

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

Of the items reported on this week, that on increased Communist organizational activity in Latin America (p. 2) is of particular interest.

CURRENT DEVELOPMENTS

GENERAL: Communist parties in Latin America, faced with declining influence, are concentrating on organizational activity (p. 2). Tension between Peru and Colombia over the safe conduct of Haya de la Torre has eased (p. 2).

SOUTHERN DIVISION: In Bolivia, labor unrest and violence continue to threaten the security of the Hertzog regime (p. 2). The belief by Argentine leaders that a US-USSR war is imminent is not sufficiently fixed to prevent granting of concessions to get US economic assistance (p. 3).

SPECIAL SUBJECTS

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Weekly Contributions, B/LA
(CIA Working Paper)

29 March 1949

1. **GENERAL:** Communist Organizing Activity may Arrest Party's Decline
Latin American Communists, faced with declining power and strength, are concentrating on organizational activity. In the Communist parties of Mexico, Chile, and Argentina, purges and sloughing off of dissident, ineffective, inactive, and non-militant Party members -- a common prelude to increased Communist activity -- have been renewed recently. In addition, it is reported that in Cuba, Argentina, and Uruguay special lists of militants are being prepared, probably to determine those best suited for underground activity. A new membership drive of a Communist-front group for youths has been reported in Cuba. In Mexico, Communist organizers are urging members to join local labor unions, probably in an effort to regain influence in the labor movement. In Ecuador and Mexico, party reorganization is under way.

This Communist organizational activity may slow down the general decline in Latin American Communist strength and influence, and may even improve the Party's position in particular cases where police repression is absent, or where counter-propaganda is ineffective. There are as yet, however, no signs of a general reversal of the trend of declining Communist power in Latin America.

2. The tension between Peru and Colombia over the question of safe conduct for APRA leader Haya de la Torre has been easing during the week. Both countries have given further evidence of their desire to find a "face-saving" means of solution. Although the Peruvian Government continues to insist that Haya de la Torre is a criminal and therefore ineligible for the safe conduct demanded by Colombia, it is taking effective measures to protect the Colombian Embassy in Lima against violence. Colombia, in B/LA's opinion, will not take the matter as it now stands to the COAS. Exchanges of notes have been firm in maintaining differences of opinion, but have been conciliatory in tone. It now seems likely that a period of watchful waiting will be the policy of both the Peruvian and Colombian governments.

3. **BOLIVIA:** Labor unrest and violence continue to threaten the security of the Hertzog regime although it has taken forceful measures against agitators and has maintained a state of siege. The relatively prosperous economic situation has not served to calm the politically and economically important mine workers who have received the greatest benefits from present favorable economic conditions. Workers of the Patiño property at Catavi, the world's largest tin mine, presented demands for salary increases,

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Freezing of commissary prices and recognition of two unions said to be connected with the MNR. Numerous acts of violence have taken place since the presentation of these demands. US Embassy observers feel that the demands are political in nature and represent the efforts of an irresponsible and politically inspired minority, since most workers are satisfied with the highest wages in Bolivia and do not desire affiliation with any union. Bolivian officials blame the unrest and violence on plots by MNR exiles and former army officers resident in Peru and Argentina (B/LA Wkly for 23 Feb 49). At the latest outbreak of violence -- the beating of radio and news correspondents -- the Hertzog regime acceded to Patifio requests for greater protection and sent army units to Catavi. Although the government should be able to control this present situation, the combination of political plotting with labor unrest -- in the Aramayo and Hochschild mines as well as Catavi -- increases Hertzog's difficulties, and further weakens his control.

4. ARGENTINA: The Atlantic Pact is a prelude to early conflict between the US and the USSR in the opinion of President Perón and the majority of the cabinet, according to information given to US Chargé Ray by Argentine Foreign Minister Bramuglia. The Perón government could be expected to estimate that an immediate war would strengthen Argentina's position economically to the point of needing to make no concessions to sell its products on advantageous terms. However, B/LA doubts that Perón's views of war between the US and the USSR are sufficiently fixed to cause him to retreat from his recent position of being willing to make some concessions in order to secure US assistance, so long as he understands that such concessions are prerequisite to assistance.

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The Current Situation in Surinam (Dutch Guiana)

Surinam, the largest colony of the Netherlands Empire in the Western Hemisphere, is of importance to the US because that country is the principal foreign source of bauxite for the US. The continued availability of bauxite during peacetime or in the event of an emergency seems assured as the colonial government is stable, no serious political problems threaten to disturb the established order, and no subversive groups have gained a foothold. There are economic and labor problems of considerable import locally, but these are not of sufficient magnitude to threaten or impair US bauxite interests. In the event of the involvement of the US in an international emergency, Surinam, as a Netherlands colony, would follow the policy of the mother country vis-à-vis such a situation; the possibility of any independent action is exceedingly remote. Surinam could not be counted on to provide any direct military aid for the US. The population is favorably disposed to the US, this attitude being in terms of a closer economic rather than a political relationship.

Politically, Surinam is in transition because of the Dutch government's present plans for the radical modification of the constitutional pattern of the empire. The ultimate position of Surinam in the empire will not be definitively determined until the relationship of the Indonesian possessions to the home government is finally settled. The present plans are that Surinam will continue to be a colony in the orthodox sense and will not be made a "coequal partner" with the Netherlands (as will Indonesia) in the proposed imperial arrangements. Although the ultimate nature of Surinam's position cannot be described at the moment, it can be said that the colony will be given a greater measure of political autonomy. Whatever the new constitutional arrangement shall be, it will not be likely to affect adversely any US interests in Surinam. In fact, the contemplated expansion of political autonomy may possibly offer the Surinamese greater opportunities for realizing their desires for closer economic relations with the US.

The people, as a whole, are politically immature and inexperienced, but a trend toward political democracy is apparent. The population of Surinam is a polygot one, the largest racial groups being creoles, and persons from India, the Netherlands East Indies, and China. The Surinam National Party, the dominant political group at present, consists largely of creoles who do not take kindly to the idea of sharing their political

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control with the other racial groups. It is doubtful, however, that the creoles will be able much longer to maintain their favored position as events are beginning to run against them. The leading political figure in the country, Jos Verschuur, is a creole who enjoys the confidence of all the local racial groups as well as that of the home government. He advocates racial unity and the democratization of the local government. Indications are that his efforts in this direction have the prospect of a reasonable measure of success.

The stability of the local government, in conjunction with the expanding political autonomy, enhances the possibility that the government may be able to effect some sorely needed agricultural improvements. The cultivation of citrus fruits and the exploitation of Surinam's lumber resources are being rapidly advanced for the readily available market in the Netherlands. Substantial increased production of rice -- now the chief agricultural product -- may be expected in the near future as a result of the wider use of mechanical methods of cultivation and of the government's plans to bring considerable new acreage under cultivation as soon as possible. The sugar industry, formerly one of the country's leading sources of prosperity, is, however, still in a poor condition. The serious decline in sugar production results primarily from labor's preference for other types of work. Attempts by the government to relieve the labor shortage in the sugar as well as in other agricultural industries have been unsuccessful thus far. Although the condition of Surinam's economy generally leaves much to be desired, there are no serious problems, either economic or political, which threaten the US bauxite interests.

Surinam's bauxite reserves have been estimated to be 54,000,000 metric tons. Eight-five percent of the capital invested in this extractive industry is US, the remainder being Dutch. Approximately 90 percent of the annual production is exported to the US. The vicissitudes of the US market have a great economic significance to Surinam because, under the prevailing world pattern of aluminum production, there are no important alternate outlets. Those economic factors necessary for any expansion of the industry are present, and the increasing US demand for bauxite is already stimulating production in Surinam. The year 1948 was a peak year; 2,149,906 metric tons were produced, which compares very favorably with production figures during the war years. The prospects for expansion are further enhanced by the fact that two other countries (Reynolds Metals and Kaiser) have sent engineers to Surinam to explore for

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new deposits. At the moment the chief exploiter of the Surinam reserves is a subsidiary of the Aluminum Company of America. The coming of the Reynolds Metals and Kaiser upon the scene should result in a significant expansion of production.

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The Current Situation in Venezuela

The possibility of developments in Venezuela adverse to US interests arises more from domestic than from international factors. US recognition of the junta has greatly increased the prospects of its tenure. The continued refusal of Bolivia, Chile, Cuba, Guatemala and Uruguay to recognize the new government should in no way seriously affect US-Venezuelan relations or the US position vis-à-vis the Hemisphere. In international affairs, the Venezuelan junta has indicated its willingness to follow the lead of the US. Although at present the unity of the Venezuelan Army is imperiled by factional strains, any international emergency will submerge such factionalism and there is no reason to believe that under such circumstances the army would not become united sufficiently to maintain domestic order.

While failing to demonstrate its ability to meet domestic needs, the military junta has nevertheless given indications of a sympathetic attitude toward vital US interests in oil and iron ore. Because any change in the Venezuelan Government might affect adversely the availability of needed raw materials, the US is properly concerned about the prospects for the economic and political stability of the present regime.

The problem of economic stability in Venezuela is that of a country whose government prospers financially from its petroleum revenues, but whose economy is basically unsound. The predominance of the petroleum industry has resulted in a serious economic imbalance in which the financial stability of the government is dependent upon the world oil market outside its control. Recent governments of Venezuela, recognizing the danger of an unbalanced economy, have attempted to encourage agricultural development and industrial diversification. High wages in the oil industry, however, have attracted the ablest agricultural laborers. Newly established industries, which must pay high wages in order to compete in the domestic labor market, cannot compete therefore with foreign industries whose productive efficiency is greater. This is particularly true of the textile industry which has to import most of its raw materials. If industries which have no comparative advantage are to be encouraged, they must be subsidized either directly or through trade controls, thereby increasing the inflation already created by oil prosperity. Recently imposed tariffs and import quotas indicate that the government is already responding to pressure for protection.

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Labor, which is an important factor in both economic and political stability, has the greatest adverse effect on US interests when its activities curtail petroleum production. High wages in the petroleum industry are an important element in the present inflation. Labor unions formerly controlled by Acción Democrática have been the most active force in opposition to the present government. A series of politically motivated strikes has provoked retaliation in the form of dissolution of the Confederation of Venezuelan Workers and 25 of its affiliated unions. The non-Communist unions are thus deprived of a centralized organization to coordinate their activities.

The question of political stability may be approached as a problem of self-preservation now confronting the military junta government of Venezuela, which is intensified by the circumstances attending its rise to power. The junta's initial success was achieved with the aid of an army temporarily united in opposition to Acción Democrática, but divided in its allegiance to rival personalities. The military junta came to power with no well-defined program, without the support of a strong political party, and without a broad base of popular approval. During the period since the military coup of 24 November, the junta has made little progress towards stability. Rather, the problems which it faces have increased, and the measures taken to counteract them assume in general the character of temporary expedients.

Opposition to the junta from the extreme rightists, from former Acción Democrática-controlled labor unions, and from rival army factions has increased. Since numerous reports support the view that Pérez Jiménez is the dominant figure of the junta, and that Delgado Chalbaud is a figurehead who may be pushed out when it becomes expedient, the continuance of the junta depends on continuing support of Pérez Jiménez.

Pérez Jiménez can undoubtedly rely on the support of that part of the army, of uncertain size, which is personally loyal to him. He would hardly obtain support from the group loyal to Mario Vargas and in his absence to José León Fangel. This was the group opposed to Pérez Jiménez at the time of the reported split in the army prior to the coup of 24 November. Fangel at that time claimed he had 80 percent of the army on his side. The strength of his following at present is difficult to estimate. Pérez Jiménez is unlikely to seek support from the extreme rightist faction in the army, because the militant opportunism and independence of such men as Major Mendoza, recently relieved of command at La Guaira, would make it embarrassing to share power with them.

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It is highly unlikely that Pérez Jiménez will seek the active support of the Communists, though it is true that the junta has taken no action against the Communist Party. It appears that Pérez Jiménez will be happy if the Communists continue to play their present passive role in politics and labor, and that he will do nothing at present to provoke open hostility.

It is entirely possible that Pérez Jiménez will find it expedient to cooperate with the Grupo Uribate, of which General Celis Parcedes is a leader, a group formed possibly in response to ex-President Medina's letter to his supporters within Venezuela calling on them to eliminate traces of Acción Democrática influence from the government. It has been reported that the junta does not wish Medina to return. If the Grupo Uribate, however, is not strongly committed to Medina personally, it might be able to reach an agreement with Pérez Jiménez by which its moderately liberal program could be effected. Such agreement would undoubtedly provide for the withdrawal of Delgado Chalbaud.

Among the major political parties, URD is most likely to gain strength by attracting the more right-wing former Acción Democrática adherents. During the spring of 1948 the URD leader, Jovito Villalba, was reported to be seeking alliance with Medina supporters. Such a coalition might still materialize.

The effect upon interests of the US of a possible increase of Medinista influence would probably be favorable. It implies abandonment of extreme radicalism either of the right or of the left. If, however, URD should assume a stronger position either separately or in conjunction with the Medinistas its nationalistic petroleum policy might become embarrassing.

If Pérez Jiménez is shrewd enough to draw one of the stronger factions into his own camp, even at the cost of compromise, the junta may endure under his leadership for some time; if he insists on playing a lone hand long enough, opposing groups will combine against him, and another coup will take place.