system, "justicialism", midway between capitalism and socialism. He has at least tapped the sources of power of the masses, the descamisados, who, in combination with a controlled or nullified Army, have been enough to maintain him in power.

4. The "Peronista state" has been primarily a system of shaping Argentina in the manner best suited to developing the sources of Peron's power. While it has much of Italian fascism and much of the Portuguese "corporate state", it has changed with changing conditions. It has entailed concessions to labor, centralized control of business and production, detailed governmental economic planning, and intermittent experimentation with syndicalist institutions. During the early years

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of World War II, Peronism made more of a display of the borrowed trappings of European totalitarian regimes, but with the decline of the Axis the appeal to the aspirations of the masses has increased. In the evolution of Peronism, full use of propaganda techniques has been made and also of censorship and control of the media of information. Many affronts to the democratic theories of free speech and free press have resulted, recently exemplified by the closing of La Prensa, which brought hemisphere-wide condemnation.

5. The key to Peron's survival is control of the CGT. The reaction of the rank and file to the impact of economic stringency affecting stomachs and pocketbooks will be a major factor in the outcome of the present situation. Within the CGT, there is an apparent alternative leadership in the person of a number of pro-Communists, who compete with Evita's stooges for control of the organization. The ranking member of this group is a Spanish Republican refugee, Santin, who holds the number two position, Administrative Secretary, and who recently came within one vote of defeating Evita's supporter, Jose Espejo, within the confederation. There has been no open rivalry between Communists and Peronistas, either within the CGT or outside it, because the Communists have supported the same social and economic program as Peron and have found his anti-US and anti-imperialistic propaganda lines favorable to long-term Communist objectives. Politically, the cooperation between Peronistas and Communist groups is particularly notable in the case of a small but influential group of "dissident" Communists whose leader, Rodolfo Puiggros, has been able to have his propaganda releases distributed by the Argentine Sub-Secretariat of Press and Propaganda. The "dissident" Communists -- who split with the orthodox Communists on the issue of collaboration with Peron -- feel that Peron may, in fact, adopt Communist doctrines in toto if he encounters insuperable difficulties in his own "Third Position" approach. In any case, the Communist infiltration within both CGT and Peronista party groups appears to provide an alternate leadership if discontent with Peron develops as a result of economic crisis.

6. Opposition parties are disorganized and weak, as often happens in Latin America after the long continuance of a strong-man regime. Peron's political opposition consists of the liberal "Radical" party (which cast a surprisingly large vote in the presidential elections of November, 1951), of former conservatives, and in general of members of the middle class that ruled Argentina before Peron took over. Most of the liberal and conservative opponents of Peron, however, are not of the type to oppose the government by force in person, and they have had little luck in finding anyone to man the barricades for them. The economic pinch foreshadowed by present conditions will affect the middle

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class less than previous governmental measures -- in fact, the rural landowners will benefit to a minor degree by the adjustment of food prices, which will at the same time weigh on the urban proletariat. This fact, however, is not likely to change the middle classes' basic disapproval of the regime. It would be extremely difficult for them, however, to get together among themselves or to unite with any elements of the proletariat that might become discontented with Peron's rule.

7. Peron has initiated "austerity measures" to meet the economic difficulties that face him. They include wage-price stabilization, rationing, reduced governmental spending, and stimuli to increased agricultural production in the form of incentive prices. The regime is fully aware of its difficulties and has mustered the old nationalistic devices of blaming the situation on "foreign imperialism" at the same time that Argentines are urged to pitch in to win the economic battle for their national independence. The time has also been deemed appropriate to increase federal controls typical of a syndicalist state. These are noted in the constitution of the new province "President Peron", in which former provincial rights to control education, public works, welfare, and the courts are all taken over by the central government.

8. Peron's policy in foreign relations has had objectives that are not too clear. Primarily, it appears that the purpose is to increase Argentina's influence and prestige by making it clear that Argentina determines its own position on each issue, irrespective of the views of other and larger nations. This policy is the so-called "Third Position", which places Argentina midway between "imperialist capitalism", exemplified by US, UK and other "colonial" powers, and Communist imperialism of the USSR and its satellites. Just as Peron stands for a different domestic system of government, he maintains that Argentina need not be drawn into either of the camps into which the world is being divided. Rather, he hopes that other Latin-American nations may follow Argentina's leadership and then join larger pan-Latin aggregations to reduce the control of world events held by the US and the USSR. Perfectly consistent with this present stand was Argentina's World War II neutrality, which was dropped only in the last stages of the conflict as a means of rejoining Western Hemisphere and world-wide organizations. Propaganda supports the "Third Position" idea, and Argentine criticism of the US has greatly increased recently. Argentina opposes the war in Korea, the Mutual Security Program, NATO, the Rio pact (although Argentina is a signatory), and alleged US efforts to depress the prices for Latin-American raw materials. "Capitalist imperialism" bears the brunt of the Argentine radio and press attack, while the USSR is only occasionally criticized as the opposite extreme to illustrate Argentina's position as a golden mean.

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9. Efforts to organize an Argentine-sponsored Latin-American labor federation, in opposition both to the Communist CTAL and the US-approved Interamerican Regional Organization of Workers (ORIT), have been a major program. Argentine labor attaches, well supplied with money, have cultivated the friendship of labor leaders in all Latin-American countries and in February, 1951, a conference was called in Asuncion, Paraguay, in the effort to form an inter-American federation under Argentine sponsorship. The effort has been ineffective to date, although many individual leaders work with the Argentines.

POSSIBLE FUTURE DEVELOPMENTS

10. Until the first reactions of the Argentine public to "austerity" are noted and the accuracy of medical predictions regarding Evita established, it is impossible to estimate accurately the possibilities for survival of the present Argentina regime.

11. Peron may survive impending economic difficulties by unexpected relief of the economic situation, or by increasing controls and austerity measures while using his old resourcefulness and ability at propaganda to give the effort the character of a nationalistic crusade. If Evita dies or is incapacitated during the next year, however, Peron's ability to govern will be impaired and his own psychological state may make him less able to control events. In any event Peron will resort to strict internal controls, syndicalist ventures, and a barrage of anti-US, anti-imperialist propaganda tending to make the US appear responsible for all Argentina's difficulties -- already a well-developed Peronist technique. Given a longer term in which to operate, Peron might be able to repair many of the economic errors growing out of the neglect of agriculture and over-ambitious industrial development.

12. If Peron were overthrown, it would probably be as a result of the unwillingness of the proletariat to undergo the belt-tightening initiated by the administration. The leadership for opposition to Peron would probably be found among the Communists in the CGT, possibly some dissident military elements, and the unrelenting opponents within the middle class. If the CGT took measures to overthrow Peron, with Army neutrality or support, it would probably create a chaotic condition for some time as it is not strong enough or able enough to govern by itself and the likelihood of effective combination with other groups is slight. The disorganization of the opposition caused by nine years of Peronism is so great that the transition to any other government would be difficult. The influence of the Communists would increase under such conditions, so that the short-term prospects, at least, would be very unfavorable to the democratic interests of the hemisphere.

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13. The survival of the Peronist regime -- even with increased anti-US propaganda and repressive measures -- could easily be less harmful to US interests than its overthrow and a resulting period of chaos in which Communists and other- anti-US elements would probably increase their influence. The immediate future, therefore, appears to offer two principal lines of development in Argentina-- neither very favorable to the US.



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