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Weekly Contributions

[redacted] ORE, CIA

18 April 1950

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Of the developments reported this week, that regarding the recommendations of the COAS Caribbean investigating committee (p. 2) is considered by [redacted] to be particularly important.

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CURRENT DEVELOPMENTS

GENERAL: The COAS has approved the recommendations of its Caribbean investigating committee (p. 2). Results of the Inter-American Social and Economic Council meeting should substantially favor US economic relations with other American republics (p. 2).

NORTHERN AREA: In Costa Rica, increased Communist activity is not expected to have serious effects (p. 3). Cuban Communists, during the recent sugar strike, effectively demonstrated their ability to stir up trouble (p. 4) [redacted]

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[redacted] Mexico's Lombardo Toledano has increased the tempo of his anti-US propaganda campaign (p. 4).

SOUTHERN AREA: The Bolivian government has announced a far-reaching Communist plot (p. 5).

SPECIAL SUBJECTS

The Current Situation in Panama 6

The Current Situation in El Salvador. 9

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State Dept. review completed

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(CIA Working Paper)

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1. GENERAL: CCAS Approves Recommendations of Caribbean Investigating Committee

The recent approval by the Council of the OAS of its investigating Committee's proposed resolutions regarding the Caribbean situation constitutes a further step toward restoring tranquility in that area. Moreover, the Council's adoption of these resolutions without substantial change and practically without dissent (Chile and Honduras abstained on one resolution) represents a gain for the United States and for those other American republics that wanted the Committee's report upheld and its recommendations carried out.

It is true that, during the course of the Council's discussions, a clause was added to Resolution 2, reiterating the Dominican government's culpability (already stressed by the committee in Resolution 1 dealing with the Haitian-Dominican case). This amendment was suggested by Mexico as a compromise, following strenuous, but unsuccessful, efforts by Cuba and Guatemala to soften the sections of the committee's report dealing with their own culpability. Certain clauses reaffirming the principle of strict non-intervention were also inserted in two of the resolutions to satisfy Mexico's traditional concern over this principle. In addition, the Council passed four Brazilian proposals entrusting to the Pan American Union the task of studying problems relating to representative democracy, political refugees in the Caribbean, and the improvement of the Habana Convention of 1928. The Mexican amendments mentioned above, however, did not in any way alter the substance of the investigating committee's report, while the Brazilian proposals simply suggested the machinery for carrying out some of the committee's recommendations.

estimates that the Council's prompt and decisive action on all of the committee's recommendations, including the threat to apply the sanctions envisaged in the Rio treaty, will probably curb future hostile activities against one another by the countries implicated in the current disputes. Even the most effective implementation of the resolutions adopted by the Council, however, cannot be expected to solve the fundamental causes of Caribbean unrest. On the other hand, this second invocation of the Rio treaty has strengthened it against more serious tests that might arise in the future, while the high degree of solidarity evident in the Council's voting has benefited US security interests.

2. Extraordinary Session of the Inter-American Economic and Social Council

The decisions of the Inter-American Economic and Social Council (IA-ECOSOC) in its recent extraordinary session constitute a step forward in the slow over-all improvement in US economic relations with the other American republics. The adoption of a

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resolution concerning a joint technical assistance program, to be coordinated with similar UN projects, was probably the most important accomplishment of the meeting. Of considerable importance, though, were the abandonment of the Economic Agreement of Bogotá in favor of bilateral conventions and the decisions to scrap plans for certain proposed inter-American institutions of dubious value and to postpone further the long-proposed, much-postponed Buenos Aires Economic Conference. These actions have eliminated from the inter-American scene some of the stumbling blocks to the development of better economic relations and have paved the way for more feasible and concrete negotiations.

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believes, however, that, while IA-ECOSOC's plan to coordinate its technical assistance programs with those of the UN specialized agencies has a good chance of success, the carrying out of such projects will be made difficult by the reluctance of many Latin American governments to contribute their share of the expenses involved. This reluctance will be aggravated should the US Congress reduce appropriations for the Point 4 program, since this will, of course, cut down Latin America's share.

3. COSTA RICA: Increasing Communist Activity

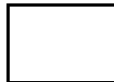
The recent return of Manuel Mora, the Communist Party (Vanguardia Popular) leader who has been in exile ever since the civil war of 1948, has been a signal for greatly increased Communist agitation in Costa Rica. The Communists, who have been reorganizing in recent months -- with some success in the field of labor -- appear now to feel that they are strong enough to test the Ulate administration's intentions toward them. The current government's policy toward Communism has not yet been made clear because the legal status of the Vanguardia Popular, which was outlawed by the junta in July 1948, has not yet been interpreted under the new constitution which went into effect when President Ulate took office last November. The animosities of the 1948 civil war, in which the Communists were allied with the illegal usurpers of the presidency, are far enough past that the Communists are now able to gain increased influence, provided that they operate quietly. It is quite possible, however, that, should the Communists agitate effectively, and should adverse publicity be given to the expected struggle between Manuel Mora and Arnaldo Ferreto for party leadership, popular resentment against the Communists would again increase, the Party would again be declared illegal, and strong government action would be taken against it. believes that, even though there may be some political disturbances in Costa Rica until the legal status of the Vanguardia Popular is clearly defined, the government will not allow Communism to become a serious threat to the political stability of Costa Rica or to US security interests in that country in the next several months.

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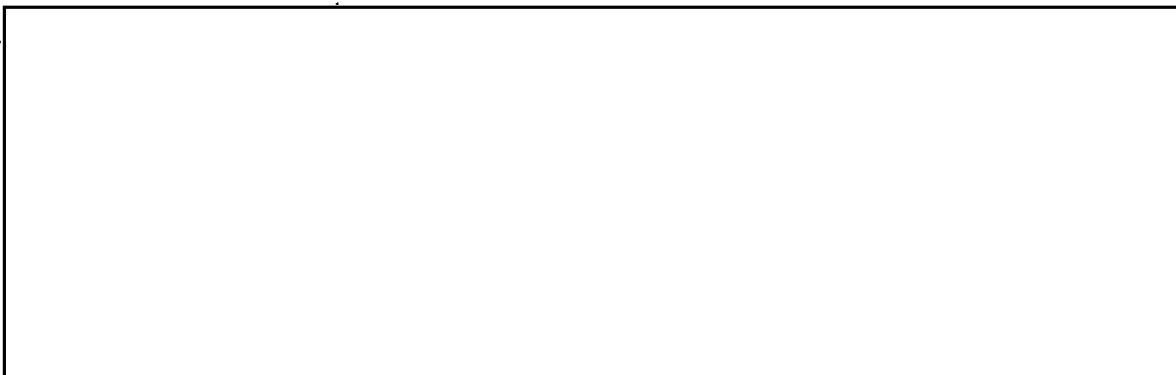
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4. CUBA: Communists Stir Up Trouble in Sugar Industry

The recent sugar strike has provided an illustration of the effectiveness of Cuban Communist labor agitation — noteworthy in view of recent Communist political gains (██████████ Wkly, 28 Mar 50). Despite the fact that the Communists control only a few local labor unions in Cuba's sugar mills, and that labor in the industry is virtually controlled by the non-Communist Federación Nacional de Trabajadores Azucareros (FNTA), the Communists were able to increase greatly the seriousness of the month-long attempt by the sugar workers to obtain extra wages. The result was that a few sugar cane fields were burned, much cane was left on the ground and thus ruined for sugar production, and the partial industrial slowdown of about four weeks was converted into a four-day national sugar strike. It is true that the strike did not result in a severe financial loss, and that it did not improve the Communist position in Cuba. US security interests in Cuba are affected, however, by the evidence which this strike affords of the continued Communist ability to stir up trouble in Cuba's key sugar industry.

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6. MEXICO: Intensified Anti-US Propaganda

Lombardo Tbledano has found effective propaganda for his intensified anti-US campaign in a recent speech by the outgoing president of the Mexican Confederation of Chambers of Industry. The speech, which criticized state intervention in private industrial activities, drew censure from legislators, labor leaders, and the semi-official press (because of divergence of opinion on Mexican political principles). This censure, plus the fact that the incoming Confederation president is an American businessman, made the charges in Lombardo's *El Popular* — that the Mexican Confederation is influenced by American "monopolists and imperialists" — all the more effective. It is quite possible that Lombardo's anti-US propaganda will convince other groups, in which case any efforts by the Mexican business community to eliminate state intervention would encounter serious opposition. This propaganda could also be expected to work to the detriment of US investments in Mexico.

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7. BOLIVIA: Communist Plot

The Bolivian government announcement that it has discovered a far-reaching Communist plot, centered in Bolivia, appears to be a new stage in that government's current campaign to combat all opposition groups by connecting them with alleged Communist plots. Such charges (possibly based on forged documents) represent an attempt to control increasing labor unrest and at the same time to impress the US with Bolivia's need for financial assistance. It is true that many aspects of the Bolivian situation are propitious to Communist activity: there is an unfavorable reaction to the government's recent economic decrees devaluing the currency, a general strike is threatened, and the future prospects of the Bolivian tin industry are unfavorable. Moreover, the Communist-led faction of the PIR (Party of the Revolutionary Left) has attempted to form a separate Communist party in Bolivia. While Bolivian Communism does constitute a threat for the longer term, it is still so weak that it is important only as it may add to the strength of the already powerful forces opposed to the present Bolivian government. Thus, it is extremely doubtful that such a plot, even if it does exist, represents any serious threat for the immediate future. (Substance in CIA Wkly, 14 April 1950.)

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Situation Memorandum 22-50

18 April 1950

The Current Situation in Panama

(Summary -- The political situation is unstable and the economic situation continues to be unfavorable. Panama's small Communist group maintains its capability for agitation and for increasing its influence through alignment with ultra-nationalist and student groups who engage in subversive activity. The national police continue to be of practically no value as a factor in national defense and could not be counted on to support the president in the event of an attempted coup. The president continues to maintain a friendly attitude toward the United States.

-- US security interests may be adversely affected by trouble resulting from the increasingly unstable political situation.)

Political

The political situation has become more unstable as the result of a marked increase in opposition to the president. It is true that the president and police chief Remon seem to have formulated a fairly satisfactory working agreement which Remon may be reluctant to break as long as he is allowed control of [redacted] profitable sources of income. Nevertheless, the president's position is weakened by the activity of Liberal Party factions and dissident Renovadores [redacted]

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The president's position is further weakened by a rift between himself and his brother, Harmodio, who is no doubt encouraging student opposition. Student groups and other ultra-nationalist and Communist elements have begun to agitate strenuously against President Arias' pro-US policies and thus to prepare for a general political offensive against him (see Subversive). In addition, the president's political maneuvers, and especially his feuds with government employees, are alienating former supporters. The unfavorable economic situation, particularly unemployment, further weakens the president's position.

It is likely that Panama will remain politically unstable regardless of who is in power. The present political tension could quite possibly

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develop into armed conflict either as the result of action taken by the president against police chief Remón, or as the result of an attempted coup by Arias' political opponents, should they obtain adequate police support.

Economic

The economic situation continues to be unfavorable. The government still lacks the financial resources for either the long-range economic development which Panama so badly needs or for immediate action against unemployment, which must be alleviated soon if further deterioration of the already unstable political situation is to be prevented. Under broad powers granted him before the assembly adjourned in February, the president has negotiated a loan for \$3 million offered by the Chiriquí Land (United Fruit) Company. Part of this loan will be used to build highways, the easiest way to provide jobs. The president also has tried to make Panama eligible for early US aid in relieving unemployment by having the assembly ratify two bills favorable to US interests. US Embassy Panama has been strongly advocating the early implementation of road construction and road maintenance agreements and other economic projects which have popular approval (the majority were initiated under former administrations) and which cannot be construed by Arias' political opponents as US aid to a particular political group. To date, however, few new jobs have been provided, and estimates that, in the absence of substantial US expenditures in the area, the economic situation will continue to be unfavorable.

Military

The National Police is of practically no value as a factor in national defense, and is partisan in domestic politics. The Secret Police force is also partisan. Neither could be relied upon to support the president in event of an attempted coup d'état.

Subversive

Panama's small Communist group maintains its capability for agitation and for increasing its influence through alignment with ultra-nationalist groups and student groups that engage in subversive activities. It is true that the formerly ultra-nationalist President Arias is maintaining a pro-US policy and is apparently willing to implement his announced anti-Communist policy. Recently, for example, he ordered the police to prevent Communist activities in the Chiriquí province where there has been agitation against the Chiriquí Land (United Fruit) Company.

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Nevertheless, in coming months the Arias administration may be in a weak position vis a vis the Communists and ultra-nationalists, particularly if the acute unemployment situation continues and Arias' domestic policies remain unpopular. Communist-influenced groups, with ultra-nationalist aid, have already launched a strong propaganda offensive in order to create ill-will toward the US, to discredit the administration's pro-US policy of recent months, and thus to prepare for a general political offensive against Arias. The anti-US offensive now underway -- and which is very likely to be appealing to many Panamanians unless a counter-offensive is particularly effective -- could make US-Panamanian relations very difficult for some time to come.

Panamanian Communist leaders are currently preparing a strenuous campaign to retain their present dominant influence over Canal Zone Local 713, which was forced by Governor Newcomer to withdraw from the Communist-dominated United Public Workers of America (UPWA). It is likely that Local 713 will continue to be an important propaganda outlet for the Panamanian Communists and that the West Indian negroes of the Zone will remain receptive to Panamanian Communist influence unless the US labor organizers who are about to go to Panama wage an exceptionally effective propaganda campaign against the Communists. On the other hand, if the Communist influence over Canal Zone workers is ever broken, Communist strength in Panama will be seriously jeopardized.

Rumors of subversive activities by Liberal Party elements indicate the possibility that the strong-arm gang, the pie de guerra, is being reorganized, and that the National Police and/or the Secret Police have been increased by the addition of personnel paid by the Liberals. The president is also reportedly trying to increase his influence in the Secret Police and has armed his own supporters.

International

The president continues to maintain a friendly attitude toward the United States which has resulted in the settlement of long-standing US-Panamanian issues in an easy, practical manner. However, relations between the two countries are becoming more difficult because of the possibility that any US cooperation with Arias will be construed by his political opponents as US interference in the internal affairs of Panama. It is estimated that the acute unemployment situation will force Arias to maintain a friendly attitude toward the US in the immediate future, in order that he may further his efforts to obtain US economic aid, but that as domestic opposition to his administration increases, Arias may be expected to modify this attitude for personal political reasons.

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The Current Situation in El Salvador

(Summary -- The political situation remains stable. Major Osorio will probably win the presidential election, and his supporters will dominate the constituent assembly. The economic situation continues to be extremely favorable. Communists have made no effective gains. The army will be strengthened during the coming year. Fear of leftist strength in Guatemala has favored closer relations with Honduras and Nicaragua.

-- Current trends offer no threat to US security interests during coming months.)

Political

The political situation remains stable. In order to minimize the possibility of conflict, votes cast in the election of 27 March (for president and delegates to a constituent assembly) are being counted and publicized with considerable delay. Early returns indicate, however, that Major Oscar Osorio -- who has been the dominant political figure since the revolution of December 1948 and who has had the support of the government in his political campaign -- has been elected president. His only opponent, Colonel Menendez -- who is supported by an ill-assorted hodge-podge of anti-Osorio groups, rather than by a cohesive party with a unified program -- has, nevertheless, received a heavy vote. Osorio's supporters will also dominate the constituent assembly which will establish the fundamental law under which Osorio will assume office and officiate as president.

It is to be expected that the present government's middle-of-the-road program, generally acceptable to the army and to the coffee capitalists, will be continued after Osorio's inauguration. Opposition by discontented labor groups, liberal students, Communists, and exiled leftists will continue, but there is no indication that it will become effectively organized within the next six months.

Economic

The economic situation continues to be very favorable. Coffee sales have lifted gold and exchange reserves to a record high of \$48.7 million. Preliminary figures indicate that 1949 was El Salvador's greatest foreign trade year, with the value of exports rising to a record \$64.9 million, and the favorable export balance to \$15.2 million, the largest in that country's history. A \$12 million loan agreement with the International Bank was consummated in December to help finance the Lempa River electrification program, and the government is preparing to float a bond issue to finance the colon costs. Contracts and projects

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incidental to the Lempa program are now being considered, and construction work at the dam site may be initiated shortly.

No change in the favorable economic situation is foreseen for the coming months.

Subversive

In recent months, Communists have gained momentary influence on the political scene, though on balance they continue to be an insignificant political factor. Deprived of the opportunity of establishing their own Communist-front party, they have been forced to choose between collaboration with Major Osorio or Colonel Menendez, both anti-Communists. Having failed to gain influence in the Partido Revolucionario de Unificación Democrática (PRUD) which declared for Osorio, the Communists have sought advancement through the Partido Acción Renovadora (PAR) of Colonel Menendez, which had invited the support of all opposition groups including Communists, thus giving them momentary influence. There is no evidence, however, that a Menendez victory would greatly benefit them, and of course his probable defeat will thwart their immediate plans. In labor affairs, the Communists have made little progress since they succeeded in forcing out the moderate leaders of the Railway Workers' Union [] Wkly, 11 Oct 49). The threat of a railroad strike in December was ended by intervention by the government, which temporarily arrested labor leaders and imposed a small fine on the Salvador Railways Company. Although the Communists continue to provide the only nucleus around which a unified labor movement might develop, moderates within the labor movement have opposed them in their attempts to gain power. Possibly as a result, Communist extremists, under Marco Tulio Payes, have recently organized a new group, the Frente Unido de Obreros Salvadoreños (FUOS), although the Comité de Reorganización Obrera (CRO) remains their most effective instrument.

The policy of the governmental junta, and of Major Osorio, in following a middle-of-the-road policy has hindered Communist efforts to develop a unified opposition in labor matters. It is possible, however, that the army and conservatives (who are worried by the strong showing of the anti-Osorio groups in the present election) will seek to force Osorio to undertake a more repressive policy toward labor after he becomes president. In this event, though organized labor influence in national affairs will decrease, Communist labor leadership may make progress in its efforts to obtain the support of labor.

Military

The military situation is stable, with the army united behind Major Osorio (probable president-elect) and Major Bolanos (military member of the governing junta). There is little evidence of support within the army for Major Villalta, exiled military leader with leftist affiliations.

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Increased appropriations will permit the strengthening of the armed forces. Under the 1950 budget, the military (army, national guard, and national police) will get \$4,400,000, or 14.2 percent of the total budget, compared to the 13.2 percent they received last year. The national guard and the treasury police will be strengthened by 300 and 100 men respectively, in order to prevent illegal immigration and smuggling from Guatemala and (to a lesser extent) from Honduras. The national (traffic) police will be increased by 100 men. \$320,000 is earmarked for the purchase of arms and ammunition (largely US) and \$80,000 for the establishment of a coast guard. In addition, the Ministry of Public Works has been granted \$260,000 for the construction of garrison projects and \$40,000 for the construction of a military hospital.

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believes that the strengthened military program reflects the government's concern over the possibility of increased strength in the field of organized labor, and the possible infiltration of leftist agitators and organizers from Guatemala.

International

There has been no fundamental change in El Salvador's foreign policy and international relations. Fear of Guatemalan leftists, and the recent football dispute with Guatemala, have favored closer relations with Honduras and Nicaragua. During the football controversy, the government is reported to have "borrowed" bombs from Honduras against the eventuality of attack by Guatemala, and a military mission from Nicaragua was entertained with manifestations of good will. Likewise, fear of Guatemala delayed, but did not finally prevent, Salvadoran approval of the recent CCAS resolutions concerning Caribbean unrest. Relations with the US continue good. The government has requested continuation of the IIAA health and sanitation program and the inauguration of an educational program. It also hopes to obtain the maximum amount of arms available under the Mutual Defence Assistance Pact of 1949. After considerable delay, the government has finally recognized its obligations as a member of the UN Korean Commission to the extent of deciding to appoint two army officers as observers. The presence of these observers (who have not as yet been selected) will help maintain a quorum on the Commission.

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foresees no change in El Salvador's international relations in coming months.

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