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Weekly Contributions
Latin America Division, CRE, CIA
31 January 1950

CURRENT DEVELOPMENTS

NORTHERN AREA: The granting of petroleum concessions in British Honduras will intensify Guatemalan claims to that area (p. 2). In British Honduras, further anti-government demonstrations can be expected (p. 2). In Cuba, popular resentment over gang killings poses problem for the administration (p. 2). Panama's President Arias is facing increased opposition (p. 2).

CENTRAL AREA: See Article on Venezuela's labor situation (p. 6).

SOUTHERN AREA: Chile's current outbreak of strikes may foreshadow serious difficulties for the government (p. 3).

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1. GUATEMALA: The Belize Dispute

The granting of petroleum concessions in British Honduras has evoked Guatemalan protests and will undoubtedly intensify the Belize dispute. Guatemalan efforts to force international recognition of its claims may take the form of dilatory, obstructionist, or anti-British tactics at international councils in order to maneuver the US into committing itself or mediating the dispute. It is probable, therefore, that the Belize issue will be a major factor influencing the alignment of the Guatemalan delegation in the UN and, in particular, the attitude of the Guatemalan member of the recently appointed five-man UN committee on the Eritrea question.

2. BRITISH HONDURAS: Situation Still Tense

While recent developments have diminished the prospect of serious disorders, the situation remains tense. Local merchants, who had earlier threatened a general strike, have now agreed to modified price control. Another ameliorating factor is the extensive road construction program recently inaugurated with emergency funds granted by the UK to relieve unemployment. The economic position of the colony remains precarious, however, and further anti-government and anti-UK demonstrations can be expected.

3. CUBA: Prio's Tolerance of Gangsterism May Lose Him Popular Support

A recent series of gang killings, endangering the lives of innocent bystanders, has for the first time brought considerable public pressure on the administration to abolish gangsterism. Organized public efforts include a campaign, strongly supported by the press, of a student group (Pro-Dignidad Estudiantil) centering around the University and the secondary schools, traditional cradle and fortress of Cuban terroristic activity.

It will not be easy for the administration to decide what to do. If Prio does not act against the gangs, he will probably lose further popular support.

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Faced with these alternatives, it is likely that Prio -- despite the present killings and his pre-election promises to do away with gangsterism -- will continue, in effect, to tolerate it.

4. PANAMA: Opposition to Arias

Opposition to President Arias has increased; recent evidences include the arrest of several political opponents pending investigation of rumored revolutionary activities, and the forced resignation of the Minister of Public Works who was said to have become too ambitious. Even more important is the potential opposition from the police, who reportedly have opposed proposed cuts in the police budget. Arias' continuance in office will depend upon the extent to which he can lessen the power of the police (D/LA Wkly, 10 Jan 50), who may otherwise become an important factor in plots against him.

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5. CHILE: Strikes Add to Government's Difficulties

The current outbreak of strikes, ostensibly a protest among certain segments of labor to the administration's proposed economic program, is not likely to imperil the stability of the government, but will add to the serious problems the González Videla regime faces. Although the government's policy of intervention in the initial stages of labor difficulties has been a fairly effective measure to date, such containment is, of necessity, temporary because the basic problem -- continued deterioration of the economic situation -- remains unsolved. Moreover, inasmuch as the divergence of views among members of the government coalition will make difficult the implementation of other than palliative economic measures, the current strikes may foreshadow more serious difficulties such as general labor and political disturbances.

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The Current Situation in Paraguay

(Summary — The political situation, although not stable, has been relatively static for some time. Efforts to improve the continuing unfavorable economic situation may be moderately effective. No change in the basic situation of the military has occurred; their concern with political events continues. Communists continue to be an insignificant subversive factor compared to army and Colorado elements. Internationally, Paraguay's situation has improved recently.

-- The situation as to US security interests has not changed within the last few months; new ties between Argentina and Paraguay do not significantly affect those interests.)

Political

The political situation, although not stable, has been relatively static for some time. Reports of revolutionary army plotting are again heard — after three months during which Provisional President Chaves' all-civilian government appeared to gain in strength and in self-confidence. Army Commander-in-Chief General Díaz de Vivar has been especially feared by some Paraguayans as a strong man interested in setting up military rule. He not only remains influential in politics but has also been given credit for the successful negotiation of a Paraguayan-Argentine commercial agreement. Reports of anti-government plotting by several other military leaders have not been confirmed, but previous Paraguayan experience indicates that they could very well be true. No major change has been made in the personnel of high government offices, with the exception of the resignation of Juan Manuel Frutos as president of the Supreme Court. Greater self-confidence on the part of the government was indicated by the granting of amnesty to 45 political prisoners on 24 December; the state of siege, however, is still in effect. Presidential elections are scheduled for 16 July with no candidate chosen as yet. Unless military plotting comes to a head, Chaves should be able to maintain his recent gains and thus stay in office until the elections.

Economic

The economic situation has not changed substantially, but several measures adopted within the past three months may aid in bringing about future improvement. The most important of these measures was the completion of a three-year commercial agreement with Argentina effective on 4 January — the first such agreement in many years and the result of a long series of efforts on the part of Argentina and certain sectors of the Paraguayan Colorado Party. It tends to place Paraguay firmly in the Argentine economic orbit, despite the effort to create the appearance

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of economic independence by dealings with Brazil, the US, and other countries. The Argentine agreement provides for the exchange of goods typical of the two countries; balances in favor of Paraguay are to be payable in Argentine pesos that can be transferred for purchases in other countries only with Argentina's consent; earnings on Argentine investments in Paraguay are assured most-favored-nation treatment. The arrangements should facilitate and regularize commerce with Paraguay's principal customer and supplier.

Other important measures have been adopted by the Chaves administration, which has made a sincere and reasonable effort to improve economic conditions. A new multiple exchange rate has been established, designed to penalize the importation of luxuries and to strengthen the competitive position of Paraguay's minor products, such as petitgrain oil, tobacco, lumber, and vegetable oils. A commission has undertaken the search for new European markets for Paraguayan products, and trade pacts have been completed with Yugoslavia and France as a means of opening up such markets. Within the limits imposed by Paraguay's peculiar, isolated, and undeveloped economy -- as well as by recurrent political turmoil -- the government's efforts should be moderately effective.

Military

No change has occurred in morale, training, or matériel, and the military are still involved in political events. For example, in October it appeared that Army Commander-in-Chief Díaz de Vivar was considered a threat to the civilian administration and General Caballero Alvarez became the most likely successor for his job. Three months of relative calm followed, and now new reports of plots involve both Díaz de Vivar and General Alfredo Stroessner, either separately or in collusion. Undoubtedly the army, if its top commanders reached an agreement, could overthrow the civilian government.

Subversive

Communists continue to be an insignificant factor in Paraguayan affairs, as the more important threats to the regime are found within the government itself. (See Political section.)

International

Paraguay's international relations appear more tranquil than at any previous time in the last few years. A new link with Argentina is the commercial agreement mentioned (Economic section); another link is an agreement signed 5 December 1949, providing for an Argentine Technical Mission to work with the Paraguayan Military Geographic Institute. These arrangements should be beneficial to Paraguay and to its relations with Argentina without adversely affecting its relations with the US, which continue to be cordial.

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The Current Labor Situation in Venezuela

The most important single factor in the Venezuelan labor situation is the continued existence of a large number of unfederated, independent syndicates, which were formerly united under Acción Democrática control in the Confederación de Trabajadores Venezolanos (CTV), and whose membership comprises by far the majority of organized workers. From the time of the coup of 24 Nov 48 to the present, these syndicates have constituted a serious problem for the government and a challenge to the Communist and other political parties eager to profit by the demise of AD.

The junta has approached the problem of the former AD unions with two objectives: to eliminate AD labor leaders from positions of control, and to reduce the threat of united action by decentralizing the labor organizations. The first objective was effectively attained in the early months of the present regime; the second has been achieved in form by the dissolution of the CTV and Fedepetrol (the petroleum workers' federation formerly controlled by AD). In substance, however, the junta's insistence upon decentralization has already produced unfavorable effects, and is unlikely to promote stability and order in the labor movement if pursued as a permanent policy.

Decentralization of the former AD or "blue" unions has created a grievance which the Communists are attempting to exploit. In addition to the very real advantages -- in terms of collective bargaining -- that the Communists can offer as an inducement to the "blue" unions to collaborate with their oil workers' federation, the Communists have made effective use of the symbolic term "syndical unity" as a rallying point for opposition to the government's labor policy. Although the "blue" syndicates have been remarkably successful in maintaining their independence, there has been evidence recently of a weakening resistance to Communist pressure.

During the past two months, there have in fact been actual instances of collaboration between Communist and independent petroleum workers' syndicates in Western Venezuela (see D/LA Wkly 29 Nov 49 and 17 Jan 50). Cooperation, though limited at present to such examples of parallel action as the joint issuance of propaganda leaflets, has been reported from an increasing number of oil producing and refining centers, including Cabimas, where the "blue" syndicate is particularly strong. Several reasons for the partial capitulation of the "blue" syndicates may be adduced, no one of which appears to be controlling: 1) the recent appearance of rival syndicates sponsored by the political parties Unión Republicana Democrática (URD) and the Comité Organización Política Electoral Independiente (COPEI); 2) continued failure to secure government sanction of a plan to revive a federation of "blue" syndicates; 3) the need for some form of organizational unity in preparation for negotiations concerning wage scales, salaries, and commissary agreements in February.

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The Communist objective in promoting cooperation between "red" and "blue" syndicates is obviously ultimate domination of the labor movement. To this end they will probably attempt to effect whatever form of merger is possible under the present circumstances of constant government surveillance and reluctance on the part of the "blue" syndicates to give up their independence. One of the more probable moves is

that if the government obstructs a legal merger, the "red" syndicates will dissolve and join the "blues", who will give them representation on the directorates. The compromise involved in such a move would be more apparent than real.

An initial victory must be conceded to the Communists in achieving even the present limited degree of cooperation. There are, however, certain factors that will limit exploitation of their initial success. In the first place, the rank-and-file of "blue" syndicate membership is reportedly opposed to a merger with the Communists, so that, while parallel action may continue to be tolerated, a merger might well precipitate large shifts of membership from the "blue" to the URD or COPEI syndicates. Furthermore, when normal political activities are permitted, there is likely to be additional incentive to such shifts of membership, since the URD can probably offer greater political advantages than the Communists. Finally, the junta is unlikely to permit a legal merger of the "red" and "blue" unions, and, should Communist influence increase markedly through a covert form of merger, the government will probably deal as firmly with the Communists as it has heretofore dealt with AD. It is therefore highly doubtful whether the Communists can press their present advantage to the point of dominating the Venezuelan labor movement.