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THE CARIBBEAN REPUBLICS

Submitted by the

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Concurred in by the

INTELLIGENCE ADVISORY COMMITTEE

on 24 August 1954. Concurring were the Special Assistant, Intelligence, Department of State; the Assistant Chief of Staff, G-2, Department of the Army; the Director of Naval Intelligence; the Director of Intelligence, USAF; the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC and the Assistant to the Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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THE CARIBBEAN REPUBLICS

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THE PROBLEM

To estimate the situation and probable developments in the Caribbean republics (Cuba, Haiti, the Dominican Republic, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama), with reference to their political stability and their relations with one another and with the United States.

CONCLUSIONS

1. The generally prevailing characteristics of the Caribbean republics are social immobility, economic underdevelopment, and political immaturity. The vast majority of their heterogeneous population is illiterate, poverty-stricken, and socially and politically inert. Traditionally, politics have revolved around persons rather than public issues; the continued or shifting favor of the army has been the decisive political factor; and rule by military "strong men" has been normal. The constant struggle for power has created a pattern of intrigue and conspiracy, often with international ramifications and implications, and of corresponding suspicion and repression. The transfer of political power is generally accomplished by revolution rather than by election, but really bloody civil conflicts are rare.

2. During recent years the traditional ruling elements have been faced by steadily increasing demands for social, economic, and political change, voiced by small but growing urban middle class elements with increasing popular support. The pressure for change has not been uniform throughout the area. In Guatemala, it was such as to shatter the traditional order in the Revolution of 1944. It has

been less spectacularly effective in Cuba, Costa Rica, and Panama, but is only beginning to be felt in Haiti, El Salvador, and Honduras. It has been effectively contained by strongly entrenched authoritarian regimes in the Dominican Republic and Nicaragua.

3. The pressure for change will continue to grow. For the time being, however, the elements resisting change are in the ascendant. Whether eventual change is orderly will depend in large measure on whether the existing regimes can bring themselves to promote social, economic, and political progress, or whether, through static repression, they make virtually certain an eventual violent explosion. In any case, no substantial improvement in basic conditions is likely to occur for many years.

4. The overthrow of the Arbenz regime in Guatemala has removed the most immediate and dangerous threat to stability and order in the region. Elsewhere, Communist potentialities have been held reasonably well in check, though the situation is far from satisfactory in Cuba and Honduras. The strength of Communism throughout the region as measured by the number of Communists and self-con-

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scious Communist sympathizers is small. Nevertheless, there is a real danger, growing out of the confused and unchanneled character of the slowly rising pressure for reform, that Communists will be able (as they were in Guatemala) partially to infiltrate or to influence economic groups, reform movements, reformist regimes, and politically ambitious individuals or groups, and thus to acquire in particular countries an influence wholly disproportionate to either their numbers or the popular acceptance of their doctrines. Throughout the region the Communists will continue to make the most of plentiful opportunities for agitation.

5. The prospects for stability and order in Guatemala depend on whether the new regime can and will adhere to the broad objectives of the Revolution of 1944 while eliminating Communism. Any other policy would be likely to precipitate further internal conflict.

6. The greatest present threat to stability and order in the region is the animosity of Presidents Somoza of Nicaragua and Perez Jimenez of Venezuela toward the Figueres regime in Costa Rica. Figueres' recent more conciliatory attitude has eased the situation somewhat, but neither Somoza nor Perez Jimenez is likely to become reconciled to the continued existence of the Figueres regime.

7. The October election in Honduras may precipitate armed violence in some degree. The outcome is unpredictable. President Batista will make sure of winning the November election in Cuba.

8. With the notable exception of Guatemala under Arbenz, the Caribbean republics have recognized that they must accommodate their policies to US security interests in the Caribbean area. In re-

turn for their cooperation, however, they expect from the United States protection, toleration of their peculiar domestic political processes, and a generous attitude toward their economic problems. They rely upon the sympathy and support of other Latin American republics to safeguard them against unacceptable US interference and domination.

9. In Caribbean and in other Latin American opinion, the issue of social and political reform versus traditional authoritarianism is of greater immediate importance than the question of Communism or anti-Communism. The reformists contend that the United States has a moral obligation to foster social and political development in the area. On the other hand, the Caribbean "strong men" resent any indication of US support for reformist regimes as a betrayal of the "true friends" of the United States. It is a primary Communist objective to identify the United States as the chief support of Caribbean dictatorship and the chief obstacle to social and political progress.

10. The armed forces of the Caribbean republics exist to defend their incumbent governments against internal subversion, filibustering expeditions, and armed intervention by antagonistic neighboring regimes. In Caribbean opinion, defense against any more formidable aggression is beyond the republics' limited capabilities and sure to be provided by the United States in its own interest. Under the concept of hemisphere defense, however, and with requisite US assistance, most of the Caribbean republics will probably maintain small units equipped and trained for modern combat and available to assist in an integrated defense of the Caribbean area.

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DISCUSSION

I. STRATEGIC IMPORTANCE

11. The strategic importance of the Caribbean republics is a function of their proximity to the United States and the Panama Canal, to the routes between them, and to the sea and air routes between the United States and South America. It has long been a cardinal principle of US policy to ensure against a lodgment by any potentially hostile power anywhere within the Caribbean area. Conversely, US access to military base sites in the republics in case of need is a matter of considerable strategic interest. The only important existing military bases in the republics are the US installations in the Panama Canal Zone and at Guantanamo Bay in Cuba.

12. The armed forces of the Caribbean republics exist primarily for the maintenance of internal security and are not in all cases fully adequate even for that limited purpose. In the event of war, the republics could make no contribution to hemisphere defense of more than local significance.

13. The Caribbean republics supply the United States with important quantities of coffee, sugar, and bananas. They are not an important source of industrial raw materials, although small amounts of strategic minerals are obtained from Cuba.

14. The political cooperation of these nine small but sovereign states is of considerable importance to the United States in promoting the concept of hemisphere solidarity and in furthering its policies in the United Nations.

II. BASIC CONDITIONS AND TRENDS

15. The Caribbean republics have not departed greatly from the colonial pattern of living: social immobility, economic underdevelopment, and political immaturity are their prevailing characteristics. The generally dominant socio-political element is the landed gentry in combination with the military and, to a varied extent, the Church. The vast majority of the population is socially and politically inert, illiterate, and poverty-stricken. Sub-

stantial segments of the population are virtually untouched by Western civilization. In recent years, however, a small but growing urban middle class has assumed increasing importance in the economic and political life of the area.

16. The 21,000,000 inhabitants of the Caribbean republics are of diverse racial stocks and admixtures (see Annex I). The population is preponderantly white in Costa Rica, negro in Haiti, mulatto in Cuba and the Dominican Republic, Indian in Guatemala, and *mestizo* (mixed Indian and white) elsewhere. In every case, however, the white element has remained socially and politically dominant, except in Haiti, which is ruled by a largely mulatto elite.

17. Most of the people of the area derive their livelihood directly from the soil. Agricultural methods are generally primitive, except in the production of export crops. These crops, excepting coffee, have been developed largely by foreign enterprise. Economic development has been retarded by lack of capital and of technical skill and by the inadequacy of transportation and power facilities and of other basic services. Foreign direct private investments in the area are predominantly of US capital, including all major foreign economic enterprises.

18. Traditionally, political power has been monopolized by upper class groups related by blood, marriage, or economic interest. Even though some of the republics have a broad franchise, in none of them, except Costa Rica, is there the articulate popular participation required to give reality to democratic processes. Consequently politics have revolved around persons rather than public issues, the continued or shifting favor of the army has been the decisive political factor, and rule by military "strong men" has been normal. In an environment of such political immaturity, the constant struggle for power has created a pattern of intrigue and conspiracy, often with international ramifications and implica-

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tions, and of corresponding suspicion and repression. The transfer of real political power from one group to another is generally accomplished by revolution rather than by election. Such revolutions are usually a matter of military *pronunciamiento*, with minimal public disturbance. Really bloody civil conflicts are rare.

19. During the last thirty years the traditional ruling elements in the Caribbean republics have been faced by steadily increasing demands for social, economic, and political change. These demands come, not from the peasant masses, but from urban elements: students and intellectuals, business and professional men, labor leaders, and junior army officers. These elements are motivated by their own frustrations and dissatisfactions and by a variety of foreign influences, US, Mexican, and Argentine as well as Communist. They have no common program, but all desire recognition and a share in political power. In seeking to arouse mass support, they have tended to adopt extremist doctrines and demagogic tactics.

20. Throughout the area, agitation against the traditional order of society has had strong nationalistic overtones. Frequently this nationalistic sentiment has been directed against the special privileges granted in former times to foreign economic enterprises.

21. Pressure for and resistance to change have not been uniform throughout the area. In Guatemala the traditional order was shattered by the Revolution of 1944. In Cuba, Costa Rica, and Panama pressures for change have been effective to a considerable degree. Such pressures are only beginning to be felt in El Salvador, Honduras, and Haiti. They have been effectively contained by strongly entrenched authoritarian regimes in Nicaragua and the Dominican Republic.

III. THE EXISTING POLITICAL REGIMES

22. Cuba is ruled by a military "strong man," Fulgencio Batista, who emerged from obscurity as leader of the "Sergeants' Revolt" in 1933, when he gained control of the Cuban Army. After making and breaking several presidents

in succession, Batista himself assumed the presidency in 1940. He found it expedient to retire quietly at the end of his term in 1944. In 1952 he again presented himself as a candidate, but then forestalled the election by seizing power in an Army coup. He proceeded to suspend the Congress, to dissolve the existing political parties, and to promulgate a new constitution by decree. General elections under a revised electoral law, repeatedly promised, have been repeatedly postponed. They are now scheduled for November 1954, with Batista an announced candidate.

23. The stability of the Batista regime depends upon the continued support of the Army, which seems assured. In addition, Batista has some popular following, primarily among lower class elements. He is seeking to broaden his political support by an extensive public works program and by middle-of-the-road policies calculated to appeal to conservative opinion. He operates politically through a coalition of four parties, of which two are new groups organized by personal adherents and two are small old-line rightist groups led by opportunist politicians. ^{stab}

24. Although the Batista regime is generally unpopular, political opposition to it is disorganized and ineffectual. The only registered opposition party, that led by ex-President Grau, has recently shown that it has considerable popular support, despite its lack of a positive program, but all efforts to form a united front of the many opposition elements have failed. Because of personal rivalries, fear of repression, and a widespread belief that the election will be rigged, it is unlikely that an effective political opposition can be developed. ^{supp}

25. There is another opposition in exile, composed of members of the Prio administration and other politicians ousted by Batista in 1952. It also is disorganized and ineffective. There can be no doubt that some of the exiles are plotting a counter coup, but it is unlikely that such an attempt could succeed. Nevertheless, constant rumors of an impending coup have an unsettling effect in Cuba and have kept the Cuban armed forces in a quasi-alert status for over two years. ³ ^{prop}

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26. *Haiti* is ruled by another military "strong man," Paul Magloire, formerly commandant of the palace guard, who ousted his predecessor by coup in 1950. He acted with the support of the predominantly mulatto *elite*, who could not tolerate the former president's attempt to arouse the black masses in support of his own ambition to serve an unconstitutional second term. Magloire was subsequently elected by popular vote and rules as a constitutional president. He seems to have struck a nice balance in courting popularity while keeping the populace under firm control. By legislation providing for his continued control of the armed forces after the expiration of his term as president, Magloire has already arranged to retain real power indefinitely.

27. *The Dominican Republic* is ruled by the most durable "strong man" of the Caribbean, Generalissimo Dr. Rafael Leonidas Trujillo, "Benefactor of the Fatherland." He secured command of the Dominican armed forces shortly after the withdrawal of the US military occupation in 1924 and has been in effective control of the country ever since. He occupied the presidency himself during 1930-1938 and 1942-1952, and now maintains his brother, Hector, in that office. The Dominican Republic is a one-party state and is administered, in substantial effect, as the private estate of the Trujillo family. (U) + prospects

28. *Guatemala* is under the provisional government of a military junta headed by Carlos Castillo Armas, leader of the June 1954 revolutionary attack on the Arbenz regime, but including Elfego Monzon, representative of the regular armed forces. As a follower of Francisco Arana, Castillo participated in the Revolution of 1944 and held several responsible Army positions under the Arevalo administration, but broke with the regime when Arana was assassinated in furtherance of Arbenz' political ambitions. Monzon remained in the Army and held the post of Minister without Portfolio under Arbenz, but gained a reputation as an outspoken critic of the Communistic tendencies of the regime. Although both are hostile to Communism, Castillo and Monzon manifestly represent different factions, and

circumstances may make them personal rivals. For the short term at least, the stability and effectiveness of the new regime will depend on their ability to cooperate in the national interest.

29. In the longer view, the success of the new regime in Guatemala will depend on its ability to eliminate Communism without repudiating the objectives and achievements of the Revolution of 1944. The overthrow of Arbenz has been hailed with enthusiasm in Guatemala City, which was always strongly anti-Communist in sentiment, but the urban reformist elements there would not welcome an attempt to re-establish the traditional social and political order. In the countryside, there are both reactionaries who would like to undo the Revolution of 1944 in the name of anti-Communism and aroused agrarian workers who fear that the Castillo regime will deprive them of their recent gains. A constructive and enduring solution of Guatemala's political problems thus requires great skill and discrimination on the part of the new government.

30. The President of *El Salvador* is Oscar Osorio. In 1948, as a junior army officer, he led a coup which overthrew his dictatorial predecessor and established a liberal and progressive, but not radical, regime. He was elected constitutional president in 1950, for a six-year term. *Lenin's control by 07/10*

31. The President of *Honduras* is Dr. Juan Manuel Galvez, a lawyer put in office by Tiburcio Carias, the erstwhile "strong man" of that country. Carias gained control of Honduras in 1923, when he led the Conservatives to victory over the Liberals in a civil war. For a time his position was precarious, but his demonstrated ruthlessness eventually discouraged opposition. He occupied the presidency himself from 1933 to 1949, when he voluntarily retired in favor of Dr. Galvez. The Galvez administration, however, has displeased him: Galvez presumed to act as president in fact and to permit an unprecedented degree of liberalization in Honduras. Carias has therefore presented himself as a candidate for re-election in October 1954. *Junco Salazar mul + pol support + support + support + support*

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32. The prospective election of 1954 has created a situation of mounting tensions and involves a possibility of civil war. A three-party contest is in progress among the Nacionalistas (supporters of Carias), the Reformistas (supporters of Galvez, whose candidate is Abraham Williams), and the Liberals (whose candidate is Dr. Ramon Villeda Morales). The political situation is fluid, however. The fact that no one party can count on being able by itself to win and secure power favors the formation of party combinations, any one of which could probably be assured a victory. An alliance between the Nacionalistas and the Liberals is not very likely. In this situation the Reformistas would appear to hold the balance of power. If the Reformistas should combine with the Nacionalistas, the resultant regime probably would be secure against Liberal opposition, even in the unlikely event that such opposition should be armed. A Reformista alliance with the Liberals would eliminate Carias politically. Carias, might be tempted to resort to arms in order to forestall such an eventuality. He might also be tempted to do so even after such an alliance had been effected, but his chances of success in such circumstances would be smaller. In any such attempt Carias would have the support of a considerable number of private armed personal followers and probably also of at least a portion of the national army.

33. The "strong man" of *Nicaragua* is Anastasio Somoza, who was left in command of the Nicaraguan armed forces on the withdrawal of the US military occupation in 1932 and has been in effective control of the country ever since. Somoza has occupied the presidency himself since 1936, except for a brief interval (1947-1950) during which he nevertheless retained control of the armed forces.

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34. In contrast to its neighbors, *Costa Rica* has a long tradition of orderly democratic government. However, the regime of President Rafael Calderon Guardia (1940-1944) and his handpicked successor, Teodoro Picado (1944-1948), was dictatorial. This regime was closely associated with President Somoza of Nicaragua, but, paradoxically, Picado was

Figueres didn't turn under threatened Somoza of his support of his partner in operations. Picado was in Somoza's pocket. Somoza's political oppo.

also dependent on the political support of a rapidly developing Communist movement in Costa Rica. In 1948 the regime attempted to nullify the election of Otilio Ulate, a conservative. It was promptly overthrown by a revolt led by Jose Figueres, a wealthy planter. Figueres headed a provisional government which held power for eighteen months before finally permitting Ulate to take office. In 1953, on the completion of Ulate's term, Figueres was duly elected constitutional president.

35. Figueres is the somewhat erratic leader of the young reformists in Costa Rica and a man of rather advanced socialistic ideas, but he and his administration are definitely anti-Communist. The Figueres regime is faced by an internal conservative opposition led by ex-President Ulate and an opposition in exile principally composed of elements expelled in 1948 and led by ex-President Calderon Guardia. The latter is the more dangerous inasmuch as it can count on the powerful support of Presidents Somoza of Nicaragua and Perez Jimenez of Venezuela.

is he Somoza's reformist? Somoza's associates. Communist? Not? Guardia?

36. The President of *Panama* is Jose Remon, formerly Commandant of the National Police (the only armed force), who was duly elected in 1952 for a four-year term. Remon is a self-made man and is responsive to reformist pressures, but, as a former police chief, he is also conscious of the requirements for order and security. Internal stability during his term seems assured.

IV. COMMUNIST STRENGTH AND INFLUENCE

37. Communist political parties are illegal in all the Caribbean republics, but Communist activities are carried on clandestinely and by a variety of front organizations. Total Communist party membership in these countries is estimated to be about 35,000, of whom some 25,000 are in Cuba. Communist strength in Guatemala was estimated to be about 4,000 before the anti-Communist revolution in June 1954. The Communist parties elsewhere are numerically negligible. Except in the special case of Guatemala, and perhaps Honduras, Communist party membership has generally

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declined during the past year, and it will now almost certainly decline in Guatemala also. The Communists have not penetrated the Caribbean armed forces to any appreciable extent. However, the experience in Guatemala indicates the extent to which a Communist-dominated regime can neutralize the usual role of the Army.

38. Throughout the area the Communists exert an influence far out of proportion to their limited numerical strength through the skill with which they have identified themselves with progressive and nationalistic movements. Thus the rising non-Communist demand for social, economic, and political change has been exploited to serve Communist purposes: to discredit anti-Communist governments and to convert popular dissatisfactions into antagonism toward the US. Communist efforts to these ends have been greatly facilitated by the memory of US military interventions in the Caribbean republics, by the susceptibility of the intelligentsia to Marxist cliches, and by the ease with which the established economic pattern could be characterized as "feudal" and "colonial."

39. Guatemala is, of course, the prime example of the successful application of this Communist technique. There, through personal influence with President Arbenz, a small but zealous group of Communists was able to gain control of the implementation of the social reforms promised by the Revolution of 1944. The potential opposition was fragmented. The traditional ruling elements, landed gentry and senior army officers, had been discredited. Anti-Communist urban reformist elements were themselves antagonistic toward "feudal" landholders and foreign corporations and were therefore unwilling to make common cause with them against the Communists. Arbenz' control of the Army neutralized its anti-Communist tendencies and protected the regime against counter-revolutionary attempts. Under Arbenz' patronage, the Communists were able to infiltrate and dominate other political parties and to begin building up a mass following of their own through their control of labor organizations and of agrarian reform. Given a little more time,

they might have made their position secure against any internal opposition through the development of an armed workers' and peasants' militia.

40. Possession of a secure base in Guatemala greatly enhanced Communist capabilities throughout the Caribbean area. The example of Guatemala was in itself infectious. Guatemalan propaganda against "feudalism" and "colonialism" appealed to the prejudices of a wide audience. Guatemala afforded not only a safe refuge for Communist fugitives from other countries, but also a base for international conspiratorial action. Communist subversive activity based on Guatemala was apparent in the strike of Honduran plantation workers. That technique was capable of further extension.

41. The Guatemalan anti-Communist revolution of June 1954 has deprived the Communists of the advantages which they derived from the patronage and protection of President Arbenz, but the ensuing situation has aspects subject to Communist exploitation. For example, the revolution itself will continue to be represented in Communist propaganda as a US intervention in behalf of the United Fruit Company, an effective line with a Caribbean audience predisposed to believe the worst of the United States, the United Fruit Company, and Caribbean "reactionaries." The Communists may also have a capability to create disturbances in Guatemala through guerrilla action by armed bands of agrarian workers.

42. Since the Communist reverse in Guatemala, the Popular Socialist Party in Cuba (PSP), the largest Communist party in the Caribbean, is also the most influential. The PSP has support in student, youth, and women's groups and among intellectuals, but its main following lies in the trade unions, especially in transportation, sugar mill, and tobacco workers' unions.

43. The PSP's effectiveness has been reduced by the anti-Communist measures of the Batista government, which have outlawed the party as such, suppressed its key publications, declared Communists ineligible to hold public and union offices, and restricted travel to

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Soviet Bloc countries. The PSP has also been hindered by its failure to form a united front with other opposition groups, and by dissension within its own ranks. Nevertheless, the Communist leadership in Cuba remains united and militant, and individual Communists have been successful in penetrating other political parties, labor unions, and the bureaucracy, particularly the Ministry of Labor. They have had conspicuous success in the two pro-Batista parties. This success is attributable in part to the fact that the influential non-Communist Cuban Labor Confederation has consistently belittled the importance of the relatively small pro-Batista elements in organized labor, with the result that the pro-Batista parties have turned to the Communists as a means of acquiring influence among the workers.

44. The attitude of President Batista himself toward the Cuban Communists has been equivocal. He has cooperated with them in the past, as have his political opponents. He now takes an anti-Communist line in international affairs and has outlawed the PSP, but he has also professed to believe that Communism is not an important factor in domestic affairs and that in any case it can be readily controlled.

45. Elsewhere in the area the development of Communist potentialities has been held well in check. In El Salvador in 1932 a Communist-inspired peasant uprising was ruthlessly suppressed. Since then the only serious Communist threat has been that of infection from Guatemala. The development of a Communist threat in Costa Rica was frustrated by the anti-Communist revolution of 1948. President Remon has sharply curtailed the once extensive Communist influence in Panama. The surprisingly well organized strike of plantation workers in northern Honduras was indicative of Communist underground activity, but the anti-Communist revolution in Guatemala has deprived the Honduran movement of valuable outside support. No appreciable Communist threat has developed in Nicaragua, Haiti, or the Dominican Republic.

46. Caribbean Communist international contacts are maintained through the Commu-

nist-controlled Latin American Confederation of Labor (CTAL), with headquarters at Mexico City, and through the travel of party leaders and selected sympathizers to Soviet Bloc countries and to Communist-sponsored international conferences. There has been a marked increase in such travel since 1950, the expense being borne for the most part by the USSR.

V. THE ARMED FORCES

47. The armed forces of the Caribbean republics exist to defend their incumbent governments against internal subversion, filibustering expeditions from abroad, and the possibility of armed intervention by antagonistic neighboring regimes. In Caribbean opinion, defense against any more formidable aggression is both beyond the republics' limited capabilities and sure to be provided by the United States in its own interest. Under the concept of hemisphere defense, however, and with requisite provision of US assistance, most of the Caribbean republics will probably maintain small units equipped and trained for modern combat and available to assist in an integrated defense of the Caribbean area.

48. The ground forces of the Caribbean republics (see Annex II) consist of both army units and militarized police. That distinction is generally without real significance. Both army and police forces are normally dispersed in small units, except for concentrations of both at the capital cities. Such concentrations of army strength generally amount to less than the numerical equivalent of one US infantry battalion. The ground forces of Haiti, the Dominican Republic, and Nicaragua were originally organized as constabularies during US military occupation and retain that essential character, despite changes in nomenclature. Costa Rica realistically describes its only armed force as the Civil Guard. Panama has recently redesignated its National Police as the National Guard, the term also used by Nicaragua. The Cuban Army (20,000 men) is the only one worthy of consideration as an army.

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49. Air forces are maintained by all the Caribbean republics except Costa Rica and Panama (see Annex II), but the Dominican and Cuban air forces are the only ones with appreciable strength in men, pilots, and aircraft. The others are minor auxiliary units with few qualified pilots and generally obsolete equipment. However, the effect achieved by Castillo Armas' minute air force is likely to intensify Caribbean interest in air capabilities.

50. Such Caribbean navies as exist are essentially coast guards. Cuba and the Dominican Republic have an additional special interest in maintaining naval capabilities for defense against filibusters. Their navies are the only ones worthy of consideration (see Annex II).

51. At present the armed forces of Cuba, the Dominican Republic, Guatemala, El Salvador, and Nicaragua are capable of maintaining internal security and defending against raids. Those of Haiti, Honduras, Costa Rica, and Panama are capable only of suppressing minor civil disturbances. In a major emergency most of the Caribbean republics would expect to augment their armed forces with hastily assembled volunteers.

52. The United States maintains army missions in all the Caribbean republics except Haiti and the Dominican Republic, air force missions in all except the Dominican Republic, Costa Rica, and Panama, and navy missions in Cuba and Haiti. In addition, Cuba, the Dominican Republic, Nicaragua, and Honduras have entered into military assistance agreements with the United States, and a similar agreement is under negotiation with El Salvador. Under these agreements, Cuba and the Dominican Republic have undertaken to contribute naval and air units to hemisphere defense. Nicaragua and Honduras have undertaken to furnish one infantry battalion each for the same purpose, and the same commitment is being sought from El Salvador.

VI. GENERAL ECONOMIC CONDITIONS

53. The nine Caribbean republics are similar in economic structure, though they vary widely in rate of economic growth and capacity for development. With the exception of Pan-

ama, which depends substantially on commercial activities, their economies are based primarily on agriculture, which provides nearly all of their food requirements and the bulk of their exports. Industrial output is confined largely to processed foodstuffs and nondurable consumers' goods. Except in the production of export crops, agricultural methods are technologically backward. The industrial plant, geared to limited national markets, is in general small and poorly equipped. Basic service industries are insufficiently developed to permit large scale and sustained economic development. The area's low economic capability is indicated by the low level of per capita national income, which ranges from \$296 in Cuba to \$40 in Haiti and is generally below \$100 (see Annex I).

54. Inasmuch as the area's requirements for capital goods and for a very large proportion of consumers' goods must be procured from abroad, foreign trade is vital to the national economies and they are vulnerable to fluctuations in the terms of trade. The principal export commodities are coffee, sugar, and bananas (see Annex III). The United States is the principal market and source of supply for each of the nine republics.

55. After an interval of readjustment in the immediate postwar years, the economic position of most of the Caribbean republics has generally improved. A sustained rise in the prices of their export commodities has notably improved their terms of trade and stimulated economic growth. The coffee producing countries are currently enjoying a special advantage in this respect. On the other hand, Cuba and the Dominican Republic have been adversely affected since 1952 by declining demand and prices for their sugar. The most difficult economic situation is that of Panama, the economy of which is largely dependent on the level of US activity in the Canal Zone. Panama's readjustment to the cessation of US wartime operations in the Zone has been prolonged and painful.

56. Throughout the area, production of foodstuffs and raw materials for local consumption has on the whole kept pace with population growth. Most countries have also made

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progress in expanding the industrial sectors of their economies through increased production of consumers' goods and construction materials. However, the relatively slow development of basic services has been an important limitation on economic growth.

57. Desire for economic development has stimulated government study of economic potential and the preparation of development programs. The governments of Cuba, Haiti, Guatemala, Nicaragua, and Costa Rica have been active in this respect. However, the implementation of such programs is hindered by lack of readily available capital resources and of technical skills.

58. In recent years, foreign private investment capital has generally been unwilling to enter the area on a large scale, partly for lack of confidence in political stability, partly also in view of the narrow limitations of local markets. Foreign investment has continued to expand, however, in those fields in which such investment was already large, notably in the banana and electric power industries. Moreover, several republics (Cuba, Haiti, El Salvador, Nicaragua, and Panama) have been able to obtain modest financial assistance from the Export-Import Bank or the International Bank for Reconstruction and Development.

VII. INTERNAL POLICIES AFFECTING US PRIVATE INTERESTS

59. Caribbean dissatisfaction with a "colonial" economic status finds expression in antagonism toward the large US corporations operating in the area, particularly toward those which enjoy special privileges granted in former times. The Communists exploit this dissatisfaction for their own purposes, but the sentiment is real and general. Various pressures have been brought to bear to compel such interests to relinquish their special privileges and to pay higher wages and taxes.

60. Aggregate US direct private investments are greatest in Cuba and Panamá, on a lesser scale in the Dominican Republic, Guatemala, Honduras, and Costa Rica, and relatively slight in Haiti, El Salvador, and Nicaragua

(see Annex III). They consist chiefly of plantations and public utilities (transportation, telecommunications, and electric power). The largest single US interest in the area is the United Fruit Company, which operates in all of the Caribbean republics except Haiti, but mainly in Guatemala, Honduras, Costa Rica, and Panama. It is the principal target of Caribbean economic nationalism and of Communist agitation.

61. The United Fruit Company, parent company to some sixty operating subsidiaries, has total assets estimated at \$580,000,000. Its primary business is the production of a major part of the world's marketable supply of bananas, but it incidentally produces abaca, cacao, hardwoods, palm oil, and sugar as well. Its landholdings in the Caribbean republics, Jamaica, Colombia, and Ecuador amount to some 3,000,000 acres, and it provides employment for some 90,000 persons in those countries. In addition to its plantations, it operates 1,500 miles of railways, several ports, a fleet of 65 ships, and extensive telecommunications facilities. These services, provided for its own convenience, are also of vital importance to the economies of Guatemala, Honduras, Costa Rica, and Panama, as are also the company's payments to governments, private firms, and wage earners in those countries. At the same time, the company provides for its employees housing, commissaries, schools, hospitals, social services, and recreational facilities that would otherwise not be available to them.

62. The United Fruit Company has made and is making a most important contribution to the economic development of Central America, but there is in those countries a strong sense that, out of its profits, it could contribute more. The Company's over-all financial strength and its dominant position in several national economies are regarded as a threat to national sovereignty. This sense of an implicit threat is strengthened by the recollection of former times when the Company bought up venal politicians to facilitate the negotiation of favorable concessions and was commonly understood to have also procured revolutions whenever its interests would be furthered thereby. Nationalistic opinion dis-

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counts the benefits extended by the Company to its employees as grudging responses to pressure exerted by governments and labor organizations. In any case, the Company's paternalism is itself offensive to ardent nationalism. For example, in Costa Rica, which has long taken pride in its schools, the Company's separate school system has been an affront to the national dignity.

63. The United Fruit Company encountered its worst difficulties in Guatemala under the Arbenz regime. Whatever the merits of Guatemalan domestic legislation, the laws were undoubtedly applied with extreme prejudice toward the Company. In addition to constant harassment in labor courts with respect to wages and working conditions, it suffered the expropriation of a large proportion of its landholdings without regard for its operating requirements and without adequate compensation.

64. In contrast to its Guatemalan experience, the Company has been able to negotiate with Costa Rica a revision of the terms of its contract which may serve as a model for readjustments elsewhere. The Company has conceded to Costa Rica the right to take over the schools, hospitals, and dispensaries now operated by it, and has accepted an increase in its taxes up to 30 percent of the net profit of all its operations in that country.

65. US-owned sugar companies operating in the Dominican Republic have also experienced discriminatory pressures by the Dominican Government, but this seems to be a matter of private extortion rather than of public policy.

VIII. INTRAREGIONAL RELATIONSHIPS

66. The relationships of the Caribbean republics with one another are conditioned in part by their historical origins and associations. Haiti is singular, as a former French colony and a Negro state. It was the first to achieve independence, in 1803, but for generations was ostracized as a menace to the peace and social order of the region. The Dominican Republic, which considers itself a white community in contrast to Haiti, was annexed by Haiti, 1822-1844, and for another thirty years was subject

to repeated Haitian attempts to reconquer it. Haitian-Dominican relations remain embittered by this history and by color prejudice. Central America was a single Spanish colony which became an independent federal state in 1824. The Federation dissolved in 1838, but repeated attempts have been made to revive it, the latest effort in this direction being the Organization of Central American States (ODECA). Meanwhile the successor republics have freely interfered in one another's affairs. Cuba remained a Spanish colony until 1898; Panama, a part of Colombia until 1903.

67. The conspiratorial and revolutionary politics of the Caribbean normally extend across national boundaries. For over a century it has been customary for the leading adherents of a regime overthrown by revolution to take refuge in a sympathetic neighboring country, there to plot counter-revolution with the sufferance, and perhaps the active support, of the host government. Conversely, the security of a given regime is seen to depend in large part on the existence of friendly governments in neighboring countries, a consideration which may lead to the fomenting of revolution abroad in order to forestall revolution at home. Thus a successful revolution in one country is likely to lead to revolutionary attempts in others as well as to international counterrevolutionary conspiracy.

68. This tendency has been accentuated by the increasing tension between traditionalist and reformist elements in the Caribbean, which has resulted in shifting international alignments involving most, but not all, of the Caribbean republics. These alignments are commonly described as the "democracies" versus the "dictatorships," but these terms are not precisely descriptive in all cases. Actually, adherence to one group or another has been as much a matter of expedience as of ideological considerations. The initial alignment developed from a conspiratorial combination of Dominican and Nicaraguan exiles, with Cuban, Guatemalan, and Venezuelan cooperation and encouragement, to overthrow the Trujillo regime in the Dominican Republic and then the Somoza regime in Nicaragua. This original conspiracy was frustrated in 1947

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by the belated decision of the Cuban Government to prevent the use of its territory as a base of operations against Trujillo, but the filibustering organization which had been formed, the "Caribbean Legion," gave important military support to Figueres in his 1948 revolution against a Costa Rican regime that was paradoxically affiliated with Somoza as well as with the Communists. In 1949 renewed plots, counterplots, and complaints led to an intervention by the Organization of American States which resulted in the dissolution of the "Caribbean Legion."

69. The revolutionary overthrow of the "democratic" regimes in Venezuela (1948) and Cuba (1952) brought about the realignment of those countries. Inasmuch as the new regime in Guatemala is beholden to Somoza, Costa Rica is now isolated as the last proselytizing "democracy." Since 1948 Costa Rica has been a refuge for "democratic" exiles, most notably Romulo Betancourt, the former president of Venezuela. There can be no doubt that exiles in Costa Rica have conspired against both Somoza and the Perez Jimenez regime in Venezuela; the Costa Rican Government was at least culpably negligent with respect to the recent plot to assassinate Somoza. Recently, in the face of a threatened revolutionary attempt by Calderon Guardia with Nicaraguan and Venezuelan support, Figueres has adopted a more correct attitude and Betancourt and other exiles have left Costa Rica. Nevertheless, it is an open secret that both Somoza and Perez Jimenez are out to get Figueres, with the cordial good wishes of Trujillo and Batista.

70. In Caribbean and in general Latin American opinion, this issue of "democracy" versus "dictatorship" — that is, of social and political change versus traditional authoritarianism — is a matter of far greater importance than the question of Communism or anti-Communism. The point is illustrated by Somoza's former support of the Communist-infiltrated Picado administration against Figueres and the "Caribbean Legion." Figueres' anti-Communist record and the fact that he has made his peace with the United Fruit Company will not stay the hands of

Somoza and Perez Jimenez against him. Perez Jimenez has made it plain that, from his point of view, the elimination of Figueres is a matter of more urgent importance than was the elimination of Arbenz.

IX. RELATIONS WITH THE UNITED STATES

71. With the notable exception of Guatemala under Arbenz, the governments of the Caribbean republics have recognized that, in view of the strategic importance of the Caribbean to the United States and of the overwhelming preponderance of US economic and military power in the area, they must accommodate their policies to US security interests, if only as a matter of practical expediency. However, popular suspicions of US motives make it necessary for governments to avoid the appearance of subservience to the US, and somewhat limits the ability of governments to cooperate with the US. Moreover, in return for their cooperation, governments of the area expect from the United States protection, toleration of their peculiar domestic political processes, and a generous attitude toward their economic problems. They strongly support the Organization of American States and the United Nations, in part as a means of obtaining a voice in international affairs out of proportion to their meager strength, but also as a means of invoking general Latin American support, if need be, as a safeguard against US domination.

72. All the Caribbean republics except Guatemala have ratified the Rio Treaty and all are disposed to cooperate with the United States in hemisphere defense.¹ In the OAS and the UN, all except Guatemala under Arbenz have consistently supported the United States on basic issues with the Soviet Bloc. On certain other issues involving "colonialism" and underdeveloped areas their record has been variable, as has that of the Latin American states

¹ On 25 March 1954 Guatemala withdrew the instrument of ratification of the Rio Treaty which had been previously deposited with a reservation unacceptable to various signatory states. The reservation concerned Belize, with respect to which Guatemala maintained that it might assert "its rights . . . by any means it may deem most advisable."

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generally. All except Guatemala (under Arbenz) supported the US-sponsored anti-Communist resolution adopted by the Caracas Conference. At the same time all except Costa Rica (which was absent) took occasion to emphasize their opposition to colonialism and their sense that the United States had discriminated against Latin America in matters of financial assistance and trade.

73. The conflict between "democracy" and "dictatorship" in the Caribbean confronts the United States with a dilemma, for both sides feel entitled to active US support. The "dictators" present themselves as guarantors of stability and order and of cooperation with the United States. The reformists, by definition, are an unsettling influence, but they contend that the United States, as a progressive democracy dominant in the area, has a moral obligation to foster social and political development, and they attribute any denial of positive support to the sinister influence of the "dictators" and the United Fruit Company on US policy. Conversely, the "dictators" resent any indication of US support for reformist regimes as a betrayal of the "true friends" of the United States. It is a primary Communist objective to identify the United States as the chief support of the Caribbean dictators and the chief obstacle to social and political progress in the area.

74. US relations with Panama constitute a special problem because of US control of the Canal Zone in the heart of the Republic and because of the importance to the Panamanian economy of dollar earnings from the Zone. In these special circumstances, Panamanian governments have to strike a nice balance between popular sensitivity regarding the national sovereignty and dignity and a real necessity to maintain cooperative relations with the United States. Panamanians have long resented discrimination against them in the administration of the Zone, particularly on a racial basis, and the commercial competition of installations in the Zone established for the benefit of US personnel. These resentments have been intensified by the depression of the Panamanian economy resulting from the postwar curtailment of US activi-

ty in the Zone. President Remon has deprived his political opponents of this issue by committing himself to secure a substantial increase in the annuity paid by the United States for use of the Canal Zone, and also to secure the elimination of US commercial competition and of wage differentials in the Zone. Perhaps purposefully, Remon thereby put himself in such a position that a failure to obtain substantial satisfaction would be detrimental to the stability of his administration, on the calculation that the United States would not be willing to see his regime weakened. The matter is still under negotiation.

X. RELATIONS WITH THE SOVIET BLOC

75. The Caribbean republics have virtually no relations with the Soviet Bloc other than the connections maintained by local Communist parties (see paragraph 46). Since Cuba severed diplomatic relations in 1952, no Bloc country has had direct diplomatic representation in any of the republics, not even in Guatemala under Arbenz. The Czech minister resident in Mexico is also accredited to Guatemala. The Polish minister in Mexico has presented his credentials in, and they are believed to have been accepted by, Panama, Costa Rica, Honduras, Nicaragua, and Haiti. Bloc trade representatives, mostly Czech, have visited the area from time to time, but Caribbean commercial relations with the Bloc are negligible.

XI. ATTITUDES OF OTHER LATIN AMERICAN STATES

76. Recognizing US predominance in the Caribbean area and remembering US military and political interventions in various Caribbean countries, the other Latin American states tend to keep a close watch on US relations with the Caribbean republics as a test of US good faith in the implementation of the Good Neighbor Policy. Their sensitivity on the issue of intervention was amply demonstrated with respect to the Caracas anti-Communist resolution and in public and congressional reaction to the June 1954 revolution in Guatemala. From their point of view, a question of US intervention in the internal affairs

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of a Caribbean republic is a matter of far more urgent importance than that of an indirect and long-term Communist threat.

77. The other Latin American republics, themselves addicted to economic nationalism, are predisposed to sympathize with economic nationalism in the Caribbean republics and to support them in their relations with such an entity as the United Fruit Company.

78. In matters relating to the issue of "democracy" versus "dictatorship" in the Caribbean, the sympathies of the other Latin American republics tend to vary in accordance with their own character. Venezuela is already an active participant in the Caribbean alignment, but Colombia stands aloof from it. Other countries, such as Peru, in which the traditional order still prevails naturally sympathize with the traditional ruling elements in the Caribbean. On the other hand, Uruguay, as the professed champion of democracy in Latin America, is predisposed to take the opposing position. Mexico, which has had its own social revolution, but is now interested in preserving stability and order, is disposed to sympathize with Caribbean social reform, but to work to avert political and armed conflict. Brazil also favors conciliation.

XII. PROBABLE FUTURE DEVELOPMENTS

79. The pressure for social, economic, and political change in the Caribbean will continue to grow. For the time being, however, the elements resisting change are in the ascendant. Whether eventual change is orderly will depend in large measure on whether the existing regimes can bring themselves to promote social, economic, and political progress, or whether, through static repression, they make virtually certain an eventual violent explosion. In any case, no substantial improvement in

basic conditions is likely to occur for many years.

80. The overthrow of the Arbenz regime has removed the most immediate and dangerous threat to stability and order in the region, but, in Guatemala and throughout the Caribbean, the Communists will continue to make the most of plentiful opportunities for agitation.

81. The prospects for stability and order in Guatemala depend, immediately, on continued cooperation between Castillo and Monzon, and ultimately, on whether the new regime can and will adhere to the broad objectives of the Revolution of 1944 while rooting out Communism and normalizing Guatemala's relations with the rest of the American community. Any other policy would be likely to lead to further internal conflict.

82. The greatest present threat to stability and order in the region is the animosity of Somoza and Perez Jimenez toward Figueres. Figueres' recent more conciliatory attitude has eased the situation somewhat, but neither Somoza nor Perez Jimenez is likely to become reconciled to the continued existence of the Figueres regime.

83. Election periods are critical times in all the Caribbean republics. Presidential elections are now scheduled to be held in Honduras and Cuba during 1954, in El Salvador and Panama during 1956, and in Haiti, the Dominican Republic, Nicaragua, and Costa Rica during 1957. None is scheduled for 1955. The October election in Honduras may precipitate armed violence in some degree. The issue cannot be predicted. President Batista will make sure of winning the November election in Cuba.

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ANNEX I

A. POPULATION AND RACIAL COMPOSITION¹ (1952)

	<u>Total Population</u>	<u>White</u>	<u>Percent</u>		
			<u>Mixed</u>	<u>Indian</u>	<u>Negro</u>
Cuba	5,750,000	65 ¹	25	0	10
Haiti	3,200,000	0	5	0	95
Dominican Republic	2,236,000	13	68	0	19
Guatemala	2,980,000	1	31	65	3
El Salvador	1,986,000	10	77	10	3
Honduras	1,513,000	3	85	9	3
Nicaragua	1,120,000	15	70	5	10
Costa Rica	850,000	70	20	4	6
Panama	841,000	15	69	1	15

¹ Census definitions of racial classification vary from country to country. In many countries classification as "white" is as much a matter of social position as of ancestry. This appears to be especially the case in Cuba.

B. LITERACY AND PER CAPITA NATIONAL INCOME

	<u>Literacy (percent)</u>	<u>Per Capita Income (1949: dollars)</u>
Cuba	65	296
Haiti	15	40
Dominican Republic	43	75
Guatemala	28	77
El Salvador	40	92
Honduras	35	83
Nicaragua	30	89
Costa Rica	79	125
Panama	72	183

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ANNEX II

ARMED FORCESA. PERSONNEL STRENGTHS

	<u>Ground</u> ¹	<u>Air</u> ²	<u>Naval</u>
Cuba	28,500	657 (76)	5,776
Haiti	4,600	133 (14)	negligible
Dominican Republic	13,100	1,442 (103)	2,395
Guatemala	9,750	183 (48)	none
El Salvador	5,600	116 (12)	negligible
Honduras	3,560	334 (21)	negligible
Nicaragua	3,450	115 (28)	negligible
Costa Rica	1,400	none	none
Panama	2,500	none	none

¹ Includes both Army ground forces and militarized police.² Numbers of rated pilots in parenthesis.B. MILITARY (including Naval) AIRCRAFT

	<u>Fighters</u>	<u>Light Bombers</u>	<u>Transports</u>	<u>Trainers & Misc.</u>
Cuba	26	4	9	49
Haiti	4	0	5	8
Dominican Republic	61	0	3	66
Guatemala	10	4	4	20
El Salvador	2	1	2	8
Honduras	9	2	3	19
Nicaragua	2	2	3	15

C. COMBATANT NAVAL VESSELS

	<u>Destroyers (DD)</u>	<u>Frigates (FF)</u>	<u>Escorts (PCE)</u>	<u>Submarine Chasers (PC)</u>	<u>Small Sub. Chasers (SC)</u>
Cuba		3	2		8
Dominican Republic	2	2	5	6	2

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ANNEX III

A. PRINCIPAL EXPORTS AS PERCENT OF TOTAL EXPORTS

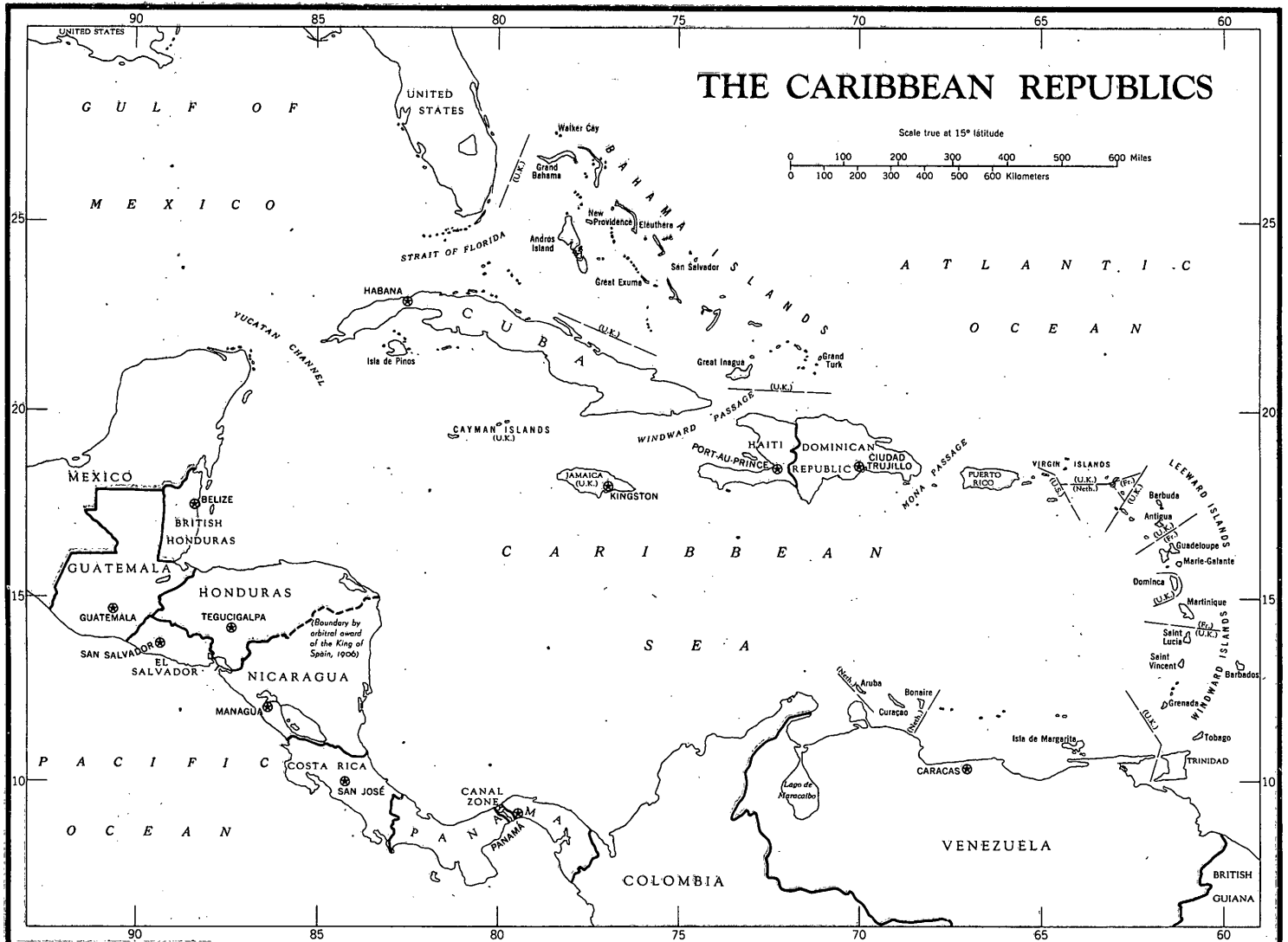
	<u>Sugar</u>	<u>Coffee</u>	<u>Bananas</u>
Cuba	85
Haiti	6	66	..
Dominican Republic	50	23	..
Guatemala	..	82	5
El Salvador	..	88	..
Honduras	..	26	66
Nicaragua	..	51	1
Costa Rica	..	34	59
Panama	38

B. TOTAL US DIRECT PRIVATE INVESTMENT, AS OF 1950 (millions of dollars)

	<u>Total</u>	<u>Agriculture</u>	<u>Utilities</u>
Cuba	642.4	262.7	270.5
Haiti	12.7	7.9	2.3
Dominican Republic	105.7	79.1	10.7
Guatemala	105.9	26.0	72.2
El Salvador	18.5	negligible	16.8
Honduras	61.9	na	8.8
Nicaragua	9.0	na	0.9
Costa Rica	60.0	44.3	10.8
Panama	348.0	7.7	132.5

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