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Weekly Contributions
Latin America Division, ORE, CIA
7 March 1950

CURRENT DEVELOPMENTS

NORTHERN AREA: In Mexico, Marxist unity conference next July is not expected to be successful (p. 2).

CENTRAL AREA: In Brazil, the Communists are carrying on a virulent campaign against the Rio Meeting of US Ambassadors (p. 2)

SOUTHERN AREA: In Chile, a step towards the left has been taken with a new predominantly leftist cabinet (p. 2). In Argentina, UK-Argentine trade relations are not expected to be substantially improved by forthcoming negotiations (p. 3).

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1. MEXICO: Marxist Unity Conference Scheduled

Another attempt to consolidate all Communist groups and unaffiliated Marxists will be made next July, according to an announcement by the splinter groups, Acción Socialista Unificada (ASU) and Movimiento Reivindicador del Partido Comunista (MRPC); these groups are evidently going ahead with plans for a "Congress of Marxist Unity" despite their failure in a recent meeting to secure adherence of important Marxist elements, including the Partido Comunista Mexicano (PCM).

The failure of the unification attempt of last January can, in a large measure, be attributed to the government's sustained anti-Communist drive. D/LA estimates that the July congress will not prove any more successful because the government, consistent with its policy of limiting the capabilities of opposition groups, may be expected again to renew its anti-Communist campaign.

2. BRAZIL: Virulent Communist Campaign Against Rio Meeting of US Ambassadors

The Brazilian Communists are carrying on a well-planned and widely organized campaign against the conference of US Ambassadors being held in Rio de Janeiro this week. The Communists are also attacking the visit of Mr. Kennan and Assistant Secretary of State Miller whom they term as "Yankee spies". The Brazilian police have stated that this campaign is more virulent than anything in their recent experience; they have taken preventative measures against the Communist organizers and have already made several arrests. Although the Communists may be able to stage some demonstrations requiring the police will be able to restore order before the demonstrations reach serious proportions. The army units in and immediately adjacent to the city of Rio, moreover, are entirely loyal to the government and can be used in any emergency.

3. CHILE: Government Move Towards the Left

In the face of current adversities Chile has taken a step towards the left by installing a predominantly leftist coalition cabinet in place of the former one, which was composed of parties both of the left and the right. Such a step is likely to force President González Videla to alter his previous middle-of-the-road policy of collaborating with both rightist and leftist groups in favor of a more leftist orientation. He may also, as a result of the cabinet change, be somewhat restricted in his use of the Defense of Democracy Law and the Special Powers Act which have proved invaluable weapons to him for maintaining order and controlling Communist threats. On the other hand, it is unlikely that Congress, containing a large Conservative bloc, will enact dangerously radical measures. While it is true that the Communists may find a more friendly attitude from

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some of the parties in the new cabinet, D/LA estimates that the move to the left will not result in sufficient Communist strength for the Communists to become an immediate threat to the stability of the government.

4. ARGENTINA: UK-Argentine Trade Relations

Unsatisfactory UK-Argentine trade relations, which adversely affect Argentina's economic stability, are not expected to be substantially improved by the forthcoming negotiations between the two countries. In these negotiations, which include establishing the meat price and trade goals for the second year of the June 1949 commercial agreement, Argentina is in a poor bargaining position with its principal customer, the UK. Argentina's critical shortage of sterling has been due to a reversal of its traditional favorable balance of trade with the UK and to dependence on British supplies of fuel and other essential materials. The UK is therefore in a good position to press for continued low meat prices, for revision of Argentine exchange rates favorable to the UK, and for commitments to liquidate financial and commercial arrears. The UK will probably agree to expand its purchases in Argentina, while the Argentines may make some concessions regarding their exchange rates. Although there has been no indication as to the extent the Argentines may be prepared to resist British pressure, there is resentment against the UK for reducing purchases partly to maneuver Argentina into an unfavorable trade position. There is also increased evidence that Argentina is becoming disillusioned with such strictly bilateral trade schemes which, in this instance, has resulted in aggravating trade difficulties and reducing the total volume of trade.

In view of these circumstances, there is little reason to expect that the new negotiations will produce results any more favorable for the Argentine economy than the commercial agreement of June 1949, [redacted] (D/LA Wkly, 6 Jul 49).

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The Current Communist Situation in Latin America

(Summary — Exceptions to the gradually declining trend in Communist strength and influence in Latin America have appeared during the past quarter. However, Communist activities have continued at about the same low level, and Communist capabilities in Latin America still remain small.)

Existing Trends and Current Activities

During the past three months activities of the Communist parties in Latin America have been concerned largely with the problems of continuing to exist. Emphasis has been placed on labor organizations in some areas and on political deals in others. To regain popular support, and to counteract the very damaging charge of USSR control made against local Communist Parties, the international aspects of Communism have been generally soft-pedalled and local issues have been emphasized. The "Peace" campaign has lost most of its momentum, though it has gone on quietly in some places. The Communist-dominated Confederación de Trabajadores de la America Latina (CTAL) is sponsoring a South American labor conference planned for March 1950.

Losses: Communist strength ebbed slightly in Mexico, Argentina, and Colombia during the past quarter, largely because of government sponsored anti-Communist activity.

In Mexico during the past three months, the administration has been developing a more or less systematic anti-Communist campaign. When the Communists began to criticize the government and the president, Communist leadership of the oil unions was maneuvered out of office and replaced by opportunists, who may also be Communists, but who favor the administration. When Communists began to use the taxi strike for organizational purposes, the government declared it illegal and broke up a union meeting with some violence and unfavorable publicity. Recently the President activated a youth group to compete with Communist and other political elements seeking to develop support in that sector.

In Argentina, the committee on anti-Argentine activities has proceeded to close Communist newspapers, and Party and front-group headquarters in various provinces; and a purge of Communists from the officially supported labor federation (CGT) has also been continuing.

In Colombia the Communist Party headquarters was raided; and the Communist-influenced labor federation (CTC) was discouraged by various devices.

Gains: On the other hand, there have been slight political gains in Communist strength or influence in Guatemala, El Salvador, and also possibly Cuba. The second of the two major Guatemalan labor federations joined

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the CTAL and the WFTU recently and Communist sympathizers in that country reportedly are working in the leftist parties, which are supporting Colonel Arbenz -- the leading presidential candidate for the coming elections. In Guatemala, Communists have not only been tolerated, but also Communist front-groups have been government subsidized; and Communistically inclined persons have been given government jobs. As a consequence, in the coming quarter, Communists may be able to gain further political influence in this country. In El Salvador Communists have combined two political parties and could possibly identify themselves with the Liberal elements dissatisfied with the candidacy of Major Osorio. In Cuba, the Communists are preparing to join forces with the Batista-Grau opposition to Prío for a by-election. When this is accomplished, as seems likely, the Cuban Communists will have made a distinct gain.

Slight gains have been noted in Communist influence in labor in Venezuela, Peru, Costa Rica, and Nicaragua. In these countries, Communist labor activity has been tolerated since the present regimes consider this no threat to them. It is estimated that, although some further labor gains might accrue to the Communists, the governments in each case could easily contain such gains.

No Change: In the other countries various factors have resulted in no change in Communist strength. In Brazil, Bolivia, and Chile, Communists have been arrested, fined, jailed, and deported; Communist propaganda has been seized; anti-Communist propaganda has been generated, and general repression of the Communists continued. This repression has prevented the Communists from making any gains in those countries.

Probable Future Developments

In Mexico and Argentina it is estimated that in the coming three months the Communists will lose some more of their strength and propaganda machinery through anti-Communist government action, while in Guatemala and Cuba they will score further gains. In the other Latin American countries it is believed that the Communists during this period will maintain their organization, activities, and propaganda at about the same low level as in the past quarter. The "Peace" campaign may be expected to go on quietly in some places, but no hemisphere-wide "Peace" meetings will take place soon. The CTAL Labor Conference will probably be postponed, but when held may also be a front for hemisphere-wide secret Communist meetings, and a forum for anti-US propaganda. Anti-US propaganda tied to popular local issues, may, in some instances, result in delay or obstruction of developments desired by US, such as the signing of the Rio treaty by Guatemala. Communist control of labor in transport, port, communications, and strategic materials is not expected to increase during the period, and Communist-inspired or prolonged strikes will not seriously affect the flow of Latin American materials to the US.

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The Current Situation in Peru

(Summary -- The Odría regime, despite growing political opposition, maintains its stability. The economic situation continues to show some improvement. The armed forces remain substantially loyal to the government. Although the Apristas have become somewhat bolder, they are unable to make a major move; the Communists do not at present constitute a significant force. Peru's relations with other countries have increased in cordiality.

-- The situation as to US interests has been adversely affected, to a slight degree, by delay in the issuance of a petroleum law favorable to foreign capital and by the Peruvian government's failure to allow payment of a large commercial arrearage due the US.)

Political

The Odría regime, despite growing political opposition, maintains its stability. Some political groups oppose the decree governing the 2 July elections and feel that the resignation of Odría on the day of the election in order to run for President will not satisfy relevant constitutional provisions. Further dissatisfaction is engendered by Odría's failure to meet conflicting demands for congressional seats -- lately the object of a strenuous campaign by interested individuals. Nevertheless, Odría still has the nominal support of the major legal parties, of most of the former independent congressmen, and of the powerful Miró Quesada and Prado factions. Since he controls the armed forces and has arranged matters so that the Apristas, Peru's most numerous political group, [redacted] Odría should be able to look forward to victory [redacted] D/LA estimates that the dissatisfaction of various political groups and portions of the armed forces is not likely to threaten the tenure of the Junta prior to the election.

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Economic

Peru's economic situation continues to show some improvement despite unfavorable factors. While the national budget for 1950 is nominally balanced, it authorizes a total expenditure 43 percent more than the 1949 total. Such a large increase in the budget was a shock to commercial circles. Contrary to the recommendations of the Klein Mission, no provision for new taxes has been made. Thus, it appears that the government will again be forced into deficit financing with its attendant evils.

Of concern to the US is the report that the new petroleum proposals

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-- instead of being issued as a decree -- may be held up until Congress can enact them into law. In such a case nationalists in Congress would be certain to make many changes with the probable result that the final law would be considerably less attractive to foreign capital.

In the last months the sol has continued to appreciate but appears to have found its level. As foreign exchange is sufficient for imports, no major variations are anticipated in the exchange rate for the immediate future. Prospects for cotton, Peru's most important export, are more favorable than at this time in 1949, while the 1949 sugar harvest is expected to exceed slightly that of 1948. In general, economic prospects for the next quarter appear reasonably promising.

Military

The Odría regime maintains control of the armed forces despite the existence of various disaffected and subversive groups. The government is keeping under surveillance General Noriega (Minister of War), Col. Alfonso Llosa and Col. Monteza, reportedly plotting separately against the regime, and has arrested other officers. Col. Monteza represents the most dangerous threat because he has the support of influential civilians.

December marked the close of the training period for the Peruvian army, after which conscripts were dismissed and a new class of 17,000 was inducted for a two-year period. There has been, therefore, the normal decline in efficiency and morale. Appropriations for the armed forces, though increased in amount, still constitute 20% of the total budget. The Air Force has been disappointed over a US decision refusing export permits for 4 jet planes on which down payments had been made.

Subversive

The Apristas -- the most numerous group opposing the present regime -- remain disorganized by continued repression and surveillance and consequently are so weak that they are unable to make any major move at this time. Nevertheless, as a result of the slight decline in the strength of the Odría regime, they have become somewhat bolder. Their potential for causing difficulties in the future, therefore, is significant primarily in relation to the inner weakness of the Odría regime which could develop over the longer term. The Communists, on the other hand, represent such a small group numerically that it is unlikely that they will constitute a significant force during the coming months even if the regime continues to tolerate their activities.

International

Peru's foreign relations have increased in cordiality. It is true that commercial relations with the US have been adversely affected by the Peruvian government's disregard of its large commercial debt to the

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US in favor of a relatively small current debt to Argentina. Furthermore, the imminent reopening of Peru's long-standing boundary dispute with Ecuador at a meeting of the guarantor nations of the 1942 Rio Protocol may cause difficulties. On the other hand, a Peruvian-Ecuadoran trade agreement has been drawn up in draft, and Bolivia has recently appointed an Ambassador to Peru after leaving that post vacant for over a year. Peru and Colombia have appointed ad hoc justices, who will be incorporated into the International Court of Justice, to review the Haya de la Torre asylum case. Peru's close ties with Spain are indicated by the Spanish Ambassador's decoration of Peru's Foreign Minister and the arrival in Lima in mid-December of a Spanish Police Mission. On 20 December 1949, a Peruvian-Italian commercial agreement, which provides for the exchange of products on the basis of sterling credits, was approved by the junta.

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US-Argentine Relations

An important development in Latin America is the increased possibility for an improvement in US-Argentine relations that would advance US interests both in Hemisphere solidarity and in economic stability in Argentina. During past months persistent economic dislocations and the pressure of an increasingly stringent financial situation (with shortages not only of dollars but also now of sterling) have intensified Perón's recognition of the necessity for at least limited economic collaboration with the US. Recent events indicate some progress in this direction, in spite of continuing difficulties.

The head of Argentina's National Economic Council, for example, has suggested that a US-Argentine Treaty of Friendship and Economic Development might assist in solving mutual problems and in attracting foreign capital. More recently the Argentine government, now regarding financial assistance from the US Government as essential to improved economic stability, has offered certain assurances that it will revise its economic policy so as to qualify for such US aid. Even though present dollar earnings are so reduced as to preclude any quick liquidation of Argentine dollar arrears to US firms, regular payments have already been undertaken a few months ago. Furthermore, Perón now recognizes the importance of satisfying the legitimate needs of US business operating in Argentina, particularly for assurances against expropriation.

Both the necessity for cooperation with the US and Perón's present attitude toward the above problems warrant some hope for their amelioration. It is true that Perón's political commitments to state control of industry and his dependence on the support of nationalists opposed to collaboration with the US will make any conciliatory move difficult for him. On the other hand, continued economic deterioration -- reflecting not only the lack of improvement under present circumstances of US-Argentine trade but also the growing unfavorable balance of trade with the UK, Argentina's best customer -- will have its own political repercussions. Therefore, unless Perón is able to solve his difficulties -- which is unlikely even with retrenchment -- the settlement of some of the outstanding US-Argentine trade and financial problems will become more urgent for him.

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