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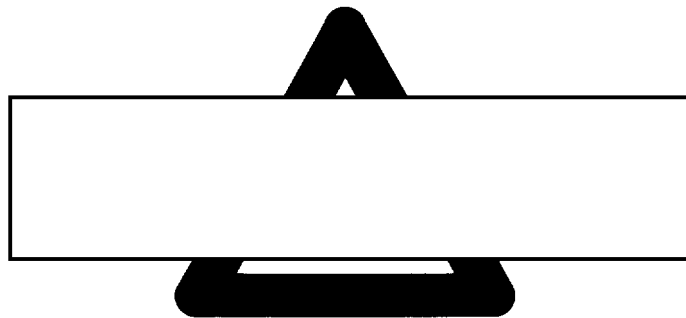
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INTELLIGENCE MEMORANDUM

Office of Current Intelligence

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Auth.	HR 10-9
Date	24 July 78

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CENTRAL INTELLIGENCE AGENCY

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INTELLIGENCE MEMORANDUM

SUBJECT: Trends in Latin America affecting US security

United States security interests in Latin America are being affected by the sharp rise in economic nationalism, which is already threatening the availability of strategic materials; by a drift toward regionalism, as opposed to the concept of hemispheric solidarity; and by a wider acceptance of neutralist policies. Current Communist strategy seeks to exploit and further these trends.

I. Economic nationalism

Political leaders throughout most of Latin America are increasingly exploiting the appeal of economic nationalism as a panacea for all national problems. Currently, Presidents Peron of Argentina, Paz of Bolivia, Arbenz of Guatemala, and to a lesser degree Ibanez of Chile are using this political technique. Only the armed forces prevent similar nationalistic leaders from coming to power in Peru and Venezuela.

This new leadership reflects the steady shift in political power away from the landed aristocracy to organized labor and the urban middle class. The accompanying accelerated economic transformation is characterized by migration to the cities, development of commerce, and a rapid growth in population.

With this transformation have come new economic problems and social unrest, and lower- and middle-class pressure for a wider distribution of the national income is finding political expression in new economic policies. Latin Americans are convinced that they have been held to a colonial economic status by an unfair trade relationship with the great industrial powers, that the latter rig prices against them by imposing price ceilings on imported materials while doing little to control the export prices of manufactured goods. They feel that their present role as mere suppliers of raw materials in exchange for manufactured goods leaves them helplessly dependent on the capricious demands of the big industrial nations.

To attain more stable and less dependent economies, various governments are sponsoring ambitious industrialization programs. Protective tariffs and exchange controls have been set up to prevent foreign competition. Sentiment is

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also growing for the expropriation and nationalization of foreign-owned enterprises, and for more control over the form and scope of foreign investments.

This economic nationalism already threatens the flow of strategic raw materials to Western defense. Although the recent nationalization of tin in Bolivia did not deny United States access to Bolivian tin, it did result, at least temporarily, in a decline in exports, and indications are that future output may drop. The Orbit has been able to acquire more copper [redacted] as a result of Chile's nationalization of marketing. United States imports may be affected by the change in emphasis from exploitation of raw materials for export to preservation of these raw materials for domestic industrialization programs. The availability of Brazil's oil and manganese, for example, is seriously affected by such considerations.

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II. Regionalism

Directly related to economic nationalism is the trend toward regionalism as opposed to hemispheric solidarity. Most serious, largely because it is based upon Yankeeophobia, is Peron's effort to substitute Argentine for United States leadership. In southern South America he is attempting to set up an independent regional economic bloc; Chile and Bolivia have already responded favorably to his proposals for pooling resources and setting up a customs union. Peron, through his labor attaches, is also urging Latin American labor to abandon ORIT, the hemispheric affiliate of the non-Communist International Confederation of Free Trade Unions, and join ATLAS, the Argentine-sponsored Latin American labor movement.

Because of their common economic problems vis-a-vis the United States, all the countries to the south have shown some tendency to form a single Latin American bloc in order to promote individual national interests. This tendency has been strengthened by their awareness of the increased power they can wield in the United Nations by casting their 20 General Assembly votes en bloc. In the Seventh General Assembly, for example, 15 Latin American countries approved the Uruguayan-Bolivian resolution affirming the sovereign right to nationalize foreign industries, while the other five abstained. In committee meetings they successfully frustrated United States attempts to define clearly the obligation of the nationalizing country to provide compensation to the foreign

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stockholders. All but Haiti, which abstained, voted for an Argentine resolution calling for "parity" between raw material prices and those of manufactured goods.

This regionalist tendency is also gaining strength within the Organization of American States (OAS) largely because of Latin America's awareness of the improved bargaining position given it by United States defense needs. At the 1951 meeting of American Foreign Ministers, the Latin American nations asked assistance for their general economic development in return for agreeing to the output of strategic materials.

III. Neutralism

Owing to their geographic isolation from the East-West struggle, many Latin Americans tend to neutralism, a position which finds its leading proponent in Peron. Argentina, though attacking the United States much more strongly than it does the USSR, is urging the general adoption of a "third position," of complete aloofness from what it claims are purely American-Soviet differences. Latin America, it argues, has nothing to gain and much to lose from involvement in East-West conflicts.

The growing reluctance of Latin American nations to make commitments that would bind them in the event of a new world war became apparent when the United States requested nine of them to conclude bilateral military assistance agreements. Only with Cuba, Peru, and perhaps Chile can the results be termed successful. Mexico suspended negotiations because of the mid-1952 presidential election; the Dominican Republic is still negotiating; Brazil and Uruguay have thus far failed to ratify the agreements they signed almost a year ago. Colombia is at present not meeting all its commitments under the pact with the United States to train troops in coastal defense; Ecuador has indicated dissatisfaction with the pact it signed last year because this provides only anti-aircraft artillery, whereas the army desires infantry supplies.

Latin America gave its prompt approval, both within the UN and the Organization of American States, when the United States intervened in Korea, but the enthusiasm soon waned. Colombia sent troops, but the plans of other countries to do so were first delayed and then dropped. The Latin American nations have also seen little need to implement their 1951 pledge to increase the output of strategic materials. While they admit the necessity and advantage of some cooperation in

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an all-out war, there is a growing belief that the present crisis is not so urgent as the United States insists, that it does not warrant sacrificing their men, depleting their resources, and suspending industrialization programs.

IV. Communism

Current Communist strategy seeks to exploit and hasten the trends toward economic nationalism, a purely Latin American regionalism, and neutralism. This strategy is advanced by the Soviet and Satellite diplomatic missions as well as by the national Communist parties, labor organizations, and front groups. Nowhere, however, are the Communists strong enough to dominate government policy, though their ideas have been openly welcomed by the Guatemalan Government and have been plagiarized by Argentina. Both in Brazil and Bolivia, their influence has probably been decisive in the adoption of certain nationalistic policies. In the French West Indies, three of the six present deputies to the National Assembly in Paris are Communists.

The Soviet and Satellite diplomatic missions have increasingly directed their activities toward the promotion of trade relations in order to obtain strategic materials, thereby playing on the widespread desire of Latin American countries to reduce their dependence on the United States. At present there are Orbit missions in Mexico, Ecuador, Brazil, Uruguay, and Argentina; trade propaganda is given further circulation by traveling commercial representatives, trading firms, and local Communist cultural fronts and ethnic societies.

Recent developments include the conclusion of a Polish-Brazilian trade pact, negotiations for a Soviet-Argentine trade agreement, and intensified efforts by various Soviet, Hungarian, Rumanian, and Czechoslovak representatives to re-establish diplomatic and commercial relations with Chile. Most of these trade promotion efforts have failed, but they have made Latin Americans more aware of the potential profits in East-West trade.

Current international Communist policy apparently calls for Latin American Communists to cooperate with non-Communist political groups to promote nationalism, even at the sacrifice of Communist identity and leadership. In Argentina, for example, the Communist party supports the Peron regime, and in Mexico, Vicente Lombardo Toledano, prominent pro-Communist

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labor leader, recently announced his support of the pro-US administration of Ruiz Cortines. The Communists apparently anticipate an intensification of economic problems such as those which set the stage for Peronist nationalism in Argentina and for the leftist revolution in Bolivia last April.

Latin American Communists evidently want to be in a position to provide leadership or to suggest positive programs of action through alliances with, or infiltration of, the major political parties, even though their own parties are small and subject to repression.

The effectiveness of Communist efforts to exploit nationalist sentiment has already been demonstrated in Brazil where the Communist-sponsored postwar campaign to prevent foreign exploitation of petroleum has achieved wide support. The contacts resulting from this tactic were useful in the so far successful Communist effort to prevent the dispatch of Brazilian troops to Korea, despite the special urging of the United States.

Organized labor has probably been the group most receptive to Communist propaganda for the nationalization of foreign-owned enterprises. Since 1950, the pro-Communist Latin American Confederation of Labor (CTAL) has attempted to form "national anti-imperialist fronts" in all Latin American countries and to concentrate on common labor objectives instead of political goals. Though denouncing Peronism, it has praised the anti-imperialist objectives of its new labor competitor, the Argentine-sponsored ATLAS, and reputedly plans to invite representatives of both ATLAS and the anti-Communist ORIT to its general congress this year. With the support of the World Federation of Trade Unions, the Latin American Confederation of Labor has sponsored regional trade union conferences and has probably increased its potential effectiveness. It has not, however, been successful in promoting unity with non-Communist groups or in preventing the substantial drop in its own membership, resulting in part from the increased anti-Communist pressures of many of the governments.

Communist propaganda presents Latin America as a semi-colonial area which is obliged to make excessive economic, political, and military sacrifices to support US "imperialism." Throughout Latin America, Communist front groups have been organized to advance this propaganda, and through them

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the Communists have effectively broadened their contact with all segments of society. The inadequate attention Latin American governments frequently give to civil rights, social security, child welfare, public health and education is blamed on the governments' collaboration with, or domination by, the United States.

Indirectly aided by Soviet subsidies, more and more Latin American delegates have been attending international Communist front meetings in the last two years. For example, some 90 delegates representing 12 Latin America nations attended the Peiping Peace Conference in October 1952. An even larger Latin American attendance, possibly reaching 200, was present at the Vienna Peace Conference in December. These delegates often have the opportunity to attend training courses in Europe and to write or lecture on their return; they could be the leaders of a broad popular pro-Communist movement should the opportunity arise.

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