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IRANIAN PRIME MINISTER FACES NEW DIFFICULTIES Page 9

Prime Minister Mossadeq faces mounting pressure on his return to Iran as the financial and economic situation continues to deteriorate. Increased political opposition, aggravated by a rise in Communist activity, threatens National Front control of the government. This opposition, however, is unorganized and probably cannot successfully challenge Mossadeq's control in the immediate future.

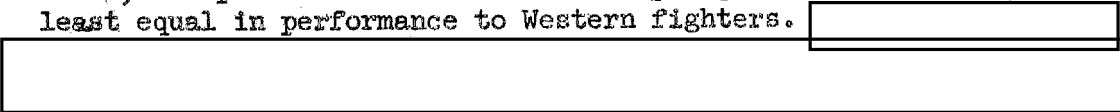
OUTLOOK FOR EUROPEAN DEFENSE FORCES UNCERTAIN Page 11

Despite the very considerable work already accomplished by the European Defense Forces Conference, a number of basic problems remain unsolved and new difficulties are appearing. Political and economic questions involving Germany's relationship to the West must be faced before the European defense community can begin to function.

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Standardization by the Soviet Union on the MIG-15 fighter aircraft in 1949, despite the calculated risk of obsolescence prior to the outbreak of a major war, probably indicates that the USSR is depending primarily on large numbers to counter Western superiority in strategic weapons and to cancel out any immediate improvements in Western fighter types. The MIG-15, in Korean operations, has proved effective in intercepting Western bombers and at least equal in performance to Western fighters.

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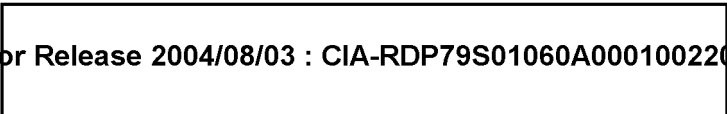


THE PHILIPPINE ELECTIONS Page 16

The Philippine elections of 13 November resulted in a genuine public repudiation of the Quirino regime. The opposition Nacionalista Party won all nine of the contested Senate seats and approximately half the governorships and other provincial posts. It is in marked contrast to previous Philippine elections that a strongly entrenched political machine permitted this to occur. The precedent set thereby is at least equal in importance to the shift in party fortunes.

SPECIAL ARTICLE. WORLD COMMUNISM: THE COMMUNIST SITUATION IN SOUTH AMERICA Page 17

South American Communists, while not a strong or immediate threat to US security, nevertheless possess a considerable potential for interference with economic activities. During the past year, they strengthened their ties with European Communists, intensified their efforts in behalf of Soviet propaganda objectives, and helped stimulate isolationist, nationalist, and anti-US sentiment. (SEE MAP)



THE SOVIET WORLD

It is not yet clear whether the Soviet Union's new four-point proposal for disarmament has any purpose other than to improve the Soviet propaganda position, which had suffered from the aftereffects of Vyshinsky's initial speech before the UN General Assembly in Paris. The proposal could, however, be a forerunner of further Russian concessions on disarmament, as part of a serious effort to reach some form of agreement with the Western powers.

In an effort to draw closer to the tripartite position on arms limitation, Russia is now willing, according to Foreign Minister Vyshinsky, to agree to a census of armed forces, armaments (including conventional and atomic weapons) and foreign military bases, subject to verification by the UN Security Council. The census would take place within one month after agreement on the plan, but presumably a Soviet veto could be applied in the Security Council on questions of implementation.

Important points of East-West disagreement on the disarmament issue remain to be settled. For example, the Soviet Union has not modified its unacceptable demands for an outright one-third reduction in the armaments of the Big Five and absolute prohibition of atomic weapons. In view of the Soviet preponderance of power in conventional military strength and the Western superiority in atomic weapons, agreement to this proposal would tend to leave Russia with a still greater edge in overall armed strength.

The chances for serious big power negotiations remain poor. Moscow's reaction to Auriol's suggestion for a Big Four conference was lukewarm. Pravda's and Izvestiya's comments on other Western suggestions for a conference are typical of Moscow's attitude. Both newspapers noted that French Foreign Minister Schuman made "very hazy references" to the desirability of "personal contacts," and that Secretary General Lie proposed "in a very indefinite form" that the Foreign Ministers of disagreeing countries enter into immediate negotiations. The Kremlin apparently wants to tie negotiations to the West's entire rearmament program rather than discuss the causes of tensions which created the need for the program.

Continuing the Russian war of diplomatic notes, Deputy Foreign Minister Gromyko delivered a new protest to representatives of the United States, Great Britain and France in Moscow. The latest charges concerned Trieste, and were largely a rehash of old complaints that the three Western powers have violated the Italian Peace Treaty in order to set up a military and naval base there. The note further stated that the three powers are planning illegally to divide the territory between Italy and Yugoslavia. Earlier in the week, Russia sought to have the last word

in the exchange with Norway by delivering still another note reiterating accusations of Norwegian "aggressive aims."

Despite their efforts to deny strategic materials to the Orbit, Norway and Denmark found it necessary in their 1952 trade agreements with Czechoslovakia and Poland to agree to the delivery of certain Western embargoed goods. Czechoslovakia will receive 500 tons of aluminum from Norway in exchange for 500 tons of ship plates. Poland will receive almost a million dollars' worth of automobile and truck parts from Denmark in exchange for 1.63 million tons of coal.

The Swedish Government also has bowed to Polish demands for strategic ball bearings in exchange for Polish coal. Sweden plans to offer \$193,000 worth of bearings and hopes to reach an agreement on an amount not substantially greater.

There is evidence that Polish authorities, in their efforts to expand Poland's overburdened merchant shipping facilities, are attempting to establish and may already have succeeded in setting up, a dummy corporation in Panama for the purchase of Western vessels. [redacted]

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[redacted] It is estimated that between 100,000 and 250,000 dead weight tons of British cargo ships less than ten years old are available for purchase by such a company, which in turn would transfer them to Poland.

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IMPLICATIONS OF CHINESE COMMUNIST CONTROL OF TIBET

Chinese Communist control over Tibet, now being consolidated, threatens the territories on India's northern frontier. The Chinese Communists are in a position to maneuver for the eventual extension of influence and possibly for jurisdiction over the border territories of Nepal, Bhutan, Sikkim and Kashmir, and the Indian Provinces of Uttar Pradesh and the Punjab. (SEE MAP) If the Chinese Communists should acquire control over all these areas, their strategic position vis-a-vis the Indian sub-continent would be greatly strengthened.

The Dalai Lama, temporal and spiritual ruler of Tibet, cabled Mao Tse-tung on 24 October announcing his government's ratification of the Sino-Tibetan agreement of May 1951, which provided for the Communist takeover of Tibet. Lhasa's ratification of this agreement, which had been signed by a Tibetan delegation in Peiping last spring, is proof of the extension of effective Communist control over Tibet's central ruling circle, and thus presages complete domination.

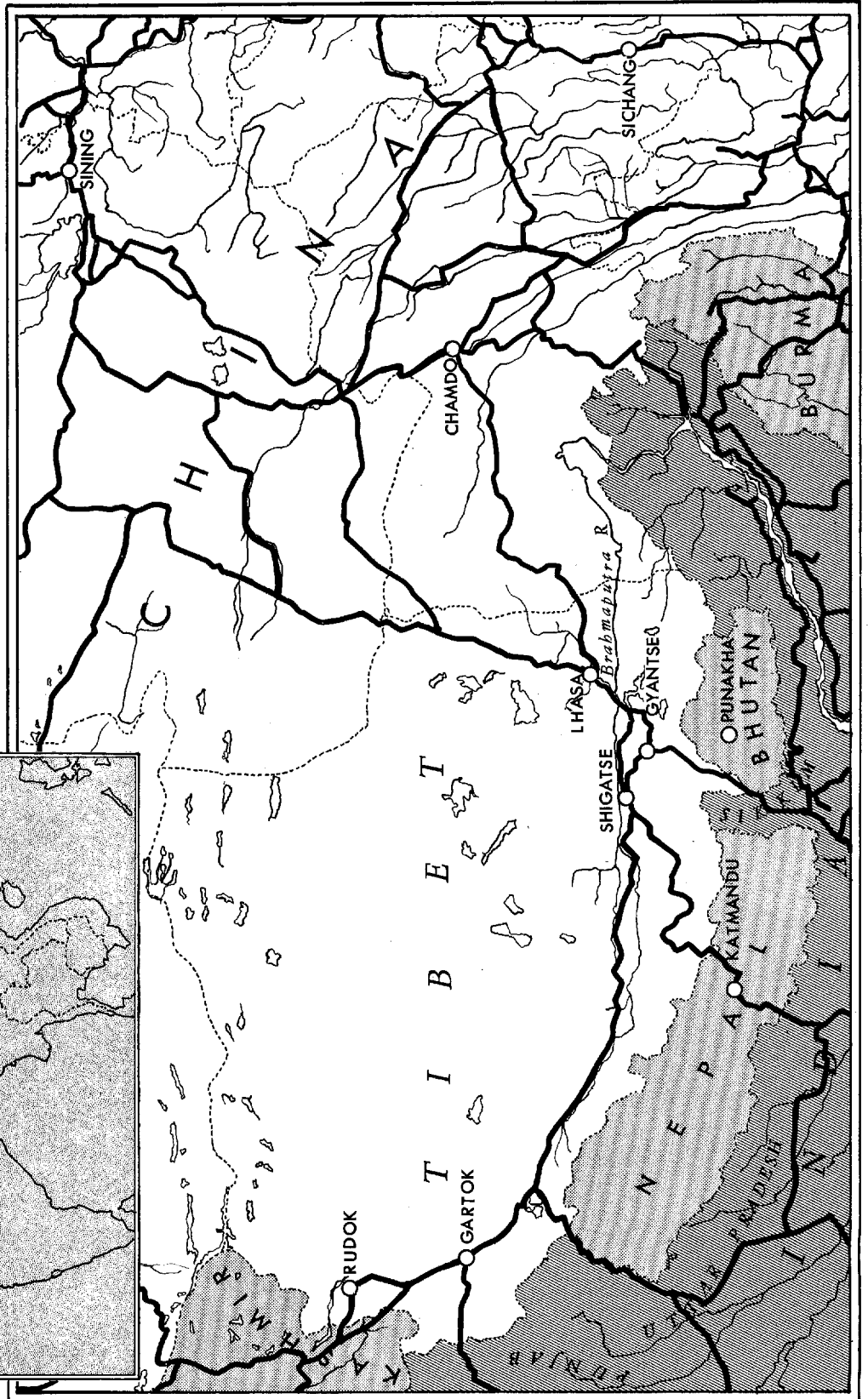
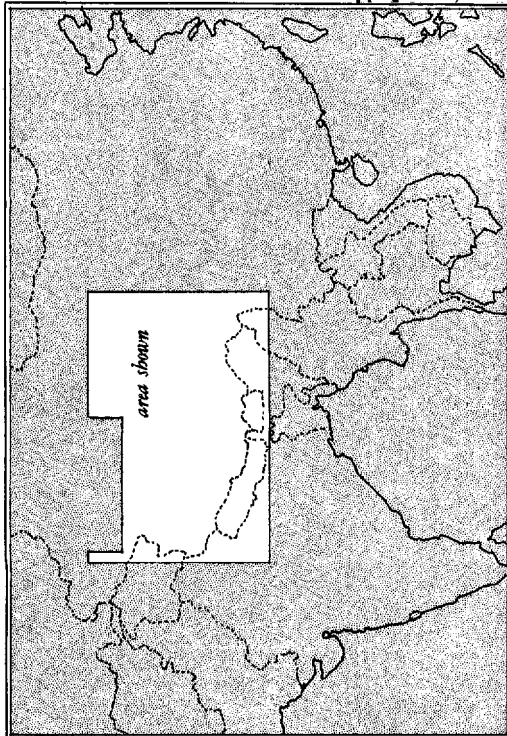
The Communists are now proceeding to exploit the popularity of the Dalai Lama. The Dalai Lama will almost certainly be supplanted by the Panchen Lama, a mouthpiece for the Chinese Communists. In late 1949 the Chinese Communists captured the young Panchen Lama at his retreat in west China, and they have made effective use of this valuable puppet to rally Tibetans to the Communist cause. The Sino-Tibetan agreement stipulated that the Panchen Lama is to have equal status with the Dalai Lama and provided that he shall assume a degree of authority which would make him in fact superior to the Dalai Lama.

The Dalai Lama's cable of ratification formalizes a military capitulation which had already taken place. Chinese Communist troops have been occupying Lhasa for some weeks, and a detachment is said to have been dispatched from Lhasa west to Shigatse, the ancient seat of the Panchen Lama. Other Communist forces have recently been reported to be in control of the main Indo-Tibetan road from Lhasa to the border of Sikkim, and of the towns of Rudok and Gartok in the extreme west of Tibet.

Communist control of Tibet has special significance for India. The immediate effect is expected to be a perceptible diminution of Indian influence in Tibetan affairs, for the Sino-Tibetan agreement required that Tibetan troops be absorbed by the People's Liberation Army, and that Peiping have absolute authority over "all external affairs" of Tibet. Thus, as more Communist troops move in, Peiping will probably put pressure on India for the withdrawal of the small Indian detachments which have long been stationed on the Lhasa-Sikkim road for protection of the telegraph line and of travelling merchants. New Delhi reportedly will accede to any Chinese demand for the abolition of this patrol.

TIBET AND INDIAN BORDER AREAS

Caravan Routes



The northern borderlands of India are vulnerable to Communist political exploitation. Bhutan, Sikkim, Nepal and Kashmir are very mountainous, thinly settled and undeveloped. Many of their boundaries are in dispute. Historical Chinese claims to suzerainty could be advanced in support of the anticipated effort to extend Communist jurisdiction beyond the unmarked borders.

The customary local tactical moves for "softening up" an area will be facilitated by Peiping's proconsuls in Tibet. Infiltration of Communist agents into India's northern border areas will now be easier, and promises greater success in subverting people not easily reached before. Though no military invasion from Tibet is anticipated in the near future, it remains a distant possibility. There is terrain suitable for airfields in western Tibet near the Nepal border, with easy access to the Indian plain. There have been persistent reports of Soviet espionage in this area.

Nepal has had close economic relations with Tibet, and in the past had close political ties with China's Central Government. Nepal may continue to be influenced by a need for good economic relations with Tibet, and despite India's commitment to Nepal's defense, there may be pressure on Nepal to orient itself politically toward Peiping. The majority of Nepalese, moreover, have much in common ethnically and culturally with the Tibetans. Internal instability of the Nepal Government, the wildness of the frontiers, and the passage through Nepal of a number of traditional trade routes from Tibet to India, will all work to the advantage of the Communists.

Severe factional clashes have occurred in Nepal over the past year, and on 12 November the century-old Rana dynasty of Prime Ministers was finally unseated. The Chinese Communists can exploit the political disorder which has been developing in Nepal even as Communist forces expand their hold on Tibet. Peiping is expected to identify itself with anti-government elements and may attempt to obtain de facto control of the frontiers; it will be very difficult in any event to prevent Communist infiltration.

In recent months, with the advance of Communist forces towards Lhasa, there have been signs of an increased Chinese interest in Nepal and of organizational progress on the part of the Nepal Communist Party. Nepal presents an attractive target to international Communism, for the extension of control over Nepal would put Communist forces on the edge of the Indian plain.

Bhutan has had close connections with Tibet: the Bhutanese population is largely Tibetan by both race and religion, and the various governments of China, despite Bhutan's treaty relations with India, have never abandoned the claim of suzerainty over Bhutan. In addition to ethnological and religious considerations which tend to draw Bhutan to China by way of Tibet, the domestic political situation in Bhutan can be exploited by Communist China, and the frontier is vague and difficult to protect. There is almost no contact between

India and Bhutan, and much of the area could conceivably come under Communist control without knowledge of non-Communist governments. Control of Bhutan would place Communist forces within a few miles of major commercial routes from Assam to the rest of India.

The Indian dependency of Sikkim differs from Nepal and Bhutan in that various Chinese governments for many years have recognized it as part of the Indian sphere, and thus there are no Chinese claims to be revived. Sikkim is also the easiest to protect against Chinese infiltration. Peiping nevertheless can undertake subversive activity in Sikkim, where Tibetan influence is very marked. Control of Sikkim would mean control of the two main trade routes from Tibet to the plains of India.

Tibet's western frontier, with Utta Pradesh, the Punjab and Kashmir is probably less attractive and less vulnerable to Communist exploitation than the southern frontier with Nepal, Sikkim and Bhutan. The population in general is concentrated along the long Brahmaputra valley in southern Tibet. On both sides of the northwest border the difficult topography, the vastness of the land and the sparseness of the population render travel so arduous that intercourse and trade with the adjacent Indian states is insignificant. In consequence, the repercussions of Communist rule over Tibet will probably be small.

No Chinese government appears ever to have claimed authority over, or to have had direct relations with, Kashmir. Tibet, however, has had a limited border trade which offers a possible channel for infiltration. In addition there are certain problems of definition of Tibet's northwest boundary which remain unsettled and are susceptible to Communist manipulation.

IRANIAN PRIME MINISTER FACES GROWING DIFFICULTIES

Prime Minister Mossadeq, upon his return to Iran, faces heavy criticism and increasing pressure for his removal. Iran's serious financial position, resulting from the loss of oil revenues, is aggravated by the necessity of continuing to support the oil workers, the largest segment of Iranian labor, and the economic restrictions imposed by Great Britain.

The government's budget deficit is four times what it was before oil nationalization and, since approximately 80 percent of the budget is used for salaries, there is little prospect of significant reduction because it would be politically dangerous. The country's free foreign exchange balances are decreasing at the rate of four to five million dollars a month. While Iran's predominantly agricultural economy is in a less critical position, deterioration is also visible there with tight money, slow business, mounting unemployment, and unpaid government obligations.

Government efforts to stem this decline have been unsuccessful. Increased taxes have brought little revenue and, in fact, contributed to the business decline. A national loan, now being floated internally, is not expected to relieve the situation. Although Mossadeq has urged the United States to implement the Export-Import Bank loan and has asked for allotment of the money earmarked for Iran under the Military Security Program, these sums are not intended for current operating expenses but for long range projects.

At the present rate of expenditure, and without outside aid, Iran could continue to meet essential expenses for three to four months. Abandonment of the Seven Year Development Plan might enable the government to continue for some months longer. Other devices such as utilization of the gold note cover reserve or the printing of more money might also be employed. Such moves would depend on Mossadeq's ability to obtain parliamentary support for the use of liquid assets on expenditures and on the government's willingness to embark on a dangerous course of inflation.

Mossadeq's long absence and the government's unwillingness to take strong action against the Communists has stimulated the opposition. The moderates in Parliament, including many of the wealthy and traditional leaders, spurred by their fear of defeat in the coming elections, have seized upon the rise in Tudeh-inspired disorders to intensify their criticism of the government. Veteran politician and ex-Prime Minister Ahmad Qavam, currently the moderate choice to replace Mossadeq, appears to have strengthened his position considerably, but has little chance of being called to power. The more opportunistic and ambitious men,

leftist and rightist, who operate under the banners of the National Front are maneuvering for position and preparing for the eventuality of Mossadeq's fall. At this time the several elements of the opposition lack organization and leadership.

The Communists have been given increased opportunities by Mossadeq's refusal to adopt a tough attitude toward them. They have not only loudly opposed any compromise on the oil issue, but have attacked Mossadeq and the government for temporizing. The recent rash of disorders may be a probing test of strength.

Although one unit in the Abadan refinery is now operating, the Iranians themselves recognize that they will not be able significantly to expand operations without foreign technicians. Despite various negotiations, Iran has not delivered oil to any foreign purchaser. Foreign aid can only be a temporary alleviation; without substantial oil revenues the present Iranian economy and government faces an impossible situation.

In the current crisis, Mossadeq has little choice but to keep nationalist sentiment focused on the oil issue and to remain unyielding and intransigent. By so doing, he will increase the already strong chance of a National Front victory in the mid-December elections. Barring active intervention by the Shah, which at present seems unlikely in view of his refusal to take a firm hand in the present situation, Mossadeq will continue in office and Iran will face further deterioration.

OUTLOOK FOR EUROPEAN DEFENSE FORCES UNCERTAIN

There has been a surprisingly large area of agreement attained in recent months by the Paris Conference on the European Defense Forces. A number of basic problems remain unsolved, nevertheless, and new difficulties are appearing.

Political and economic questions involving Germany's relationship to the West must be faced before the European Defense Community can begin to function. The Benelux countries seem to be uniting in opposition to the all-embracing scope of the plan as France, and to a lesser extent Germany and Italy, conceive it. Meanwhile, West Germany's contribution is blocked by lack of agreement on basic principles governing its relations to both EDF and NATO, and no decision on these points is likely at the forthcoming meeting of the NATO Council in Rome.

The European Army concept developed out of France's strong desire to reconcile its fears over a German military contribution and its realization that German participation was essential to Western defense. The Paris Conference, which has been in more or less constant session since February, has reached agreement on practically all the technical military issues. The major military obstacle facing the conference was overcome when France agreed to accept SHAPE's opinion on the size of the maximum national unit. Each combat unit will have a peace-time strength of 13,000 men combined with support elements of the same nationality to form a divisional slice of 30,000.

The conference also reached tentative agreement on an elaborate supranational machinery to administer the proposed army. Four political institutions are proposed to weld together the members of the European Defense Community: a European Authority embodied in a commissioner or a commission analagous to a national defense ministry; a Council of Ministers of the member governments to harmonize the actions of the Authority with the policies of the participating nations; an Assembly to provide representation for the peoples of the participating countries; and a Court of Justice to pass on the legality of the actions of the three other organs. Insofar as practicable, the organs of the coal-steel pool will be utilized.

The most troublesome issues, however, are yet to be solved. They are largely political and financial, and it is in these fields that national prerogatives may nullify the European Defense Community.

Strong opposition to the rigid framework evolving in Paris comes from the Benelux countries, which have traditionally fought domination by their powerful neighbors. They fear that the EDF is being expanded into political and economic areas far beyond the military plan first proposed, and grave doubts are now apparent on the eventual adherence of the three Benelux countries to the EDC. The Low Countries want an organization that can be controlled by the Ministers of the participating states, rather than a European Defense Ministry. The Belgians want the commissioner to work through the national governments, and are also in opposition to the proposed supranational assembly.

Even if the idea of a European Authority is acceptable, its composition will involve considerable discussion. The French have a strong preference for a single commissioner, but the Germans, supported by the Italians and the Dutch, prefer a cabinet-like group.

On the question of a common budget the Dutch and the Belgians are again arrayed against the French. The Belgians prefer a "defense fund" composed of contributions volunteered by member states to cover certain common expenditures. The Dutch insist that their constitution rules out acceptance of the proposed common budget. Since the Italians believe that the national parliaments will not vote funds for an overall international military organization, they are willing to accept a compromise plan. Further exploration of this point and of the question of a German contribution may determine whether the EDF is practicable or not.

From the French point of view the EDC must control Germany's military potential, and at this stage of the negotiations the relationship of Germany to NATO is the pivotal factor in the French attitude. While France is aware that NATO must eventually include Germany, the attitude of the National Assembly has not yet evolved to the point where the EDC would be accepted with that provision.

Despite the favorable impression created by the cooperative attitude of the German delegation, participation of West Germany in the EDF is not assured. While Chancellor Adenauer appears amenable to German adherence to the EDF on the assurance of subsequent NATO membership, it is not certain that the Bundestag would back him on this issue. The German position in the EDC depends also on NATO decisions giving the Federal Republic security guarantees.

Another stumbling-block which had seemingly been surmounted may yet appear from the purely military viewpoint. The French had proposed that the EDF replace entirely the national military establishments of the member states, excluding forces needed to maintain overseas commitments, internal security police and some naval forces. Here again Benelux opposition is strengthening. The Belgians consider the EDF as a special force to be added to, but not to replace, the national armies. While the German attitude on this point is not yet determined, France can be expected to reject this concept as establishing a basis for a German national army.

At the time of the September tripartite meetings in Washington it was hoped that all details of the EDF could be worked out before the 24 November NATO meeting in Rome. As it is, the Rome meeting will merely receive a progress report, with final action postponed until next January.

The French still hope to push a draft treaty through by the end of 1951, with ratification by the summer of 1952. Planning for German contingents will be possible in the interim, although the French are still adamant that German ratification must precede recruitment. This timetable makes no provision for new objections or for consideration of such questions as the position of a united Germany in the EDC. Furthermore, the outlook for French Assembly ratification of the Treaty is highly uncertain.

THE STANDARDIZATION OF THE SOVIET MIG-15 FIGHTER

All the principal fighter aircraft factories in the Soviet Union have been converted to mass production of the MIG-15 fighter. The decision to standardize on this model, which was first shown to the public in 1948, was probably taken sometime in 1949, and the conversion process began shortly thereafter.

After World War II, the Soviet Union, like the United States and Great Britain, inaugurated a program of intensive experimentation with jet aircraft. In Soviet air shows held between 1946 and 1951, 24 distinct jet models were displayed, of which 18 were fighter types, 5 bomber types, and one research aircraft. One result of this development program was the selection of a basic fighter type for large-scale production.

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Normally, a nation does not standardize on the production of a particular aircraft until it either is at war or fears that war is imminent. Reluctance to do so in peacetime derives from the danger that premature standardization will give a potential enemy the opportunity to develop a model which renders the standardized aircraft obsolete. In taking the calculated risk of a premature standardization, the Soviet leaders must have considered the time period, estimated to be no more than five years, within which the MIG-15, with improvements, will remain an effective weapon against Western airpower. In Korean operations, however, the MIG-15 has proved effective in intercepting Western bombers and at least equal in performance to Western fighters.

While standardization on a fighter aircraft is not in itself positive evidence of aggressive intent, it would at least appear to signify a calculation of involvement in hostilities, either offensively or defensively. Standardization at this time probably indicates that the USSR, cognizant of American emphasis on strategic bombing, is planning to depend primarily on large numbers both to counter Western superiority in strategic air weapons and to cancel out any immediate improvements in Western fighter types. It is also possible that the Soviet leaders considered a strengthening of military power necessary if they were to risk an increase in international tension by pursuing an aggressive foreign policy involving adventures like the war in Korea which was planned at least as early as 1949.

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THE PHILIPPINE ELECTIONS

The Philippine elections of 13 November resulted in a genuine repudiation of the Quirino regime. The opposition Nacionalista Party won all nine of the contested Senate seats and approximately half the governorships and other provincial posts. In the new Senate it will hold 11 out of 24 seats. The fact that a strongly entrenched political machine permitted such a victory is in marked contrast to previous Philippine elections. The precedent set thereby is at least equal in importance to the shift in party fortunes.

The unique honesty of these elections resulted from a widespread public demand which had the expressed support of American officials, and which was engendered by revulsion at the scandals which accompanied the elections of two years ago. This demand became effective with Defense Secretary Magsaysay's decision that the armed forces should be used to ensure orderly polling, rather than to guarantee the results. Public support for Magsaysay was such that Liberal Party leaders could not overrule him without inviting political disaster. In a free election, the Nacionalistas' astuteness in selecting an exceptionally strong list of candidates was rewarded.

Important sidelights of the campaign were the failure of the Huks' efforts to boycott and disrupt the elections and the emergence of Secretary Magsaysay as potentially the most powerful man in the nation.

There is no clear evidence that the elections will result in any marked shift in Philippine policies. Virtually all leaders of both parties are closely connected with the dominant landlord class, which is aware that there is no satisfactory alternative to the Philippines' present international orientation. The Liberal Party retains nominal control of the Senate, but de facto control will probably pass to a coalition of Nacionalistas and anti-Quirino Liberals. The Nacionalistas' party machine will be strengthened by the acquisition of provincial posts, greatly enhancing their prospects for winning the presidency in 1953. The wartime puppet president, Jose Laurel, who headed the Nacionalista senatorial list and who has marked anti-American proclivities, will exercise considerable influence. However, his views on the United States, although they may find expression in a more critical examination of the US-Philippine relationship, are not widely shared.

Should they so choose, the Nacionalistas will be able to block ratification of the Japanese Peace Treaty in the new Senate. Although they refused to permit a representative of their party to join the Philippine delegation to the San Francisco Conference and criticized Philippine acceptance of the treaty, it may be significant that speeches condemning Philippine subservience to the United States, as exemplified by the treaty, were kept to a minimum toward the close of the campaign.

SPECIAL ARTICLE

WORLD COMMUNISM: THE COMMUNIST SITUATION IN SOUTH AMERICA

South American Communists, while not a strong or immediate threat to US security, nevertheless possess a considerable potential for interference with economic activities. During the past year, they strengthened their ties with European Communists, intensified their efforts in behalf of Soviet propaganda objectives, and helped to stimulate isolationist, nationalist, and anti-US sentiment. Although they have received little or no cooperation from the various governments, neither have they been subjected to widespread or complete suppression.

In Chile, and to some extent in other countries, their political strength is sufficient to insure their continued overt activity and to make their political position a factor affecting administration policy. They have substantial influence within certain labor unions in Chile, Uruguay, and Ecuador, and to a lesser extent in Brazil, Argentina, and Peru; and they have some support among agricultural labor and Slav ethnic groups in the rural areas of Brazil and in the Rio de la Plata region. Throughout South America, Communist elements provide a constant stimulus to labor unrest and a potential threat to strategic industries -- particularly those operated by US interests.

Argentina: The nucleus of Communist Party membership, estimated at 35,000, is provided by certain labor elements, intellectuals, students, and various foreign groups, primarily Slav. The party's strength is concentrated in the major industrial and port areas. Its greatest potential is for extension of influence within the government-dominated General Confederation of Labor (CGT), which controls all but a few unimportant unions, and for infiltration of unions in strategic industries. None of these unions is known to be Communist-dominated, but in a few instances Communists, disguised as Peronistas, may hold secondary influential positions.

The Communists can easily identify themselves with Peron's "third position" propaganda which concentrates on "US imperialism" and non-involvement in the East-West struggle. His program of "social justice" includes many of the measures proposed in the Communist platform. As early as 1946-47, Communist labor leaders helped the Peronistas merge both Communist and independent unions into the CGT on the theory that labor unification was a step forward for Communism and that the party could maintain influence with labor only if it operated within the CGT. Since the CGT is the mainstay of the Peronista Party and of Peron's support, this influence is also an extension of Communist political influence.

COMMUNIST INFLUENCE IN SOUTH AMERICA



Bolivia: The membership, estimated at 1,000, of the small Bolivian Communist Party, organized in March 1950, is composed largely of students, youth leaders, teachers, and some minor labor leaders. The independent capabilities of the party and associated front groups are limited, but it tends to cooperate with other groups in any anti-government activities.

Brazil: The Communist Party in Brazil, outlawed since 1947, retains a membership estimated at 55,000 to 75,000. Communist influence is greatest among maritime, port, and dock workers, utilities workers, and employees of some railroads. In the past year, the Communists have been unable to initiate strikes or to prolong those called by others. Their attempts to infiltrate the armed forces have met with little success. There has, however, been some infiltration of the munitions industry.

There has also been a growing number of reports of the build-up, especially in the interior, of a Communist "Army of Liberation." Such a force, if well trained and armed, could tie down Brazilian army units which might otherwise be used for defense or for service under the United Nations. In some areas, Communists have infiltrated legal political parties and have been elected to state and local offices. The Vargas administration, which has recently been taking stronger measures against the Communists, is aware of such infiltration and takes protective measures as emergencies arise.

In event of an East-West war, Brazilian Communists will seek to sabotage the railroads, the docks, and the utilities of major cities. Their strength near the important air bases of the northeast would facilitate attempts to sabotage strategic air installations. In general, however, Brazilian security forces are capable of containing such activity and preventing protracted delays in the shipment of strategic materials.

Chile: The Communist Party of Chile, outlawed since 1948, is an active, relatively overt organization generally subjected to a minimum of interference from the anti-Communist government. Communists have been able this year to intensify national controversies particularly through public demonstrations on issues where Communist interests have paralleled those of non-Communists. Anti-US propaganda apparently has not been very effective. The peace campaign, not an overwhelming success in terms of signatures, has to some extent nurtured "third position" thinking in Chile. Communist influence has been evident in much of the serious labor unrest of the past year, especially within the strategic copper industry, and also in the coal, nitrate, and public utilities industries.

The current pre-election period favors an increase in Communist activities since the Communist vote is recognized as important by many of Chile's numerous and somewhat unstable political parties.

Colombia: The Colombian Communist Party has no influence whatsoever with the Colombian Government. It has direct connections with European Communists although assistance from abroad is apparently limited to

ocasional instructions and the transmittal of funds to permit Colombian attendance at international meetings. The Soviet Embassy in Venezuela has reportedly interested itself in the present guerrilla opposition to the Colombian administration, a movement in which individual Communists are now involved although the Communist Party as such is not.

The sabotage potential of the Colombian Communists, who number about 2,000, is relatively slight. They are currently incapable of effectively disrupting the internal economy.

Ecuador: The Ecuadoran Communist Party has a certain influence on the government because perpetual instability makes each vocal element important in Ecuadoran politics. The Communists, numbering about 3,000, currently favor the continuance of the democratic regime of Galo Plaza, since they realize that a government set up by either of the two potential revolutionary leaders would severely repress all Communist activity. The Communists have considerable influence with labor through their dominance of the most important labor confederation.

The party has relatively strong international connections. It receives a small amount of outside direction and financial assistance. However, it is not in a position to create difficulties for the United States since Ecuador does not produce strategic commodities of great importance to the US.

Paraguay: Communist strength in Paraguay appears to be negligible despite indications of some penetration in the government, armed forces and the country's labor confederation.

Peru: Peruvian Communists have a certain influence with the government, not only because of the administration's great hatred and fear of the outlawed Aprista Party, but also because the Communists agree with the reactionary Peruvian oligarchy in favoring nationalization of the petroleum industry and opposing the dispatch of troops to Korea. In addition the administration prefers Communist to Aprista control of organized labor.

Through their control of the most important mining federation and their influence among transportation workers, the Peruvian Communists, numbering about 15,000, are in a position to hinder US procurement of antimony, bismuth, cooper, vanadium, and zinc.

Uruguay: The Communist Party of Uruguay, despite its legal status and freedom of action, is declining in importance and exerts little political influence. However, the Communist-dominated labor federation is still the major labor organization in Uruguay, though it has suffered large-scale defections chiefly due to Communist insistence upon interjecting political issues into union activities. Communists still retain control of the important wool workers' union, and efforts are being made to organize farm workers.

The Slavic Union has been very successful in its efforts to preserve the sense of ethnic unity of the local Slav colony and to support Communist policies. Reputedly, leaders of the Slavic Union receive their operating instructions directly from the Soviet Legation in Montevideo. There are indications that Uruguay may be a distribution center for Soviet propaganda to neighboring countries.

Venezuela: Although Venezuela is the center of Soviet and Czechoslovak activities in northern South America, the two local Communist parties -- the larger of which is outlawed -- have virtually no political influence and have had only minor success in propaganda activities. Their lack of popular support is attributable to a variety of factors: government repression, stiff competition from other left-wing parties, and their failure to bid for the support of social or economic groups other than the intellectuals and the labor "elite" -- the petroleum, industrial and utility workers.

Although only a minority force even among the petroleum workers, the Communists keep up a steady stream of "anti-imperialist" propaganda in the oilfields, and reiterate their intention of preventing the delivery of "one drop of oil" to the United States in the event of an East-West war. While it is unlikely that they can even approach this objective, they are capable of sufficient interference and sabotage to cause a considerable loss of oil and equipment.

European possessions: Of the European possessions, only British Guiana has an organized Communist-oriented group. The People's Progressive Party has gained strength steadily since its formation in early 1950, and has become the only party ever established in the colony to command any significant following. Party-influenced labor groups have also made important gains during the past year, and now control large groups among the bauxite and sugar workers. Since the colony is without self-government, the party cannot yet influence government policy, but it does have the capacity to interfere with production through strike activity and sabotage both in the bauxite industry and on the sugar estates.