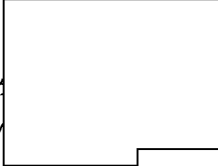


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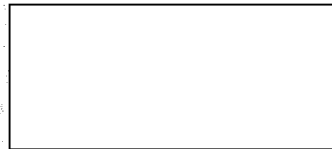
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20 May 1965

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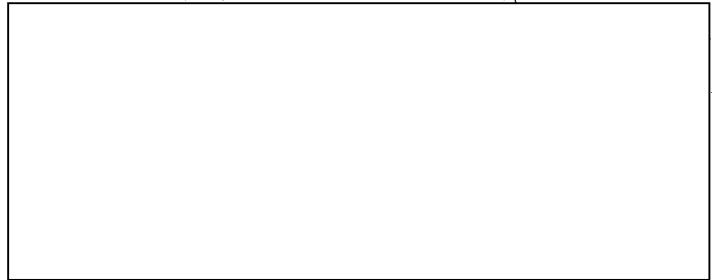
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INTELLIGENCE MEMORANDUM

INSTABILITY IN LATIN AMERICA



DIRECTORATE OF INTELLIGENCE

Office of Current Intelligence

APPROVED FOR RELEASE
DATE: DEC 2005



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OCI No. 1805/65

CENTRAL INTELLIGENCE AGENCY
Office of Current Intelligence
20 May 1965

INTELLIGENCE MEMORANDUM

Instability in Latin America*

1. Instability has long been a factor in the developing countries of Latin America. Revolution or attempts at revolution are definite possibilities in twelve of the twenty-three countries to our south.

2. The factors making for instability vary country by country. They include severe economic and financial difficulties, ineffective governments, a distaste for the old order of Latin America (military - church - wealthy oligarch domination), and active subversive elements which, in most cases, are supported by Castro and the Soviet bloc. The communiqué of the secret meeting in Havana of Latin American Communist leaders last November--also publicized by Moscow--listed Venezuela, Colombia, Guatemala, Paraguay, Haiti, Honduras, and Panama as priority targets.

3. Our publications for some time now have been highlighting the malaise in the 12 Latin American countries which we feel are most vulnerable to revolution. It is, of course, usually impossible to predict the exact timing of any revolution, and hence to single out which one of these countries will be the next victim. It seems more prudent to classify them by the type--and to some extent the degree--of danger which threatens them.

*This memorandum is an expanded version of that issued under the same title dated 19 May 1965.

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4. The most dangerous situations exist in countries where the immediate or early result of the overthrow of the government would be the clear threat of substantial Communist gains. In general, this would be so because of the existence of strong Communist or radical extremist forces, the lack of strong democratic traditions, and the lack of either a moderating middle class or a reliable military establishment. In other words, as in the case of the Dominican Republic, there would be little in the social fabric of the society to prevent the Communists from moving quickly to gain influence. In these situations there is also the threat of bloody civil war. The countries which at present appear to fit into this category are here listed in approximate order of danger: Dominican Republic, Bolivia, Haiti, Panama, Guatemala, Ecuador, Honduras, and British Guiana.

5. In other unstable countries a coup attempt or revolution is more likely to be brought about by the military establishments which are basically pro-West, pro-United States, and generally capable of keeping the situation under their control. Doing nothing or at the best do-little government establishments would be the primary causes for action in these cases.

6. While the chances of revolution or upset may be as great in some of these countries as in those listed above or even greater, the immediate consequences are likely to be less grave in terms of US security interests. This picture could change, of course, if Communist elements increased their influence over time and developed the capability effectively to exploit a coup initiated by other forces. In this general category we now place Uruguay, Colombia, Venezuela, and Argentina.

7. The countries listed above are ranked below according to our views of the degree of criticality of the situation in each country at this time. We recognize that any such "fever chart" listing will change even over the short run

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as certain governments come to grips with unstable conditions or as other governments become weaker either through their own inaction or because of a step-up in subversion. We cannot rule out the possibility that a coup will come quickly, with little or no prior warning, in almost any one of the twelve countries listed.

- | | |
|-----------------------|-------------------|
| a. Dominican Republic | g. Honduras |
| b. Bolivia | h. Uruguay |
| c. Haiti | i. Colombia |
| d. Panama | j. Venezuela |
| e. Guatemala | k. Argentina |
| f. Ecuador | l. British Guiana |

8. The remainder of the countries of Latin America, while by no means perfectly stable, have either developed a substantial middle class or traditions of democracy, are firmly controlled by conservative elements, or as in the case of Cuba and Paraguay are subject to totalitarian controls. The countries presently falling in this category are as follows:

- | | |
|----------------|--------------------|
| a. Brazil | g. Mexico |
| b. Chile | h. Nicaragua |
| c. Costa Rica | i. Paraguay |
| d. Cuba | j. Peru |
| e. El Salvador | k. Trinidad-Tobago |
| f. Jamaica | |

9. A brief analysis of the situation in each of the 23 Latin American countries follows at annex.

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ANNEX

A. ARGENTINA

1. Chronic political and economic instability with occasional interventions by the military has characterized Argentina for the past decade.

2. Post-Peron governments have had to cope with exaggerated class divisions and weak social cohesiveness, a deeply-fragmented political party system, and a strongly anti-Peronist military establishment. Since Peron's ouster in 1955 his followers have persistently sought to return to power by fomenting and exploiting social unrest. They have been particularly successful in gaining control of organized labor and in gathering support from the urban working classes. The power position of the Peronists has been enhanced by the fact that no political party has been able to gain majority support; both legally elected presidents since 1955 (Frondizi and Illia) were minority choices in terms of the popular vote. This persistent, inconclusive conflict between the badly fragmented non-Peronist majority and an antidemocratic Peronist minority, ranging between 25 percent and 37 percent in the period 1957-65, has at times required the strong hand of the military to maintain some degree of political stability. Extremist political movements were thereby prevented from exploiting the vacuum of political power.

3. Poor economic planning and unsettled political conditions are major factors behind the lack of real progress. Peron left the country with serious economic imbalances: agriculture, the principal source of exports, was stagnant, while over-emphasis on consumer goods industries led to the inadequate development of capital goods and energy resources industries. Four governments have attempted to restore the economy, each pursuing different and frequently contradictory policies and programs. Large budget deficits, generated mostly by the expensive state-owned enterprises, and serious balance-of-payment problems have generally reduced prospects for rapid economic development. The national deficit in 1964--the result of a deliberate government spending program--reached \$1.2 billion, doubling that of 1963.

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External debt service obligations maturing in 1965 --for which rescheduling is being sought--are estimated around \$750 million and are nearly as high for 1966. Argentina's first foreign debt reduction since 1945 caused serious depletion of its foreign reserves last year. Chronic inflation has reduced working-class purchasing power to levels below that of 1949-1950 and has produced real hardship in some cases, along with attendant social unrest.

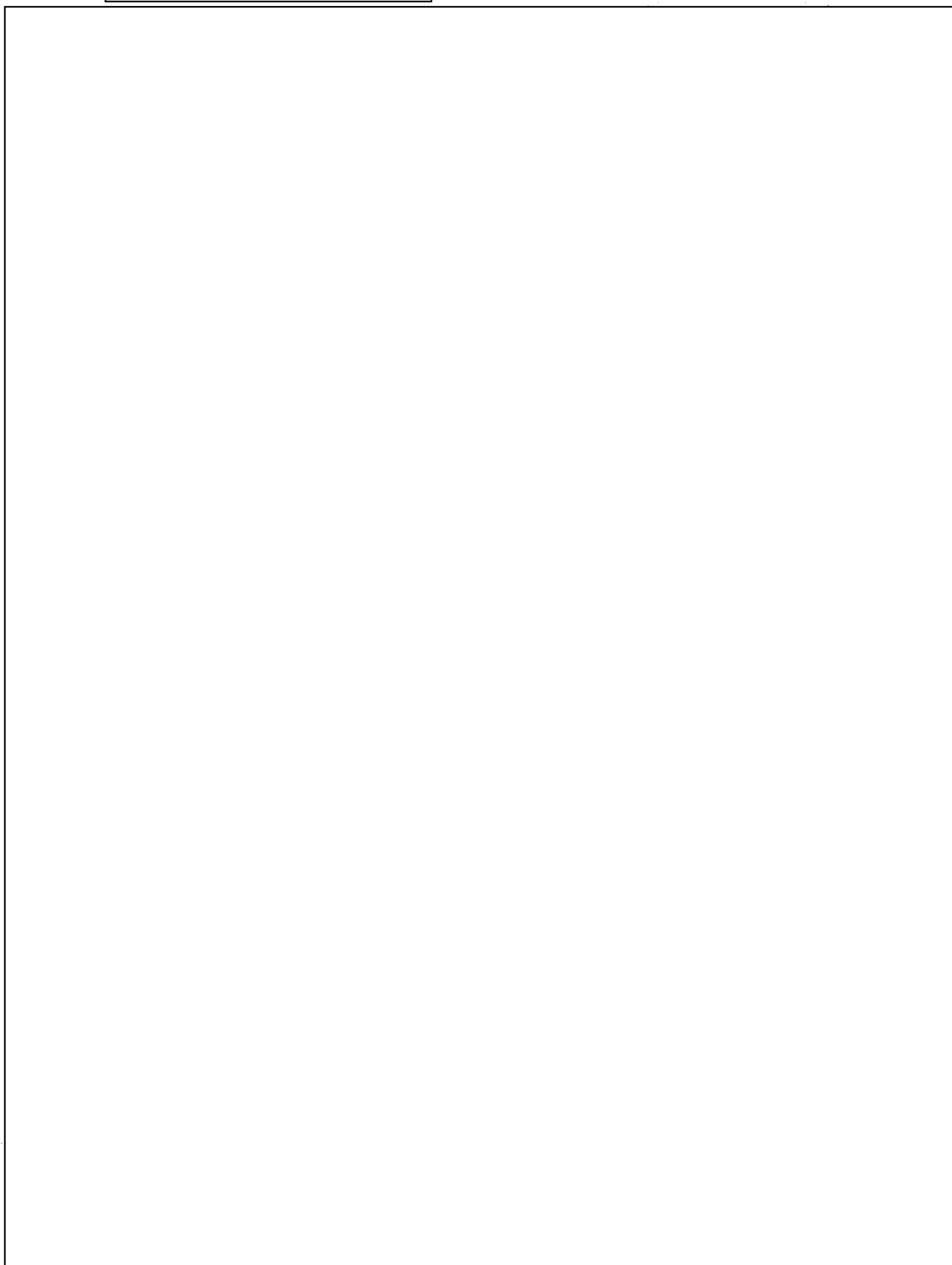
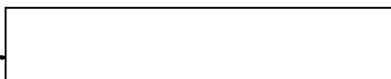
4. The Peronist movement is the greatest single subversive threat in Argentina. Lacking the means of restoring Peronism to power by revolution, one of its aims has been a continuous effort to create sufficient unrest to force the military to overthrow the constitutional government. Various other groups, including both Communist and right-wing organizations, have also provoked acts of violence and terrorist activities. Thus the most serious threat to stability would be an alliance of extremist organizations, particularly if it included the Peronist apparatus. There is no hard evidence of direct Cuban involvement at present although in early 1964 Castro-supported guerrilla activities were uncovered in northwest Argentina.

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C. BRAZIL

1. Brazil is enjoying relative stability under the firm, effective leadership of President Castello Branco.

2. The former army chief of staff is due to remain in office until March 1967, with elections scheduled for November 1966. Castello Branco was elected by Congress to fill out the remainder of ex-President Goulart's term after the latter was deposed by a military-civilian coalition early last year. The President commands wide respect among both civilians and the armed forces. Despite his military ties, he has made it clear that he regards himself as the civilian leader of a constitutional administration, not a military ruler.

3. The administration is making an impressive effort to alleviate the chaotic economic conditions inherited from its predecessor, but many critical problems remain. Under the competent direction of Planning Minister Roberto Campos, the government has succeeded in slowing somewhat the rate of inflation, with this year's increase likely to be held to about 50-60 percent, compared with well over 80 percent during the past two years. The large budgetary deficit--\$378 million in 1964--is being controlled by reducing the large subsidies to state enterprises, particularly the railroads, and by instituting tax reforms. Current business conditions are depressed, with the automotive and textile industries especially hard hit, but at least some businessmen expect an upturn by the last quarter of this year. Brazil will be aided considerably this year by nearly \$1 billion in aid from the US and other sources and by expected bumper harvests of food crops.

4. The Communist movement has been in disarray since the present regime came to power in April 1964. At present there is no threat to stability from the extreme left and little likelihood of more than minor subversive outbreaks occurring over the next few months. The government is encountering considerable popular dissatisfaction, particularly within organized labor and among student groups. The unions complain that the regime has done little to relieve the inflationary pressures on the workers, while students and

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intellectuals in general resent the military's strong influence on official policies. In the armed forces a few high-ranking officers object to certain of Castello Branco's policies, such as his liberal attitude toward foreign investment, but these officers have no base of support and present no threat. A larger number of younger "hard-line" officers are trying to persuade Castello Branco to abandon his moderate approach and adopt radical measures to eliminate subversion and corruption, but they respect the President and seek to influence him, not replace him. Stability in Brazil will continue to depend to a great extent on the personal prestige and political skill of Castello Branco, who is struggling to ensure that progress will continue after his departure from office.

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D. BRITISH GUIANA

1. The fundamental factor in British Guiana's instability is the deep and bitter split between the East Indian half of the population and the 44 percent who are Negro.

2. Politics have developed along these racial lines, with occasional outbursts of violence. This can occur again at any time. In fact, the forthcoming independence of this British colony is itself a trigger to violence. East Indians, led by pro-Communist Cheddi Jagan, fear that they would be persecuted in an independent Guiana governed by Premier Forbes Burnham, a Negro, and they might take to the streets to prevent independence from being granted under his rule. The British will probably retain possession of the colony for at least another year, during which time their troops should be able to quell large-scale violence. When independence is granted, existing security forces will not have this capability. In the meantime, Burnham's coalition government of conservatives and socialists is threatened with internal dissension and could easily break apart.

3. Poor economic conditions offer demagogic politicians like Cheddi Jagan the opportunity to appeal to the masses. Unemployment has reached 18 percent and GNP has declined relative to population growth. Nevertheless there may be some improvement in the offing. The 1965 budget is designed to attract private investment and this, plus aid from the United States, might help pull the colony out of its economic slump.

4. There is no Communist party per se in the colony, but Jagan's People's Progressive Party (PPP) is Communist-oriented and maintains close ties with Cuba, the Communist Party of Great Britain, and other foreign Communist groups and individuals.

[REDACTED] Since losing power in last year's election Jagan's party has been largely undecided on its over-all strategy of opposition to the Burnham government. There is no tradition

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of a loyal opposition, and a vocal Cuban-trained minority in the PPP is constantly advocating violent opposition to the regime. The PPP youth organ and a closely allied terrorist wing, the Guianan Liberation Army, could activate a ready force of trained, armed insurgents with little advance warning.

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E. CHILE

1. Chile has traditionally had one of the most stable, civilian, representative governments in Latin America.

2. The 1964 election of Christian Democrat Eduardo Frei as president has added a new dimension to Chilean history by bringing into power a dynamic, reform-minded regime which claims to be an effective alternative to Communism. The March 1965 congressional election gave control of the Chamber of Deputies to one political party, the Christian Democrats, and they may be able to draw enough other support to attain a working majority in the Senate. The election victory should indicate a bright outlook for the country as long as the new president can control the leftist elements, both inside and outside of his own party, who may push too rapidly for reforms.

3. The economic outlook for 1965 is good in spite of faulty monetary and credit policies, trade difficulties, and chronic inflation. The latter totaled 38 percent in 1964 but has only risen 9 percent in the first four months of 1965. The country's GNP expanded in real terms by 4 percent last year and an approximate balance of payments was attained. This trend is continuing this year. Last year's main production gains were in mining and manufacturing. Agricultural output was hampered by severe drought conditions and thus did not contribute to GNP growth, but the situation should improve this year. Agriculture has been lagging for years and the country, formerly an exporter of foodstuffs, has become a net importer. Industrial growth has been fostered in some sectors, partly as an attempt to reduce Chile's excessive dependence on copper and nitrate exports, but the government has not been able to stimulate a high level of investment in productive activities.

4. Because of lagging copper production and excessive imports, trade deficits have become chronic. Additionally, Chile has had to borrow heavily abroad to finance a higher level of investment than would be possible with the low rate of domestic savings. Accordingly, the country now has a heavy foreign debt burden which has had to be refinanced several

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times in order for the economy to continue growing. However, signs pointing to improved economic conditions include an increase in taxation and investment expenditure, and a considerable increase in net foreign borrowing; most of the funds are from the United States whose economic aid to Chile totaled \$137 million in 1964.

5. There is very little danger of insurgency in the country despite recent street violence. The Chilean Communist Party (PCCH), although it is one of the largest single Communist parties in South America, continues to advocate the peaceful road to power. There have been indications from recent party meetings, however, that this policy is changing in deference to pro-Chinese elements within the party. An October party congress should show how this develops. In any case, the police and army are capable of handling any foreseeable insurgent situation.

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F. COLOMBIA

1. A basically unstable political situation persists in Colombia, and although President Valencia's government survived a series of crises during the past year, each time it came out somewhat weaker than before.

2. Colombia is governed by an artificial coalition of the Liberal and Conservative parties known as the National Front. This was contrived in 1958 as a way to introduce stability into a civil war atmosphere. The presidency alternates every four years between a Liberal and a Conservative, and all government positions, whether elective or appointive, are divided evenly between the two parties. It is extremely difficult, however, to get meaningful legislation through Congress, and general public has become increasingly disillusioned with the National Front. Although the government is trying to cope with strong labor union demands, politicians seem more interested in jockeying for power position than in solving the country's chronic problems. Some few care less for order than for speed in bringing about change. Military leaders recently pledged their support to Valencia, but in doing so they dropped a thinly veiled warning that they would not tolerate his failure to take some remedial action soon.

3. Colombian economic performance has been generally poor in the last few years; in real terms gross domestic product grew 3.8 percent in 1963 and between 3 and 4 percent in 1964. Investment activity has been sluggish after growing rapidly from 1958 to 1960. The government failed to implement an ambitious program of public sector investment and private investment declined, in real terms, in 1961-1963. Incomplete data indicate that a modest recovery in investment activity occurred in 1964. A major domestic issue presently facing the country involves the threat of inflation, made serious by current pressures on the country's exchange rate system. Although President Valencia has unequivocally committed his administration to a policy of no devaluation, the ability of the Bank of the Republic to maintain the present overvalued rates is doubtful.

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4. [REDACTED]

[REDACTED] The Communists have begun to exploit this tradition of violence, and Fidel Castro has placed Colombia high on the list of countries susceptible to a revolution. Havana has provided the so-called Army of National Liberation with substantial funds to carry out guerrilla operations and has given training to Colombian extremists. Colombia already has small parts of its territory virtually closed to legitimate government administration and control. These are the so-called Communist enclaves, which are ruled by Communist-led armed bands and are linked administratively to the Communist Party apparatus. Recent kidnaping and killing of influential persons has caused serious concern among this group over government ability to maintain order.

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G. COSTA RICA

1. Although Costa Rica is ahead of most Latin American countries with respect to political and social development, the country's well-established democratic tradition and stability could be affected by the national elections scheduled for February 1966 and by a continuing downward trend in the economy.

2. The country's chronic economic problems are a source of growing public discontent with the Orlich administration and the ruling National Liberation Party. These hard-to-solve problems provide a natural platform for extremist agitation.

3. Costa Rica's severe economic problems center on low prices for its agricultural exports. One of the highest population growth rates in the world and damage resulting from the ashfall of the Mount Irazu volcano compound the situation. President Orlich's efforts at basic fiscal reform have been handicapped by the lack of a legislative majority, by a strong conservative opposition, and by divisions within the regime over the proper role of the public sector in economic development. Personal income has continued to decline gradually since 1958. The economic gap between the lower, middle, and upper classes is growing; and the literacy rate has declined in the past few years from 89 percent to an estimated 60 percent.

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H. CUBA

1. Fidel Castro's power position is pre-eminent, but his regime is faced with a number of vulnerabilities.

2. The major vulnerability of the Cuban regime today is Fidel Castro himself. The entire character of the regime could well undergo a drastic change should he become incapacitated. The mantle of power probably would initially fall to Raul Castro, but his tenure probably would be transitory. In the final analysis, some person not now prominent--perhaps a military officer--might well rise to the top. Meanwhile, the Cuban political situation at present is characterized by considerable infighting at middle and lower echelon levels among the regime's "old" and "new" Communist elements. The removal of "old" Communist Joaquin Ordoqui in mid-November from his government and party posts, and the continued expectation that he will be publicly tried on charges of espionage, continue to inflame deep-seated animosities between these two groups.

3. In 1964, Cuba's economy moved along at a pace about the same as or slightly below that of pre-Castro times. The average Cuban is still confronted with aggravating shortages and rationing of everyday food and consumer goods. The slight upswing in the Cuban economy noted last year--largely in industrial production and in sugar--has hardly been felt by the Cuban man in the street. It is possible, however, that the Cuban economy may have turned the corner now that the Cubans have decided to take steps to bring some order out of the economic chaos which has prevailed since Castro came to power. Better Cuban organization and management as well as continued sizable technical and economic support from the Soviet Union have made their largest impact in the major increase shown in Cuba's sugar production--from 3.8 million tons in 1963 to between 5.5 and 6.0 million tons expected in 1965.

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I. DOMINICAN REPUBLIC

1. Regardless of any short-term political solution that might be achieved in the Dominican Republic, the country will continue to be unstable and restive. This situation could be exacerbated by strong Communist gains.

2. The current insurrection has surfaced deep-seated hatreds which have been kept under control by a strong military and police establishment since the assassination of Trujillo. Political parties have been split and their leaders discredited by their support for one or the other of the two factions presently contending in Santo Domingo. The armed forces, long a stabilizing factor in the absence of a strong national leader, also have been greatly weakened.

3. The country's economy will need large amounts of foreign aid once a new government is established. Continued low world prices of sugar, a severe drought and the dislocations caused by the revolt have erased any gains made by the Reid regime's austerity and financial stabilization program. The economic policy of the Imbert government is as yet uncertain. However, Imbert appears to be moving to consolidate the support of the business and industrial sectors.

4. Communist elements have been hampered in the past by the lack of arms and ammunition. Reports indicate that the Communists plan to cache the arms they seized during the insurrection and resume guerrilla warfare in the interior. If the military and conservative oligarchy continues to oppose widespread political and economic reforms, the Communists will find fertile ground to exploit. The weakened and disorganized armed forces will be hard pressed to control an outbreak of guerrilla warfare led by the now-experienced Communist commando units.

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J. ECUADOR

1. The military traditionally has been the major power element in Ecuador. The exercise of this power through a junta government is giving the country what stability it has.

2. The present reform-minded military junta is currently involved in a struggle to balance off groups within the armed forces in order to neutralize potential coup instigators. Within the military there has been plotting, and some of the junta members have recently expressed disillusionment with power and a willingness to install a civilian as head of a transitional government. Almost all politicians oppose the junta and are attempting to form viable alliances. The junta has so far weathered all challenges, and has been favored by the inability of Communist subversives to concert in a successful insurgency. Until 1965 a favorable economic climate prevented politicians from finding support for their antigovernment efforts. However, recent economic deterioration has removed this brake to unrest. Growing unrest culminated in disturbances in Guayaquil, the country's largest city and its chief seaport and commercial center. The Guayaquil strike resulted from merchants' opposition to new tariff rates aimed at reducing luxury imports. The government brought the situation under tenuous control only by determined use of martial law and military force, a show of strength which may help the junta avoid further incidents which could cause an overthrow of the regime. An ever-present problem, however, is how a transition to civilian rule will be achieved. When this turnover has been accomplished, stability may be more of a problem than it is now.

3. In 1965 the economy has deteriorated because of a drop, expected to reach 40 percent for the year, in volume of vital banana exports. This has brought a serious fall in foreign exchange earnings at the same time that imports have risen. The exchange gap totaled \$10 million in the first quarter. In combination, these factors caused a decline of about 30 percent (\$15 million) in exchange reserves from 1 November to 31 March. While lower banana exports

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have led to a slowdown in coastal economic life, heavy floods have simultaneously darkened the outlook for production of rice, a staple food in Ecuador. The International Monetary Fund, which has not lost confidence in the basic strength of the Ecuadorean economy, sees the solution to these conditions as a reduction in Central Bank credit to the private sector and issuance of a new import tariff schedule, improved competitiveness for banana exports, and reduced 1965 government expenditures. Tight money policies have been imposed. The 1965 budget thus far appears likely to exceed the 7 percent increase targeted by the Inter-American Committee for the Alliance for Progress.

4. Several subversive groups are plotting against the junta, but so far political factions have been unable to unite, and activists have been unable to lay adequate groundwork for successful insurgency through their own efforts. If order should break down, or if the government should have to cope with even uncoordinated disorders throughout the country at the same time, the situation would be ripe for exploitation by Communists and other extremists.



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K. EL SALVADOR

1. President Julio Rivera's government appears to enjoy widespread confidence among both the military and the general public.

2. Rivera has energetically courted public approval. He has encouraged opposition parties to participate in the political process, and has received in return constructive criticism from a responsible opposition. This is an unusual experience for El Salvador and one which may not last. There is every reason to believe that elections will be held on schedule and that Rivera will step aside at the end of his legal term in 1967.

3. El Salvador is experiencing an economic upswing of near boom proportions. Foreign trade, which is at an all-time high, registered a favorable balance of about \$3 million in 1963. Domestic trade is also brisk. Agricultural output, electric power, and industrial production continues to rise, along with foreign investment. Cotton and coffee remain the leading exchange earners but some diversification has taken place. El Salvador's strong financial position is reflected in a stable currency, a high level of foreign exchange reserves--\$44 million in January 1964--and a projected balanced budget for 1965.

4. On the other hand, El Salvador has a number of long-range economic problems. There is still a pronounced maldistribution of income; the unemployment rate is high, and many essential foods are still imported. Inadequate housing, educational, and health facilities continue to impede realization of the country's full economic growth potential. The recent destructive earthquake may somewhat slow down El Salvador's economic progress.

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L. GUATEMALA

1. The political situation in Guatemala is deteriorating, even though the country's economic outlook is favorable.

2. The Peralta government is administering the nation in an increasingly heavy-handed fashion, thereby inviting conspiratorial opposition. Non-Communist leftists and far rightists have been jailed and exiled on unsubstantiated charges of subversion. The order that prevails is imposed by a state of siege. The regime has progressively lost the support or tolerance it once enjoyed as sizable political groups have come to distrust the government's promises of holding free elections and returning to constitutionality. One of the largest and most respected political parties has withdrawn from the government's coalition plan for returning to constitutionality and has walked out of the constituent assembly.

3. 



4. A major factor working for stability in Guatemala is the relatively bright economic outlook. The country's economy began to show marked improvement shortly after the military took power in 1963. Although the economy is unlikely to continue to expand as rapidly as it did in 1964, continued growth is expected. There remains, however, some concern in responsible banking and government circles regarding Guatemala's balance-of-payments problem and inflationary tendencies. Other favorable factors are the strong support of the government by business interests, the loyalty of the

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government-supported party which dominates the constituent assembly, and the unity--so far--of the armed forces.

5. Ready to capitalize on any incipient disorder which may result from Guatemala's deteriorating political situation is a well-trained, Cuban-supported guerrilla and terrorist organization led by Marco Antonio Yon Sosa. Guatemala is one of the three Latin American countries upon which Havana is focusing its subversive effort and ranks among the top three in the number of guerrilla agents who have received training in Cuba.

Guatemala was one of the seven countries listed as priority subversion targets in the communiqué of the November meeting of Latin American Communist leaders in Havana.

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M. HAITI

1. Haiti is undergoing a period of serious economic strain which could undermine Duvalier's dictatorship.

2. Duvalier has been able to remain in office by successfully manipulating or neutralizing the existing power forces. He has neutralized the army by creating two counterforces, the Civil Militia and the brutal secret police (Ton Ton Macoute). All incidents of internal opposition have been crushed, mostly by the secret police; regime opponents have been either driven into exile or executed. The Haitian people--poverty stricken, beset by diseases, malnourished, and 90 percent illiterate--have not benefited from any government. Opposition to Duvalier which could lead to his eventual overthrow would probably come from one of two sources, or from a combination of both. One is the exile groups outside Haiti. The other is the secret police and the remainder of the army. Continuing economic difficulties leading to a possible inability to pay their salaries could cost the President their support. Many of the secret police, however, would probably defend Duvalier out of desperation, knowing that if Duvalier falls, they would very likely become the object of reprisals and violence on the part of the people whom they have persecuted.

3. Haiti's economic situation has been precarious for years. Solvency has depended to a large degree on about \$95 million in loans and grants from the US since 1946--aid which is now suspended. Economically, 1963 and 1964 were very poor years and the outlook is that 1965 will be the third bad year in a row. Although there is no inflation, the per capita Gross National Product has remained at about \$70 since 1958--the lowest in Latin America. There have been annual budget deficits in recent years; the flight of capital has been a recurring problem since 1956.

4. The Communists within the country are few but are the best organized and best disciplined of all opposition elements. They can be counted on to attempt to seize power in the chaotic period immediately following Duvalier's disappearance.

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They have front men in cabinet positions in the present government. Haiti was also on the list of target countries compiled by Latin American Communist leaders during their November meeting in Havana. Since late December, Havana's Creole broadcasts to Haiti have stressed the need to form a united revolutionary front against the Duvalier dictatorship. Recently, these broadcasts have featured selections from Che Guevara's book on guerrilla warfare, especially those sections on how to make preparations for the "first stage" of revolution.

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N. HONDURAS

1. The Lopez regime does not have the whole-hearted support of the military--traditionally the final political arbiter in Honduras--and is faced with the opposition of the majority Liberal Party. Moreover, the Honduran economy is among the most backward in Latin America.

2. Disaffection in the military centers largely on dislike for Ricardo Zuniga, a civilian who as secretary-general of the presidency has interposed himself between the military and their commander in chief, Col. Lopez. Furthermore, even though the administration is supposed to be backed by the Nationalist Party, the smaller of the two major parties, it is supported by only one faction of that party. Zuniga, in effect, controls the government. Zuniga's skill in playing off one opposing faction against another has helped to keep the Lopez government in power for a year and a half. Zuniga's talents for political intrigue enabled him to rig the February 1965 elections so as to produce a constituent assembly responsive to his wishes and willing to confirm Lopez as "constitutional president."

3. Although making gradual progress, the Honduran economy is among the most backward in Latin America, and has been especially vulnerable to a number of critical developments in recent years. The key banana industry has declined in production since 1955 and has attracted little new investment. Foreign exchange reserves began to recover only last year from a steady erosion that began in 1955. A pine beetle epidemic which began in late 1963 still threatens the country's forests and has caused heavy setbacks to the important lumbering industry. Communications and power resources, although recently improved, are still among the least adequate in Central America. Agriculture, which provides a livelihood

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for about 70 percent of the population, suffers from antiquated techniques, inadequate credit, and insufficient marketing, storage, and transportation facilities. Nevertheless, the government in recent years has taken some initiative in promoting fundamental economic development. The rate of economic activity improved somewhat in 1962 and 1963, in part as a result of increased public investment. The economy made further gains in 1964, largely because of continued governmental stability.

4. The Honduran Communist Party is reported to be readying guerrilla operations along the north coast of the country in order to be prepared to capitalize on antiregime sentiment which is building up in Honduras. [REDACTED]

[REDACTED] Honduras was one of the seven countries listed as priority targets for subversion in the communiqué of the meeting of Latin American Communist leaders held in Havana last November.

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O. JAMAICA

1. Jamaica, independent since August 1962, has been free of the instability troubling other Caribbean countries.

2. The four major factors producing this stability have been a strong tradition of parliamentary rule based on a working two-party system, the homogeneous, easy-going population, the apolitical police and military establishments, and the lack of any large dissatisfied minority group. Both political parties enjoy broad popular support, based primarily on their respective labor unions. The large rural population is not a separate political force, but finds representation, along with other well-defined interest groups, in the two major parties. The two political parties are generally moderate in outlook. Neither 81-year old Prime Minister Bustamante or 74-year old opposition leader Norman Manley has named a successor, but a power vacuum created by their loss will probably be filled in a democratic manner.

3. The rapid economic growth based on bauxite development which contributed to stability in the 1950s has leveled off. Unemployment is estimated to be between 18-25 percent and coupled with the rapid population expansion could create an inviting field for Communist-inspired agitators.

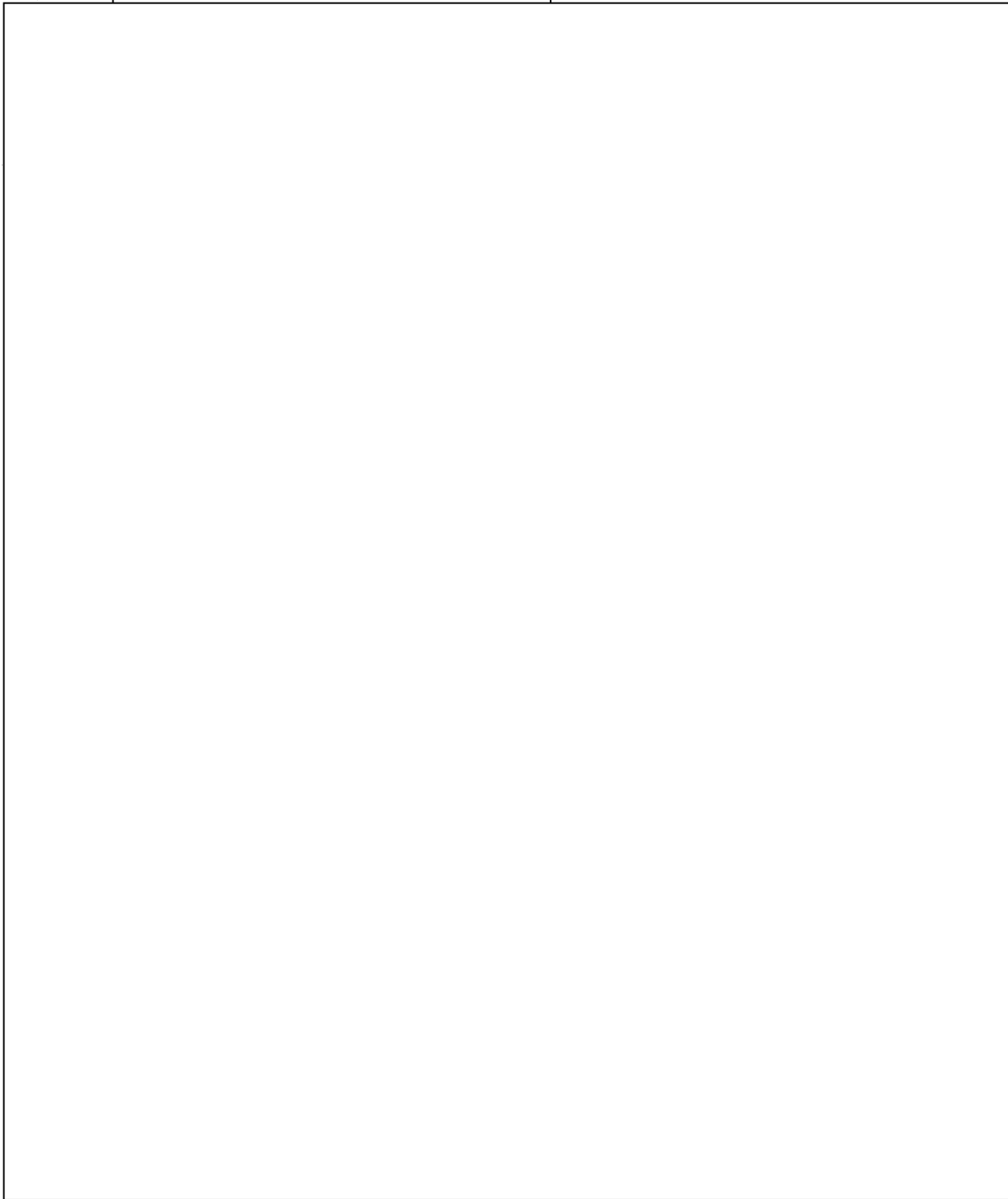
4. The Communist Party is presently too small and disorganized to offer any threat to stability by itself. There is no firm evidence of Cuban-inspired antigovernment activity. However, Cuba maintains a consulate in Kingston which distributes subversive propaganda and has promised support to any united effort by left-wing and Communist-front groups.

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Q. NICARAGUA

1. The ruling Nationalist Liberal Party and the Somoza family, through the National Guard, have been successful in maintaining political stability and in controlling subversive movements for the past 30 years. This has enabled Nicaragua to escape the violent changes of government which have plagued other Central American Republics in recent times.

2. The most exploitable issue in the country, ill feeling against the Somozas, remains alive because of widespread belief that President Rene Schick is a Somoza puppet, and because of General Anastasio Somoza's continuing political ambitions. The probable reawakening of past political bitterness by Somoza's projected political activity could lead to domestic disorders. Aside from this possible disturbance, the present political and economic conditions in Nicaragua are perhaps as favorable as at any time in the nation's history. President Schick's administration, while not dynamic, has been seasonably honest and well intentioned.

3. All groups have benefited from the country's relatively lengthy period of economic prosperity. This prosperity is slowly bettering the lot of the Nicaraguan peasant and laborer. Good coffee and cotton prices plus an increase of more than 20 percent in cotton production indicate that 1965 will be even better than previous years. In the environment created by economic expansion and by a comparatively democratic government, Nicaragua has a good possibility of taking the next pre-election period more or less in stride. There seems at present no disposition on the part of any major political grouping to disrupt the present peaceful trend.

4. The Cubans have trained a number of Nicaraguans in guerrilla warfare techniques, but Cuban-supported subversive operations are kept well in check by Nicaragua's alert security force.

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R. PANAMA

1. Revolt and violence are well-accepted political techniques in Panama, although recent attempts to cause trouble have not succeeded. Antigovernment and anti-US riots which can quickly get out of hand are always possible, as was proven in November 1959 and January 1964.

2. Extreme nationalists and political opportunists, using Panama's sensationalist and powerful press and radio media, have created a climate of restlessness in the country. Communists have greater influence than any others among students and labor in Panama; these groups would probably spearhead any future trouble. The Communists' quick response in January 1964 was an important element in escalating and prolonging mob violence and in contributing to the subsequent intransigent attitude assumed by President Chiari. The reconvening of the National Assembly in October will likely be marked by ultranationalist and irresponsible demagoguery over canal negotiations with the US which will again arouse public feeling and offer new opportunities for violence.

3. Panama's economy has no firm basic structure and is heavily dependent upon external factors. The serious side effects of the 1964 canal crisis on investment, tourism, construction, and retail business demonstrated the vulnerability of the Panamanian economy. The Alliance for Progress is playing a major role in improving the economic picture, but the entrenched economic and political interests are strongly resisting Alliance reforms. The US has been forced to give repeated grant aid to the Robles government to strengthen public security forces and to help meet urgent obligations. The recurrent necessity for such US assistance indicates both the unbalanced nature of the economy and poor administration, not to mention widespread graft and corruption. Despite one of the highest per capita incomes in Latin America, the disparity between the poor and the rich in Panama is a basic cause of political unrest.

4. Overdependence on the Canal Zone as a primary source of income has contributed to a serious lack of economic diversification. Nevertheless, the economic effect of a sea-level canal built anywhere other than near the present canal would prove to be a major factor in future Panamanian political stability.

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5. There are continuing reports of Cuban participation with perennial antigovernment plotters in Panama. A number of Panamanians have received guerrilla warfare training in Cuba. Panama was also listed as a priority target for subversion in the communiqué of the November meeting of Latin American Communist leaders in Havana.

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S. PARAGUAY

1. After a long history of dictatorship and bloody strife, Paraguay has attained stability under authoritarian President Alfredo Stroessner.

2. The three traditional bases of power in the country have been the strong, partisan military establishment, the police, with a well-defined internal security function, and the political organization of the ruling party. The only real source of political leadership in the country is found among the small number of leading families who have strong partisan ties. President Stroessner has maintained his regime in power for ten years by carefully balancing Colorado Party, police, and military interest. Political and press freedom have been gradually increased, but the President still firmly holds the reins. Two small opposition political parties have been permitted to register to participate in elections. The largest opposition party, however, maintains an illegal but fairly well-defined identity and is not severely repressed. Should President Stroessner be removed from the political scene, the resultant leadership vacuum would be bound to create instability while military, police, and party officials vied for power.

3. Although still a relatively backward agricultural country, Paraguay has experienced a broad trend of economic growth. The mass of the Paraguayan people are apolitical subsistence farmers; there is little industry, and organized labor is small and completely government dominated. Improved markets and prices for the traditional exports, meat, cotton, and agricultural products, have substantially stimulated the general level of economic activity and foreign and domestic investment. Although the government has not yet completely overcome its budgetary deficits, a rigorously maintained monetary and wage policy has virtually eliminated the once-galloping inflation.

4. The major opposition to the government comes from vociferous but ineffectual exile groups who have been unable to unite their attacks on the government or to find dissatisfied minorities to exploit. The Communist Party is disorganized and stringently repressed in Paraguay. Some exile members have received training in Cuba, but the party is generally unsuccessful at infiltrating or uniting with other exile organizations.

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T. PERU

1. Peru is experiencing a period of political stability and unprecedented prosperity under the government of President Fernando Belaunde Terry.

2. Prospects are that this trend will continue. The Belaunde government enjoys widespread popularity and it has a "loyal opposition" in the Congress. As in the past, however, political stability will depend on military support for the government. Belaunde was voted into office in elections held under a military government and he has military backing for his administrations' socioeconomic reforms. Continuing but moderate reform measures are essential to stability. Failure to proceed with the land reform program raises the threat of Indian unrest, clearly a prospect for Communist exploitation and a potential field for revolutionary activity. On the other hand, if land distribution is radical in form or too swiftly applied there will be strong protests from the still powerful oligarchy who have numerous allies within the military.

3. Barring some unexpected reverse in the volume or value of exports, growth of the economy in 1965 should keep pace with 1964 which was a record year. Last year, exports were up 23 percent over 1963, foreign exchange reserves (totaling \$144 million) reached the highest level in many years, and GNP increased by an estimated six percent. The major cause for concern is the rising cost of living--11 percent increase in 1964--and an estimated \$300-million budget deficit in 1965. A high rate of foreign investment continues despite the as yet unresolved controversy over concession rights between the government and the US-owned International Petroleum Company.

4. The numerous Communist and other extremist groups in Peru are highly fragmented and have only a limited capability for sustained subversive activity.

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U. TRINIDAD-TOBAGO

1. Independent since August 1962, Trinidad-Tobago has had fundamental political stability based on British-fostered respect for the two-party parliamentary system.

2. The two broadly based political parties have polarized along East Indian - Negro ethnic lines, and although relative calm has so far been maintained, racial tension is never far below the surface. At the present rate of increase, the more prolific East Indian minority will become the majority in 10 to 15 years. The political and social problems involved in this shift may well threaten the present calm. The firm leadership of Prime Minister Eric Williams has been a dominant factor in the island's stability. He has taken a strong stand against irresponsible union leaders, made a genuine attempt to improve living conditions in rural East Indian villages, and is attempting to allay Indian fears of Negro domination and repression.

3. The economy is viable, but economic growth has leveled off and the island is overly dependent on its two main exports, oil and sugar. The government will face tougher problems caused by rapid population expansion and growing unemployment (currently about 14 percent). Labor unrest, fostered by some leftist-dominated trade unions, increases the government's problems.

4. The Communist-front West Indian Independence Party (WIIP) is very small, but there is some Communist influence among several youth and labor groups. An avowed leftist who heads the important Oilfield Workers Trade Union has used his position to disrupt the free labor movement. His irresponsible actions have split the Trades Union Congress and forced the government to pass strict labor regulation legislation.

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V. URUGUAY

1. Uruguay has become unstable mainly because of inept leadership by a cumbersome nine-man executive and because of an extended period of economic deterioration.

2. The instability comes after nearly a century of two-party rule which created a strongly democratic tradition. During this time the military and police were generally reluctant to interfere in politics. Stability has been fostered by the racial homogeneity of the population (about 90 percent white) and the development of a large middle class. However, the plural executive system makes it difficult to arrive at decisions and, even in many noncontroversial matters, the Blanco Party majority can rarely obtain the necessary votes for action. Under Uruguayan election laws, political parties have become so factionalized that patronage and complex extra- and intraparty maneuvering have greatly reduced government effectiveness. The fact that no recognized leader has appeared to lead a coup has been a major factor in deterring an unconstitutional change of government. However, until there are fundamental economic and political reforms, it is likely that instability will increase and that Uruguay's democratic institutions will be severely tested.

3. The heavy cost of Uruguay's over-extended social welfare legislation together with inefficient government enterprises has produced an excessive burden on an economy characterized by industrial recession, rising unemployment (now estimated between 12 and 20 percent), a spiraling cost of living which rose 38 percent last year, and growing budget deficits. Fluctuating world market prices and loss of markets for its principal exports, wool and meat, have contributed to the decline. Most of the population is now feeling the economic pinch.

4. Public dissatisfaction with the form of government is increasing. In view of the difficult requirements for constitutional reform, there is growing sentiment in influential quarters for an extralegal change. To succeed, an attempt at such change would need the support of the military, which has shown an increasing willingness to speak out on political matters. An attempted coup by the military

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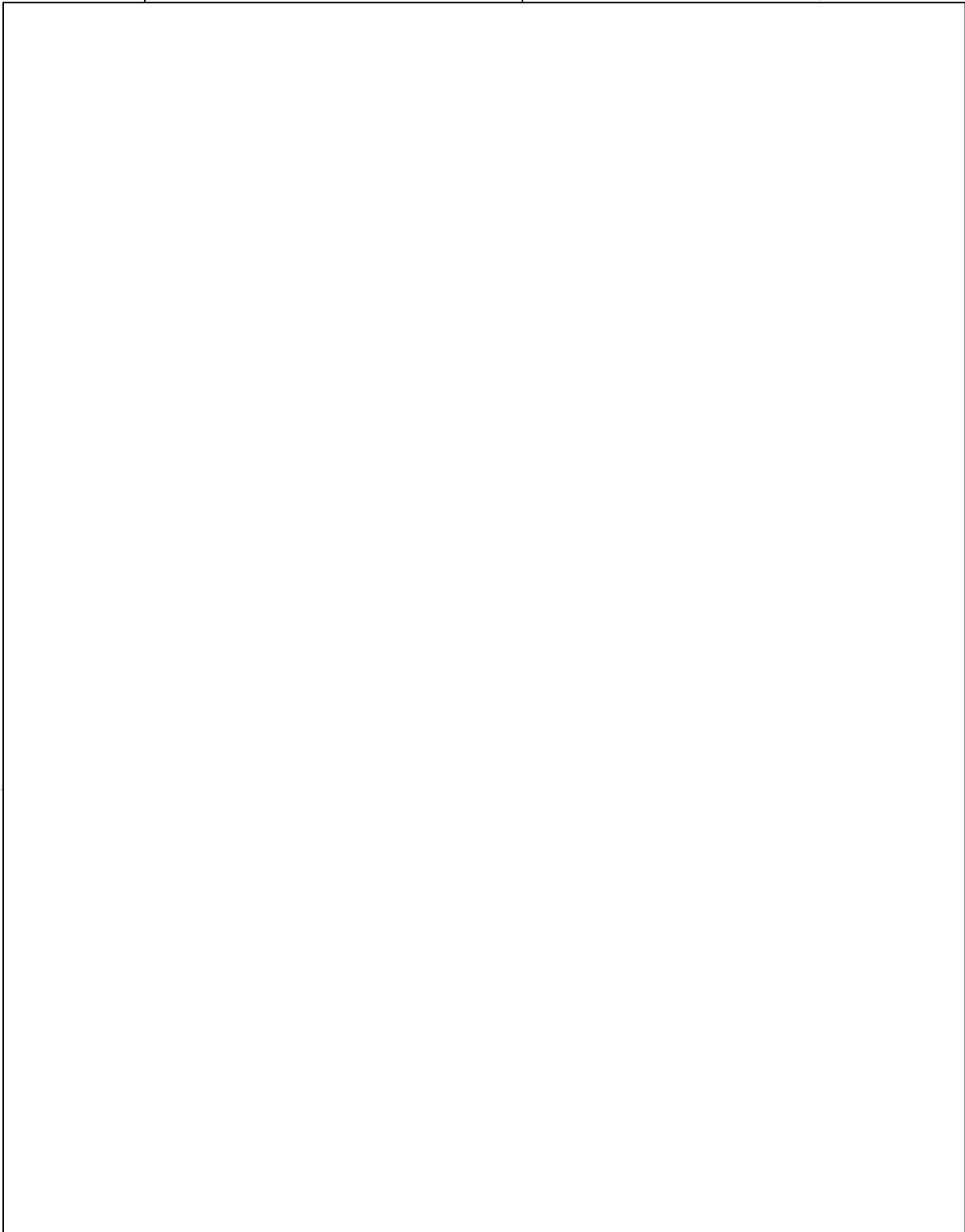
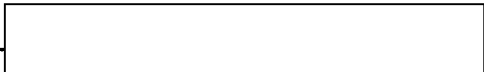
could quickly degenerate into serious rioting as the well-organized Communist and leftist groups are reportedly ready to take to the streets to oppose a military take-over. The Communist Party has 10,000 members and 20,000 sympathizers and has effectively exploited economic and political issues among students and organized labor.

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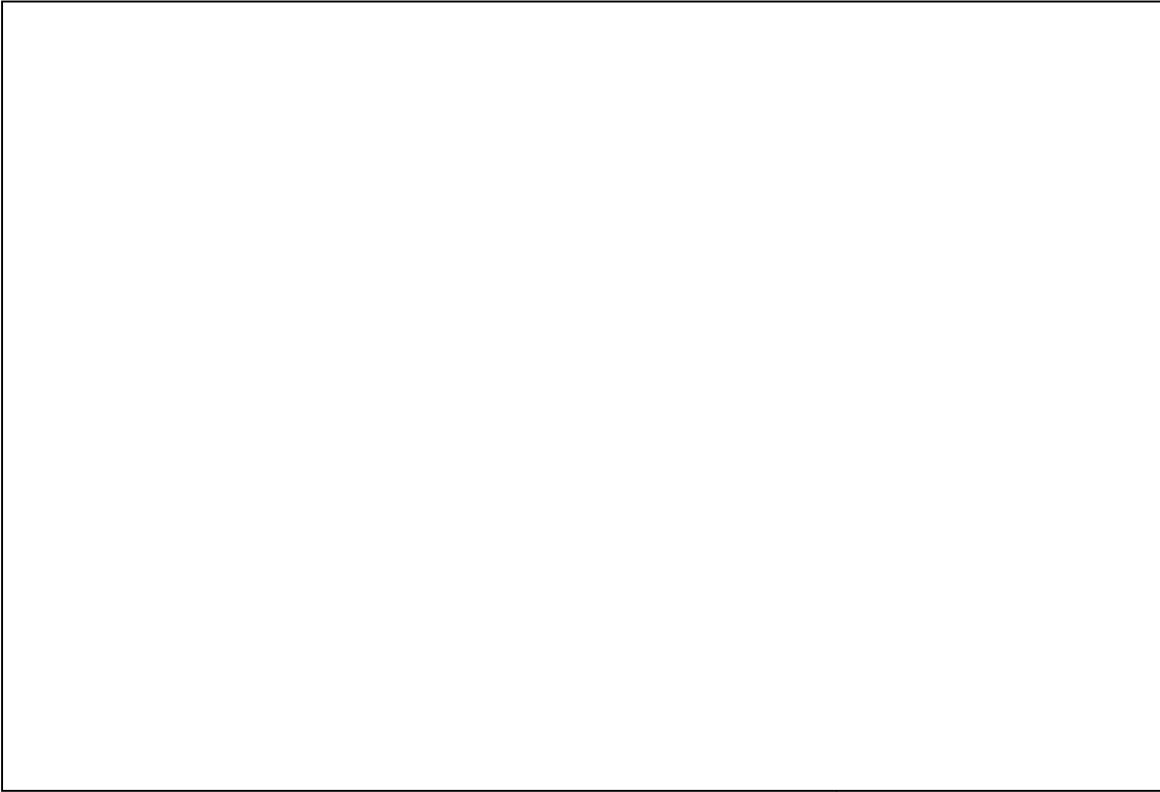
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