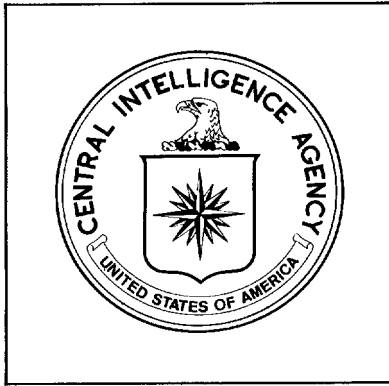


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STAFF NOTES:

Latin American Trends

Secret

April 9, 1975
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LATIN AMERICAN TRENDS

This publication is prepared for regional specialists in the Washington community by the Western Hemisphere Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

CONTENTS

April 9, 1975

Brazil: Annoyed with Argentina	1
Argentina: Peronist Economic Policies Under Attack	2
Argentina-Brazil: An Embarrass- ing Incident	4
Colombia: New Problems with Guerrillas	5
Bolivia's Banzer: How to Stay in Office?	7
Chile: The Washington Hot Box Gets a New Face	8
Panama: "A Hemispheric Religion"	10
Cuba No Longer to Support Peru's Claim to 200-Mile Limit	12
Caribbean Multinational Fleet	13
Honduras: First Action Under New Agrarian Reform Law	15
Grenada: Working Both Sides of the Street	16
Cuban Chronology for March 1975	17

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Brazil: Annoyed with Argentina

Little has been heard lately of the mutual antagonism that characterizes the traditional rivalry between Brazil and Argentina. To a large extent this is because Brazil, which has pulled far ahead in economic growth and political stability, seeks to project a magnanimous image and attenuate Argentine jealousy. Moreover, Argentina's body politic is so rent with dissension and terrorism that it can hardly mount a serious challenge to Brazil at this time.

Last week, however, two incidents evoked expressions of Brazilian irritation with Argentina. In Tokyo the Brazilian delegate to a meeting on natural resources walked out of a session in protest because a "certain country" had turned what were supposed to be technical discussions into a "political debate." The "certain country" was Argentina, which has long protested aspects of Brazil's plans to dam Plata Basin rivers for hydroelectric projects.

Argentina's expulsion of a Brazilian journalist from Buenos Aires also drew harsh comment, in the form of a Jornal do Brasil editorial. The Rio de Janeiro newspaper, which sometimes reflects official views, criticized the Argentines for singling out the Brazilian reporter, who, it says, was only one of several newsmen with access to information on an alleged anti-government plot in Argentina. The editorial goes on to cite the incident as a particularly noteworthy example of government meddling with the freedom of the press.

Brazilians have considerable disdain for the chaotic Argentine situation and have probably found it difficult to refrain from gloating publicly over the neighboring country's discomfiture. Last week's irritation, however, does not appear to presage any general deterioration in relations, which have been rather good in recent months.
(CONFIDENTIAL)

April 9, 1975

SECRET

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Argentina: Peronist Economic Policies Under Attack

The mounting pressure on Mrs. Peron to change her top advisers has been accompanied by an upsurge in public criticism of official economic policies. During the past few months several parties, including one member of the electoral coalition that returned the Peronists to power, have published critiques and recommendations.

The strongest attack has come from the government's former ally, ex-president Arturo Frondizi, who heads the small but vocal Movement for Integration and Development. Although Frondizi says he intends to remain within the coalition in order to initiate change, he condemns the present government for its "preoccupation over retaining a fragile stability" and its failure to fulfill the "great expectations accompanying the victory of March 1973."

The sharp language of Frondizi's criticism suggests little chance of a reconciliation between his group and the conservative Peronist leadership. He characterizes the budget deficit as "incurable," describes the rate of inflation as "the highest in the decade," and attacks the investment law for "having isolated Argentina." This last point alone separates Frondizi as an internationalist from the mainstream of Peronism which has always contained a strong strain of xenophobic nationalism.

Another critic of the government, former Minister of Economy Alvaro Alsogaray, has also issued an indictment of the current situation. Alsogaray's big-business orientation is unlikely to attract major political support, but his comment that "Peron's shadow has impeded realistic discussion of economic problems for the last 30 years" is a trenchant castigation of Peronist ideology and rhetoric.

April 9, 1975

SECRET

Other condemnations predictably have come from the two major opposition parties, the Radical Civic Union and the Popular Federalist Alliance. Neither group's remarks, however, are as telling as the views expressed by Frondizi and Alsogaray.

Although all parties have decried the country's economic instability, only two--the Popular Federalist Alliance and the Movement for Integration and Development--mention the need to boost agricultural production. Government control of farm prices that favor urban Peronist supporters has been a major factor in the continuing stagnation of Argentine agriculture--the largest earner of foreign exchange.

While the government is obviously vulnerable to criticism at this time, Mrs. Peron's administration lacks the leadership and flexibility necessary for major economic reform. (CONFIDENTIAL)

April 9, 1975

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Argentina-Brazil: An Embarrassing Incident

Police in southern Brazil reportedly arrested Argentine Social Welfare Minister Lopez Rega recently for traveling with armed bodyguards. [REDACTED]

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[REDACTED] Mrs. Peron's confidant was held for several hours in a small town jail until federal authorities in Brasilia secured his release.

The reason for Lopez Rega's trip is unknown, although he could have been on private business. He sometimes goes to Brazil to participate in mystical macumba rites, but this would not explain his presence in the province of Rio Grande do Sul, where the people are predominantly of European origin.

The Brazilian Foreign Ministry has apparently succeeded in appeasing the Argentine government with profuse apologies for the action. (SECRET/NO FOREIGN DISSEM)

April 9, 1975

SECRET

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Colombia: New Problems With Guerrillas

A report that Colombia's three insurgent groups are arranging a merger has appeared in El Tiempo, Bogota's prestigious Liberal Party daily. The state-owned radio network reported the first joint guerrilla operation alleged to reflect the merger on April 7.

The two largest groups--the pro-Moscow Revolutionary Armed Forces of Colombia (FARC) and the pro-Havana National Liberation Army (ELN)--have maintained occasional liaison for several years. There have been indications that they have cooperated in several operations, particularly during the period about two years ago when government forces were putting great pressure on the ELN's urban support network. The ELN is also suspected of maintaining some sort of loose relationship with the much smaller pro-Peking People's Liberation Army (EPL).

The FARC, by far the largest and best funded of the groups, has been relatively inactive for many years. Its parent organization, the Colombian Communist Party, has encouraged the group to train and recruit, but to refrain from overt operations for fear of jeopardizing the party's legal status. Nevertheless, some FARC activists have sought to put their extended training to practical use and may have lent support to ELN militants who were isolated by the government's pressure on the ELN's support net. Carrying their cooperation one step further, FARC guerrillas may also have participated in ELN operations in more than just a support capacity, since activity under ELN cover, in effect, would presumably be inoffensive to party leaders.

Thus, it seems quite likely that the FARC and ELN have established a cooperative relationship, although "merger" may be too strong a word. It is considerably

April 9, 1975

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less likely that the EPL figures significantly in any new insurgent structure. Ideological differences would be unlikely to permit all of Colombia's guerrillas to function well under a unified leadership. The security services may now be faced, however, with ELN-FARC activists who can operate with considerable impunity in the field and who are supported through FARC channels. These channels are more secure than the ELN support network ever was and are also somewhat shielded by the legality of the Communist Party.

There is also a possibility that the security services are exaggerating existing contacts between guerrilla groups in order to build the government's case for a strongly reinforced law-and-order stand--possibly including a state of siege. In any event, any increase in cooperation between insurgent organizations would suggest a parallel rise in the level of insurgency shortly thereafter. (SECRET/NO FOREIGN DISSEM)

April 9, 1975

-6-

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Bolivia's Banzer: How to Stay in Office?

President Banzer is still searching for a scheme to generate popular support for his government. So far, however, his advisers have been unable to devise a plan that would not require the participation of political parties, whose activities are currently proscribed.

Banzer reportedly favors a recently proposed national investment program that would enable Bolivian workers to own stock in the government. There is concern among Banzer's aides, however, that the program would be a financial flop, thereby having the opposite effect of stimulating public dissatisfaction.

Since the abortive coup in November 1974, there has been no organized attempt to challenge Banzer's authority. His government however, is on a shaky financial footing, and his popularity appears to be at its lowest point since he took office nearly four years ago. (SECRET/NO FOREIGN DISSEM/NO DISSEM ABROAD/CONTROLLED DISSEM)

April 9, 1975

-7-

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Chile: The Washington Hot Box Gets a New Face

The recent designation of Chile's OAS ambassador, Manuel Trucco, as ambassador to the US should help to alleviate one of Chile's more serious public relations problems.

The previous ambassador, Major General (Ret.) Walter Heitmann, possibly did more harm than good in the post. Heitmann was probably the most rabid anti-Communist in the government and his military background never prepared him for the possibility that someone might question what was said. He had difficulty coping with the diplomatic environment that saw frequent criticisms of Chilean policies. He never could quite understand how anyone could not agree with what he perceived as an obviously correct position and was quick to dismiss opposing points of view as having been corrupted by the distortions of international Marxism.

Santiago recognized that Heitmann was only complicating its already seriously damaged international position and had been seeking his replacement for some time. Several persons turned the job down, fearing damage to their careers.

While Trucco lacks the charisma and youthful dynamism that would have been helpful from a public relations standpoint, he is an experienced scrapper who knows the ropes. An anti-Communist but not dogmatically so, he possesses the attributes of pragmatism and an ability to take into consideration all facets of a problem to make realistic political assessments. Although he has never held public office, the ambassador is more a politician than a diplomat and his views are far more liberal than those of the present government. His absence for several years from active participation in Chilean politics, however, has apparently made him acceptable to the junta.

April 9, 1975

SECRET

He holds a master's degree in economics from Georgetown University and is well acquainted with inter-American relations and the US political process, having lived in this country for several years while serving with the OAS and the Inter-American Committee on the Alliance for Progress. He will continue to hold the OAS ambassadorship until a replacement is found. (SECRET/NO FOREIGN DISSEM)

April 9, 1975

-9-

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Panama: "A Hemispheric Religion"

General Torrijos is continuing to collect foreign dividends from his March summit meeting, but some liabilities are showing up at home. Torrijos has told the press that the three-day conference demonstrated that Panama's aspiration to gain sovereignty over the canal is being transformed from a national "religion" to a hemispheric one.

The presidents of Colombia, Costa Rica, and Venezuela formally affirmed their support for Panama's goal at the meeting, and, along with Torrijos, drafted a letter to President Ford urging that a prompt agreement be reached. Colombian Foreign Minister Lievano delivered the letter this week.

The four leaders also sent a letter to the other Latin American chiefs of state calling for pledges of support to Panama. Mexico's President Echeverria was the first to respond favorably to this appeal.

Torrijos claimed that his three guests committed their countries' votes to Panama in the selection of the Latin American member of the UN Security Council this fall. This campaign may not succeed; however, Panama does seem to have at least postponed the election of Argentina for this slot.

Although the pro-government Panamanian press is playing up the summit meeting as a triumph for Torrijos, some voices of criticism are also being heard. Ultra-nationalists are complaining that Torrijos' commitment to grant Colombia and Costa Rica special rights after a new treaty is signed represented an infringement on Panama's sovereignty. One of Torrijos' treaty negotiators, Carlos Lopez Guevara, who has played an important role in defending to the public the government's

April 9, 1975

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handling of the issue, has indicated privately that he shares these misgivings about the "concessions." He fears that they will arouse suspicions that other "concessions" will be made in the negotiations with the US. Opposition groups such as the National Council of Private Enterprise are likely to use just such arguments.

Now that Torrijos has marshalled considerable international support for his handling of the negotiations, he will dedicate much of his time to working for domestic unity on the issue. The secretary general of Panama's Communist party was pressed into service in this campaign as soon as he returned from exile in Moscow. Archbishop Marcos McGrath is effectively presenting the government's case in Panama as well as in the US. Torrijos himself appears to be waiting until the completion of a draft treaty before taking center stage to convince the Panamanian people that the pact is a giant step toward total Panamanian control of the canal. (CONFIDENTIAL/NO FOREIGN DISSEM)

April 9, 1975

-11-
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Cuba No Longer to Support Peru's Claim to 200-Mile
Limit

Cuba apparently has decided to end its support for Peru's position on the 200-mile territorial sea. Cuban Vice Prime Minister of Foreign Relations Carlos Rafael Rodriguez reportedly informed Peruvian Foreign Minister de la Flor of this decision during de la Flor's visit to Havana on March 19.

Cuba's withdrawal of support can be viewed as another example of responsiveness to Soviet pressure. Moscow has long been displeased with the Cuban position on the 200-mile limit, and Admiral V.N. Alekseyev is said to have voiced Soviet concern during a visit to Havana in January.

Havana's willingness to go along with Moscow also reflects Cuba's own interests. Cuba backed the Peruvian claim to a 200-mile limit at the Law of the Sea conference last August because of both its relationship with Peru and its image as a revolutionary third-world power. Havana realizes, however, that as a fishing nation Cuba would suffer from the widespread application of the concept. Furthermore, the 200-mile limit can clearly not apply to Cuba and its neighbors in the Caribbean and the Gulf of Mexico, given their relative proximity.

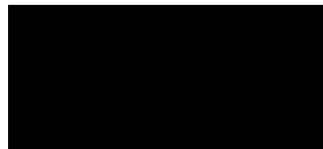
The Peruvian foreign minister reportedly reacted calmly to the loss of Cuban support but the shift will surely be an irritant in Cuban-Peruvian relations in view of the importance that Peru--and especially President Velasco--attaches to the issue. To minimize the potential damage, Rodriguez told de la Flor that although Cuba would vote against the 200-mile limit in principle should it be voted on at the current LOS conference in Geneva, Havana would neither actively oppose Peru's claim nor make public its new position.
(SECRET/NO FOREIGN DISSEM/NO DISSEM ABROAD/BACKGROUND USE ONLY/CONTROLLED DISSEM)

April 9, 1975

SECRET

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Caribbean Multinational Fleet

Central American and Caribbean governments are seriously considering a Mexican proposal to establish a multinational merchant fleet to foster regional economic development. A technical meeting--to discuss purchases, finance, schedules, tariffs, and organization--is scheduled in Mexico in mid-April and a ministerial-level meeting is expected to follow in May.

Seventeen area countries, including Venezuela and Colombia but excluding the United States and most British, French, and Dutch dependencies, have been invited to participate. According to Mexican officials, who recently concluded a series of visits to enlist support for the proposal, most of the countries have shown enthusiasm for the project. Cuba plans to be an active participant.

If plans crystalize, a company to manage the fleet will be formed with an initial capital of \$10 million with no participating government controlling more than 15-20 percent. Both Cuba and Mexico have promised technical assistance. By the end of this year four to six ships would be acquired and additional vessels chartered. Practical difficulties may delay implementation, as coordination with existing national fleets and rival shipping associations could prove difficult. Initially, the fleet would concentrate on intra-regional trade and later move to services with foreign countries --principally the United States.

Area rivalries and antagonisms already have surfaced and could restrict the number of participants or nullify the project. Many of the smaller, less developed countries that will attend the April conference have serious questions concerning the motives behind Mexican and Venezuelan participation. Some suspect that a regional

April 9, 1975

SECRET

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fleet would benefit only the area's larger maritime nations--Mexico, Venezuela, Colombia, and Cuba--and serve to extend their influence.

Panama is fearful it would lose some of the substantial fees (\$9 million yearly) it currently receives for providing flag-of-convenience registrations to Western shipping companies and would be opposed to reducing tolls when or if the Panama Canal reverts to local jurisdiction. The Dominican Republic seems to prefer a consortium of private owners over multistate-ownership and might also press for a subsidy, perhaps in the form of reduced rates, for poorer nations joining in the project. Some governments, such as those in Nicaragua and Guatemala, which have a long history of antipathy to the Castro government, may be leery of Cuban participation.

Sponsors of the Caribbean fleet claim that it will not compete with but merely supplement existing shipping services. Nevertheless, many foreign ship operators foresee increased competition for the \$2 billion in freight charges spent annually to carry the region's trade. Most of the cargo ships that service the area are managed by foreign multinational firms operating Japanese, Dutch and Italian-flag ships. They operate under foreign-controlled freight conferences, which set rates and schedule sailings.

Foreign operators fear that cargo reservation legislation already in force in Mexico, Venezuela, and Colombia will be extended to ensure cargoes for the regional fleet. These laws provide that up to 50 percent of seaborne trade must be carried by local merchant shipping. Furthermore, the participation of Cuba could pose a conflict with US laws calling for retaliation against countries that trade with Cuba and send their ships to Cuban ports. (CONFIDENTIAL)

April 9, 1975

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Honduras: First Action Under New Agrarian Reform Law

The first implementation of the Agrarian Reform Law promulgated on January 14 was announced on April 3. The state will take over 22,400 hectares owned by the Standard Fruit Company, and will grant \$75,000 for property restoration. The government may also organize cooperatives to maintain employment.

The take-over had been in the planning stage for several weeks, even though it was announced after the recent changes in the government hierarchy. This may be an indication that the newly assertive reformist officers intend to quicken the pace of existing social reform programs, rather than initiate new revolutionary schemes.

Lt. Colonel Mario Maldonado Munoz, head of the National Agrarian Institute since mid-February, appears to be one of the project's primary architects. Maldonado appears to be an influential member of the Supreme Defense Council, which is now exercising national leadership.

The action affecting the Standard Fruit property, known as Isletas, is in response to a conflict over whether the company would rehabilitate the facilities, which were devastated by Hurricane Fifi last September. The government turned down Standard's joint-venture proposal, which would have minimized reinvestment losses. Ignoring government and union demands, the company laid off over 600 workers and has since been dismantling the facilities and threatening more layoffs. A settlement must still be negotiated, but the Hondurans will most likely offer a satisfactory compensation. Standard, the largest single landowner in the country, intends to continue operations on its other properties, which total about 250,000 acres. (CONFIDENTIAL)

April 9, 1975

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Grenada: Working Both Sides of the Street

Last week the Grenadian government received a goodwill delegation from the Democratic Peoples Republic of Korea. Piqued at another failure to obtain a bilateral aid commitment from the US (see Staff Notes, April 2, 1975), Prime Minister Eric Gairy may have requested North Korean economic assistance and formal diplomatic relations.

In similar circumstances last fall, after repeated attempts to secure US bilateral aid, Gairy unleashed a series of thinly veiled threats, telling US officials that Grenada was "...small but could be very loud" within the UN and other international fora. He continued, saying that "Grenada has the same vote in the UN as does the US. If you turn us down, we will go elsewhere." Less than two weeks later, Grenada and the Peoples Republic of China established diplomatic relations.

Grenada apparently has not received Chinese aid, but Gairy may be in a better bargaining position with the North Koreans who would like his support in the UN. Even the threat of a deal between Gairy and the North Koreans will probably stimulate the Republic of Korea, which already has diplomatic relations with Grenada, to propose its own aid program in the bidding for Gairy's fickle friendship. (CONFIDENTIAL)

April 9, 1975

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Cuban Chronology for March 1975

- March 1: Soviet Naval Visit Announced. (Characterized in Cuban press as "unofficial.")
- Cuban Minister of Health, Dr. Antonio Gutierrez Muniz, arrives in Mexico City for second Latin American meeting on population control.
- Prime Minister Castro discusses trade relations with Mexican Foreign Relations Undersecretary Ruben Gonzales Sosa.
- March 5: Cuba frees six Colombians prior to the reestablishment of diplomatic relations.
- Cuba and Romania sign exchange and payments agreements for 1975.
- Uruguayan Communist Party leader, Sec. Gen. Rodney Arismendi, arrives in Havana.
- Cuban and Bulgarian academies of Science sign cooperation agreement.
- Representatives from the Chilean Socialist and Radical Parties arrive in Havana.
- Radio Havana announces creation of Industrial Development Ministry.
- March 6: Peruvian Economic and Finance Minister General Amilcar Vargas Gavilano meets with Cuban Ambassador to Peru, Antonio Nunez Jiminez.
- Havana and Bogota announce reestablishment of relations in a joint communique.

April 9, 1975

-17-
~~SECRET~~

SECRET

- March 8: Le Monde director Jacques Fauvet meets with Castro in Havana.
- March 10: Delegation of Polish Union of Socialist Youth arrives in Havana.
- Carlos Rafael Rodriguez heads Cuban delegation to ECLA meeting in Bogota.
- Deputy Chairman of USSR Council of Ministers V. N. Novikov receives Cuban Ambassador Severo Aguirre del Cristo in the Kremlin.
- March 10-11 National Association of Small Farmers holds national plenum in Havana.
- March 11: Finnish Foreign Trade Minister Jermu Laine arrives in Cuba.
- Cuba and Venezuela formally name ambassadors.
- Cuban and West German Communist Parties hold official talks in Havana.
- March 13: Mexicana de Aviacion resumes regular flights to Cuba.
- March 14: Cuba, USSR sign construction cooperation agreement.
- Kim Il-song receives Cuban Ambassador to North Korea Angel Ferras.
- Cuba and Finland sign scientific agreement.
- March 15: Cuba and USSR sign scientific-technical cooperation agreement.
- A portion of the venceremos brigade arrives in Havana from the US.

April 9, 1975

SECRET

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- March 17-19 The Coordinating Bureau of the Non-Aligned Nations meets in Havana.
- March 17-24 Pedro Miret leads Cuban delegation to Eleventh Hungarian Socialist Workers Party Congress in Budapest.
- March 18: Talks begin in Havana with representatives of East German chemical industry.
- March 19: A Canadian delegation of businessmen arrives in Havana.
- Cuban Housing and Agriculture Delegation arrives in Kingston, Jamaica.
- Cuban-Japanese sugar talks begin in Tokyo.
- March 20-23 Interview with Carlos Rafael Rodriguez published in La Stampa.
- March 20: Spanish Trade Delegation arrives in Cuba.
- Polish Peace Committee arrives in Cuba.
- March 21-26 UNIDO meeting in Lima. Cuban delegation headed by Joel Domenech, Basic Industry Sector.
- March 21: Director of National Tourist Industry Vivian Coll announces intention of GOC to construct 62 hotels throughout the country.
- Canadian newspapers report \$100 million line of credit extended to National Bank of Cuba.
- Czechoslovakia and Cuba sign protocol on food exchange in Prague.

April 9, 1975

~~SECRET~~

SECRET

- March 22: Cuban Foreign Trade Minister and Mexican Industry and Commerce Secretary Jose Campillo Sainz meet in Havana. Opening of Mexican exposition in Havana.
- A UJC delegation arrives in Sofia, Bulgaria.
- March 24: National Association of Small Farmers (ANAP) Plenum begins in Havana.
- March 25: Cuba and Nepal establish diplomatic relations.
- March 26: Mexican and US press carry story "Oil Trading Deal Set by Cuba, Mexico, Soviet, and Venezuela."
- March 27: Delegation of Committees for the Defense of the Revolution headed by Maria Teresa Malmierca arrives in Baghdad, Iraq.
- Cuban Vice-Minister of Foreign Trade German Amado Blanco arrives in Peking.
- Algerian Education Minister Abdelkrim Benmahmoud arrives in Havana.
- March 28: Cuba, Jamaica sign construction cooperation agreement in Kingston.
- Luis Gonzalez Marturelos is named ambassador to the Somali Democratic Republic.
- March 29: A Panamanian delegation headed by Prof. Berta Torrijos de Arosemena (sister of General Omar Torrijos), arrives in Havana.
- Bulgarian Foreign Minister Petur Mladenov arrives in Havana.

April 9, 1975

SECRET

March 30: The 1975 Cuban-Soviet Trade Agreement
is signed in Moscow.

March 30- Preparatory meeting for International
31 Conference of Solidarity with Puerto
Rico held in Havana. (SECRET)

April 9, 1975

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