

Weekly Contributions  
Latin America Branch, ORE, CIA  
8 March 1949

CURRENT DEVELOPMENTS

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SOUTHERN DIVISION: Argentina's bargaining power has diminished judging from trade proposals recently made by European countries (p. 2). The USSR may formally claim territory in the Antarctic (p. 3).

SPECIAL SUBJECTS

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1. HAITI: Administration Shaken by Strike

Martial law has been declared throughout Haiti as the result of a "general walkout" of workers in protest against salary withholdings under the terms of the \$3 million compulsory defense loan law (B/LA Wkly for 23 Feb 49). The US Military Attaché is of the opinion that, while no disturbances have been reported as yet, the situation could result in the fall of the present government.

B/LA concurs with the Military Attaché that the strike could result in the overthrow of the administration if the situation is allowed to deteriorate. President Estimé, however, has in the past demonstrated singular resourcefulness in surmounting political crises, and he can be expected to take vigorous measures to ensure the security of his regime.

2. CUBA: Cuba is close to a break in diplomatic relations with Soviet

Russia. Since Cuba customarily has few dealings with the USSR, a break of relations in reality would constitute little effective change in Cuba's position vis-à-vis the Soviet Union. Such a move, however, could possibly be used by President Prío as a fulfillment of his campaign promise to combat Communism. If this should be the purpose behind the break in relations, it would mean that the Cuban Communist Party (PSP) may not be outlawed at present (B/LA Wkly for 19 Oct 48). Outlawing the party might be politically inexpedient at this time in view of the potential strength of President Prío's rival, ex-President Batista, who is currently flirting with the Communists as part of a maneuver to strengthen his position.

3. ARGENTINA: Diminishing Argentine bargaining power is evident in  
trade proposals recently made by European countries.

The terms of the British and Italian offers for new trade agreements with Argentina are indicative of the terms other European countries will demand. The principal characteristics of these offers are no dollar payments to Argentina, lower prices for Argentine exports, and increased Argentine acceptance of items hitherto classified by Argentina as "unessential", such as whiskey, automobiles, certain textile products, etc. (B/LA Wkly for 23 Nov 48). Argentina's extensive trade agreements program, which included the extension of large credits to various European countries, has backfired somewhat. These countries generally refuse to use ECA dollars to purchase the few Argentine commodities authorized, insisting that, under the terms of their respective agreements, Argentina accept payment in imports, many of which are admittedly considerably above US prices.

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During the first eight and one-half months of the ECA program, Argentine sales constituted only \$2.7 million or 1.2 per cent of total ECA purchases in Latin America of \$216.5 million. Unless European countries benefitting from the Economic Cooperation Administration cease discrimination against Argentina and include Argentina in ECA dollar purchases, the Argentine economic crisis can be expected to be aggravated.

4. ANTARCTICA: Formal Soviet claims to territory in Antarctica may be presaged by recent pronouncements by the Soviet All Union Geographic Society and by considerable propaganda to the effect that the USSR will not recognize as valid any settlement of disputed Antarctic claims without Soviet participation. The assertion of such a claim may be in conflict with US objectives. During the latter half of 1948 the US sought informally to obtain the agreement of the seven claimant powers (USSR was not then among them) to an eight-power international regime for Antarctica which would include the US. In August of 1948 the Department of State indicated that in the event that agreement to the condominium proved unobtainable the US would assert a formal claim in order (1) to safeguard the US position and rights, (2) to forestall any Soviet attempt to become a territorial claimant in the unclaimed sector, and (3) to place the US on an equal legal footing with other negotiating countries and prevent the USSR and other non-claimant powers from claiming the right to participate in discussions for an international regime on the grounds that the US is not a claimant. The attempt to secure agreement to an eight-power condominium proved unsuccessful notably because of the opposition of Argentina and Chile. The Soviet announcement concerning their rights in the Antarctic may be designed to (1) spur the US to make a formal claim, thereby gaining a propaganda item concerning US imperialism, and (2) provoke discord between the US and one or more of the seven powers claiming Antarctic territory.

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The Current Situation in Peru

The present Peruvian Government is dangerously insecure and faces serious economic problems. Because it combines political insecurity with military power, it is the object of suspicion on the part of its neighbors who fear that it might provoke international incidents to divert attention from domestic problems. The situation is of concern to the US not only because of its effects on Hemisphere solidarity and tranquility, but because the fall of the present Peruvian Government could easily bring into power factions opposed to specific US interests in the area.

General Odría and his junta assumed power on 30 October 1948, after overthrowing the moderate Bustamante administration. The junta has lacked popular support from the beginning, and is now opposed by members of the outlawed APRA Party, largest political group in Peru; the outlawed Communist Party; democratic Bustamantistas; and the wealthy cotton and sugar producers, who have been alienated by the junta's social and economic measures. At the same time, these measures have failed to win significant support from the labor groups for whom they were designed. Even within the junta, Odría faces a real threat in the rivalry and plotting of Colonel Llosa, the Minister of Development, who makes no secret of his presidential ambitions or of his willingness to use force in order to attain them. Llosa apparently counts on considerable strength within the army and among the wealthy elite of the country. Odría's fear of what Llosa might do is reportedly the main reason why a safe-conduct was refused to Haya de la Torre. Only the support of army leaders keeps Odría in power and that support might be withdrawn at any time if conditions deteriorate further.

While the junta exercises all executive and legislative powers and maintains a state of siege, it has also authorized a commission to prepare an electoral statute. This move may indicate that the junta — either by choice or through necessity — seeks a return to constitutional government. If an honest election could be held, it would be a move conforming with US preference for democratic procedures, but there is little possibility of such an election in the near future. Moreover, the government that would probably replace the present junta — either through a staged electoral performance, or by a coup on the part of Colonel Llosa and his group — would not necessarily be as favorable to specific US aims in the area as Odría's junta is at present.

Internationally, Peru has aroused Colombia by its refusal to grant Haya de la Torre safe-conduct from the Colombian Embassy in Lima. Colombia fears possible attacks on the embassy or even on the jungle frontier

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between the two countries, but there is little indication that the Odría government would venture so far. The minor war of nerves between Peru and Colombia is intensified by persistent reports that close ties exist between the Peruvian junta and Argentina. It is alleged that an agreement has been signed providing for prior consultation between the two before "action of an international character on the South American continent" is to be taken. Additional international friction resulted recently when Bolivia charged that Colonel Llosa and other Peruvians had aided the revolutionary attempts of Bolivian exiles in Peru. Bolivia, however, appears to be satisfied with the Peruvian reply to these charges.

Economically, the Odría regime inherited a difficult situation from the Bustamante administration. During 1947 both the production and export of principal Peruvian commodities declined, causing an imbalance in foreign trade which was reflected in continual exchange difficulties. Periodic shortages of foodstuffs also developed. The expansion of credit and currency disproportionate to the output of goods and services caused inflation; the value of the sol declined, both in terms of domestic goods and in terms of dollars. Despite recent revisions of exchange regulations and attempts to control prices of essential goods, the situation has not improved. Efforts to encourage exports and restrict imports were of some slight effect in 1948 so that a modest favorable balance of trade was attained. Regardless of this one positive factor, public dissatisfaction with the general ineptness of the Odría administration in economic affairs continues to increase, sparked by the bitter criticism of influential businessmen whose special interests have been adversely affected by government action. This public lack of confidence constitutes an additional threat to the junta's stability, which will be further weakened if the food shortage predicted for mid-1949 proves to be, as expected, the most severe yet experienced in Peru.

As a possible means of relieving its economic situation, the junta has under consideration a new law governing the exploitation of national petroleum resources. Some reports indicated that the law might permit Peru to turn to the US for technical assistance and even for financial aid. Peruvian capitalists are so opposed to US participation, however, that it is unlikely that either the present Peruvian Government or its immediate successor could approve a petroleum policy as favorable to foreign participation as the petroleum law proposed during the Bustamante administration.

While petroleum is the principal Peruvian issue of present interest to the US, other US interests may be affected by the attitude of the junta as shown to date. Several junta members, as well as a large number of

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Peruvian citizens, prefer to look to Argentina rather than to the US as a source of capital, cooperation and political support. This preference is not necessarily anti-US but, in combination with extreme Peruvian nationalism, its effect may be to retard the adoption and implementation of measures of interest to specific US nationals --- if not to the US as a nation. While this pro-Argentine tendency is strongest among the Peruvian capitalists who are reported to support Colonel Hlosa as a possible successor to Odría, no government succeeding Odría is likely to be less nationalistic than the present administration.

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