

Weekly Contributions  
Latin America Branch, ORE, CIA  
30 August 1949

B/LA considers the items on the ousting of General Pérez (p. 2) and on the Guatemalan situation (p. 2) are particularly worthy of note.

CURRENT DEVELOPMENTS

GENERAL: The ousting of Cuban Chief of Staff Pérez will probably mean greater freedom for Caribbean Legion activities (p. 2).

NORTHERN DIVISION: Expected Guatemalan disturbances, the outcome of which is uncertain, may result in widespread violence imperiling the lives of US citizens and tourists (p. 2).

CENTRAL DIVISION: (See Situation Memorandum on Colombia, p. 6, and article on Ecuadoran political party situation, p. 4.)

SOUTHERN DIVISION: Argentine newspaper and radio attacks on Chile are unlikely to result in a break in relations (p. 2). The Bolivian Government is faced with a serious revolt (p. 3).

SPECIAL SUBJECTS

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Weekly Contributions, B/LA  
(CIA Working Paper)

30 August 1949

1. **CARIBBEAN:** Caribbean Legion members will probably operate with greater freedom on Cuban territory as a result of the ousting of Cuban Chief of Staff, General Pérez, by President Prío. In 1947 General Pérez was largely responsible for quashing the original Dominican invasion attempt. Unauthorized negotiations with President Trujillo (probably concerned with forestalling President Prío's pro-Legion maneuvers) are said to have been an immediate cause of Pérez' dismissal. Although there are reports from Ciudad Trujillo of an imminent Caribbean Legion sponsored land, sea, and air attack on the Dominican Republic — perhaps between 5 and 10 September — B/LA believes that there still remains much planning and organizational work to be done before still another attack can be launched by the Legion against the Dominican Republic. The ousting of Pérez will probably permit the Legion, however, to move its headquarters from Guatemala to Cuba and to operate on Cuban territory with greater facility than heretofore.
  
2. **GUATEMALA:** US citizens could be imperiled by disturbances that are to be expected in this country. B/LA estimates that revolutionary disturbances, more severe in character than those of 18-19 July, will occur in Guatemala within the next 14 months (prior to elections scheduled for late 1950). It is not believed that President Arevalo can successfully continue his present policy of placating the conservative opposition without antagonizing leftist support. The conservative opposition is growing and consolidating, especially within the army. Communist-influenced leftist civilians have retained the arms issued to them during the recent disturbances. The political outcome is not certain, but the expected move by one side or the other to insure control of the government may result in widespread violence of such a nature as to imperil the lives of US residents and tourists, especially those in the rural areas.
  
3. **ARGENTINA:** Señora Perón's desire for vengeance on the Chilean delegation that led the opposition to her campaign for the chairmanship of the Inter-American Commission of Women has led to strained relations between Chile and Argentina. The Chilean Ambassador has protested to the Argentine Foreign Minister concerning Argentine radio and press attacks against the Chilean

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Government's handling of the recent Chilean strikes and against President González Videla personally. The Chilean Ambassador is said to feel that if the situation continues, he will "be constrained" to take some personal action. This, Embassy Buenos Aires believes, may result in his finding some excuse to return to Chile. Although an undercurrent of Chilean suspicion of Argentina makes relations sometimes difficult between the two countries, Chile seems to prefer not to make an issue of this particular affair. Therefore, saving some deliberate Argentine intention not now apparent, the strained relations should not deteriorate to an open break.

4. BOLIVIA: The LNR revolutionary attempt, which began with simultaneous attacks in several cities, has not yet been suppressed. There have been some defections among army units, and indications of armed participation by pro-LNR miners groups. The government has attempted to control the situation by extending the state of siege, mobilizing all men between the ages of 19 and 50, attacking rebel-held centers by air and land, and has requested additional fighter and bomber planes from the US to facilitate the attack on remote centers of opposition. Although surprising strength has been shown by the regime in meeting an extremely serious threat, B/LA estimates that it will probably be able to continue in power and gradually reestablish order only if it is not hampered by further defections by important army units. (Substance used in CIA Daily Summary, 29 Aug 49)

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Article 17-49

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Reorganization of MCDN  
Improves Prospects for Stability of Ecuadoran Government

Upon assuming office (31 August 1948), President Plaza ignored his debt to the MCDN (Movimiento Cívico Democrático Nacional) -- a coalition of moderate Liberals, moderate Socialists, and independents, which contributed much to his election -- and adopted a policy of distributing public offices among all parties in the hope of uniting the people behind his administration. His denial of ample patronage rewards resulted in the rapid disintegration of the MCDN as its disillusioned members returned to their former parties. In time, Plaza lost all organized support except that of the Conservative Party. Although this party is the best organized of Ecuadoran parties and has a strong popular following, political realities are such that exclusive Conservative support is a handicap. Traditionally, the army has a very liberal, if not leftist, orientation, and too close identification with the Conservatives alienates the army -- a dangerous development for any Ecuadoran president regardless of his popular appeal.

Organized opposition crystallized in June of this year when extremists of the Liberal and Socialist parties gained control of their respective organizations, announced a policy of opposition to the government, and decided to cooperate in its implementation. The attack was to be along two lines, one of which was to play up Plaza's Conservative connections in order to win over the army for revolutionary purposes. The second line of attack, adopted in the belief that their combined forces gave them a slight majority in Congress (US Embassy Quito now doubts this is true), involved the plan to force the interpolation of several Plaza ministers and demand their resignations when Congress convened on 10 August. Upon the anticipated refusal of Plaza to permit his ministers to resign, a general strike was to be called which, it was hoped, would result in Plaza's removal.

Some good for Plaza, however, has come out of this reorganization of his opposition. The fact that the Mancheno-Moreno Espinosa extremist faction now controls the Liberal Party antagonizes moderate Liberals, among whom are the heaviest contributors to party finances. The decision of the Socialist convention (24-27 June) to join the Liberals in opposition very nearly caused a schism that apparently has only been superficially healed, since the Guayaquil Socialists have little use for the Liberal, Mancheno, and his ideas. Public reaction to the incipient revolt in Loja and Cuenca (4 July) and to the abortive Mancheno

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coup (26 July) clearly demonstrates that neither the people nor the army are in a revolutionary frame of mind. The failure of these two attempts has strengthened the administration in that, under the circumstances, it put the present leadership of both the Liberal and Socialist parties in a bad light. Finally, the destruction and shock of the recent series of earthquakes will, for a little longer at least, make normal politics appear extremely petty to the Ecuadoran people and therefore force the opposition to limit the extent and vigor of their attacks.

Plaza, in addition to profiting from miscarriage of opposition plans, has taken steps of his own. He apparently realized early in July that the revival of the MCDN would offer the most effective instrument for capitalizing on the negative advantages he was gaining. On 8 July, his Minister of Government, Eduardo Salazar Gómez, met with former leaders of the MCDN to inform them of the president's wishes, of his willingness to finance the party with government funds, and of his decision to remove office holders affiliated with opposition groups and to replace them with MCDN personnel (a decision that he has already begun to carry out). As a result of this and subsequent meetings, MCDN leaders have grown so optimistic that they are reportedly considering the idea of running candidates in the November municipal elections instead of waiting for the presidential election in 1952 before returning to the electoral battle. The Conservative Party has indicated its readiness to support the MCDN in its plans, thereby completely reconstituting the coalition which elected Plaza last year.

A reconstituted and vigorous MCDN would offer a rallying point for moderate Liberals and Socialists who are displeased with the trends developing in their parties. It would be conducive to the formation of a bloc of MCDN and independent members of Congress to cope (and with greater prospects of success) with anticipated attacks from Liberal-Socialist opposition in Congress. Finally, it would remove, in appearance and in fact, Plaza's present dependence upon the Conservative Party — an eventuality which would greatly improve his position with the army. The realization of all or of any one of these three possibilities will contribute notably to the security and stability of the Plaza administration.

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Situation Memorandum 48-49

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The Current Situation in Colombia

(Summary -- In anticipation of the presidential election in 1950, the Liberal Party continues its policy of opposition to the Conservatives in order to avoid contributing to any political accomplishment which could benefit the Conservative administration now in power. The prospects for Communist program and achievement are at an all-time low. Colombia has improved its foreign exchange position, coffee sales remain satisfactory, but petroleum income and prospects for future development are poor. The armed forces are a stabilizing influence in the country. Although Colombia is normally aligned with the US on international questions, recent months have shown a slight divergence in economic policy.

-- Nothing in the current Colombian situation is causing or immediately portends noticeable impairment of US security interests. Of some concern, however, are the circumstances that political stability is not all that could be wished, even though the country has a good record for surmounting difficulties, that long-term prospects for petroleum are less bright, and that Colombia's shortage of foreign exchange has caused that country to depart somewhat from US-approved principles of international trade. Communist strength is diminishing.)

Political

The Liberals seem determined to carry out their announced policy of non-cooperation with the government. The most potentially dangerous manifestation of this determination is the current Liberal attempt to change the electoral law. On 11 August, the Liberal majority passed a bill in the House amending the Electoral Code so as to advance the date of the presidential election from June 1950 to November 1949. Certain Liberals have stated that they want the code amended in order that the presidential election campaign will coincide with the present session of Congress. They feel that, Congress being in session, their congressional majority would give them an advantage over the Conservatives during the campaign. In the Embassy's opinion, however, their principal objective in seeking to advance the election date is to deny the

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Canadian Electoral Commission (recently employed by the government) sufficient time to complete the new registration which was ordered by an act of the 1948 Congress. That this bill may be expected to intensify party controversy in Colombia is evidenced by the statement of a Conservative leader, Dr. Augusto Ramirez Moreno, that the Conservative Party would not recognize the outcome of the elections if the Liberal plan were carried out.

The government, though rather effectively paralyzed by opposition between the Conservative Executive and the Liberal legislative branches, is relatively stable, and there is every probability that it will remain so at least until the presidential elections. Increasing political bitterness, however, with minor outbreaks of violence such as preceded the June elections, is to be expected.

#### Economic

Colombia has improved its foreign exchange position in the past three months. Dollar expenditures during 1949 have been only US\$16 million greater than receipts as of 2 August. Furthermore, Colombia's commercial indebtedness has been reduced from US\$40 million on 30 June to approximately US\$21 million on 2 August 1949. Although Colombia's foreign exchange position has thus improved, a continued disparity between the official and the certificate or free exchange rate has resulted in increased pressure for devaluation of the Colombian peso from two of Colombia's most important economic pressure groups — the Coffee Federation and the National Federation of Merchants. Devaluation requires congressional action, however, and, since it was not included among Liberal Party aims for this session of Congress, the Liberals probably will give priority to political matters, with the result that devaluation will be postponed, at least.

Colombia's foreign exchange receipts may well remain close to 1948 levels. Coffee exports accounted for 79 percent of Colombia's 1948 foreign exchange receipts; sales for the first half of 1949 were approximately at 1948 levels in both volume and value. For the current year, conditions are reported to be favorable, and, should coffee prices remain near present levels, Colombia's foreign exchange receipts should remain relatively satisfactory.

A current economic problem in Colombia, and one of interest to the US as well, is the decline of petroleum exploration and production. Five petroleum companies have withdrawn or announced their intention to

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withdraw from Colombia within the past year. Furthermore, Tropical Oil Company, largest producing company in Colombia, has drastically curtailed exploration work and now is drilling only one wildcat well in Colombia. Shell Oil Company has suspended all wildcat work while Socony is completing one wildcat and has no plans for further drilling this year.

Production of one-third of Colombian petroleum -- that produced on the Delaeres concession -- is threatened with further curtailment. Official government pronouncements are optimistic as regards the eventual outcome of Law 165 of December 1948 which authorized the formation of an official company (51 percent Colombian) to take over the Delaeres concession in 1951. However, the Embassy reports that foreign oil companies are not interested in the proposed minority participation and that private Colombian capital will not be forthcoming at the predicted interest rates.

Even though there is no immediate prospect for improvement, the petroleum situation is not at present detrimental to US interests because of the improved world supply conditions. However, from a long-term point of view, if present hindrances to petroleum development remain, the situation would be harmful to US interests in the development of near-by sources of petroleum as fully as possible.

### Subversive

The Communists, the only continuing subversive force in Colombia, are definitely losing strength. The only recent noteworthy development was the merger (3 June 1949) of the two Communist factions. Even if accepted wholeheartedly by the membership of both factions (a prospect by no means assured), the merger will not result in any significant increase in political power for the party. Reports indicate that this merger was entered into more with the hope that it would arrest the declining vitality of the party than with any conviction that it would materially advance the Communist program in Colombia.

The thorough trouncing received by the Communists in the June congressional elections clearly demonstrates their declining influence, and has convinced the leaders of the necessity for a change in tactics. The party's influence in the past accrued primarily from its collaboration with Liberals, particularly during the days of Gaitán. Since Gaitán's assassination, the Liberal Party has been trying cautiously and even hesitatingly to free itself of this association in the popular mind. The effectiveness of the unfounded Conservative accusation of

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Communist-Liberal collaboration in the recent campaign in reducing the Liberal majority in the House has shown the Liberals the necessity for avoiding in fact and in appearance any further collaboration. Since the election, the Liberal Party has given clear evidence of its growing anti-Communist attitude — a serious blow to Communist political prospects. Seeing the handwriting, the Communists have agreed to abandon their practice of supporting Liberal candidates and have decided to run their own in the presidential race of next year.

#### Military

The armed forces remain loyal to the Colombian Government and continue to be a stabilizing influence in the country. As a result of the tension between Colombia and Peru and the internal political tension born of the June elections, the strength of the armed forces has been increased to 30,000 as of 1 June 1949 as compared with a more normal June strength of 25,000. The emphasis of the present training program has been on basic recruit training and on the use of troops in civil disorders. The bulk of the present equipment of the armed forces is of little military value because of obsolescence and poor maintenance.

#### International

In the international field, Colombia's economic policy has been of concern to the US in the past three months. Colombia entered GATT negotiations at Annecy, but was willing to make concessions on only 2 of 192 items. Consequently, discussions have proven fruitless, and the US Department of State has cabled the US delegation its opinion that the existing trade agreement as well as negotiations for a new agreement should be terminated rather than postponed at the close of the present meeting of GATT. A second cause of concern to the US is the Colombian policy of refusing to grant dollar exchange specifically for the shipping of goods. Such a Colombian policy virtually forces importers to ship by Gran Colombian Merchant Fleet which accepts payment in Colombian pesos. This is, in effect, discrimination against US shipping. A further cause of concern is Colombia's most recent barter agreement — one with Finland — which contravenes US economic policy by its arrangement for purchases of paper at higher than world prices.

The Haya de la Torre case is still the most important controversy in Colombia's relations with other Latin American countries. Settlement is reportedly being delayed at present by the fact that Peru is behind in its quota payments to the International Court.

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