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Weekly Contributions 18-50

[redacted] ORE, CIA

2 May 1950

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[redacted] believes that the item on Bolivia's proposal for a meeting of South American foreign ministers (p. 3) is of particular interest.

CURRENT DEVELOPMENTS

GENERAL: The pro-Communist CTAL has passed a resolution reportedly designed to deny shipment of essential materials to the US in case of war (p. 2).

NORTHERN AREA: In Panama, the Communist Party has been outlawed (p. 2).

SOUTHERN AREA: In Argentina, the situation of US oil companies may be improved (p. 2). In Peru, elections may be postponed because of the growing opposition to Odría (p. 3). Bolivia's latest attempt to focus attention on its "Communist problem" has been a proposed meeting of South American foreign ministers (p. 3). In Chile, labor disturbances may further aggravate the already deteriorating political and economic situation (p. 3).

SPECIAL SUBJECTS

The Current Situation in Cuba 5

State Dept. review completed

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1. GENERAL: Reported CTAL Resolution to Prevent Shipment of Essential Materials to US in Case of War

The reported adoption at the CTAL's recent Montevideo meeting [] Wkly, 11 Apr 50) of a resolution to prevent the shipment of essential materials to the US in case of war represents, if true, a Communist objective, but not a present Communist capability.

The Communists do not now have the capability of carrying out a coordinated strike throughout Latin American ports at a given time --- even for a short period. There are pro-Communist or CTAL-influenced transport and port workers in many of the principal Latin American ports who could instigate or prolong strikes as labor grievances arise and thereby tie up activity in one port or another at various times. This limited capability the Communists are attempting to build up by convincing the port workers that a strike to prevent shipment of essential materials to the US would be worth the sacrifices involved. [] estimates, however, that the Communists will not be able to make notable progress toward this objective in the foreseeable future.

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2. PANAMA: Communist Party Outlawed

The cabinet resolution of 29 April outlawing the Communist Partido del Pueblo and "all propaganda, activity, or agitation of Communist character" was represented as an effort to defend "Panamanian sovereignty and the fulfillment of the obligations relating to the defense of the Canal". Full results of the action will become more apparent in time but the measure, if properly enforced, could retard the Communist campaign to create ill will for the US [] Wkly, 18 Apr 50) and to discredit the Arias administration, and will definitely inhibit Communist development in Panama.

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3. ARGENTINA: Situation of US Oil Companies to be Improved

The critical situation of US oil companies operating in Argentina will be eased at least temporarily as a result of individual agreements providing for crude supplies. The agreements --- negotiated with Finance Minister Cereijo during his stay in the US --- provide that during the next year the US companies in Argentina will be supplied stipulated amounts of crude oil for which payment will be in dollars over a two-year period, and that negotiations for a long-term agreement will commence at an early date. While these agreements do not resolve all of the companies' immediate problems, they will enable the companies to resume at a higher level of operation their refining and distributing activities, which, in recent months, have been drastically curtailed. Also, the provision for negotiations for a long-term agreement furnishes at least the basis for possible resolution of one of the obstacles to improved US-Argentine economic relations.

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4. PERU: Possible Postponement of Election

Growing political opposition may force Odría to postpone the presidential election scheduled for 2 July 1950. In January, it appeared that the government would have but little difficulty in rigging the election so that Odría could become president. Later, however, the largest legal party, Unión Revolucionaria, refused Odría its backing. Odría's break with Pedro Beltrán, leader of the Alianza Nacional [] Wkly, 11 Apr 50) also lost him support. The Liga Democrática Nacional continues to undermine his strength in the south of Peru. Disaffection also appears to be increasing among the armed forces. As a result of all these developments -- even though Odría's control of the governmental apparatus still appears to be adequate -- he might not be able to obtain the number of votes necessary for election. In view of this situation, it is possible that the government's "discovery" of Aprista plans to create a border incident with Colombia could provide a face-saving excuse to postpone or alter the conditions of the scheduled election.

5. BOLIVIA: Proposed South American Anti-Communist Conference

The Bolivian government's latest attempt to focus attention on its "Communist problem" is its recent proposal that a South American conference be held in La Paz this month to discuss Communist activities in the southern continent. By emphasizing the Communist threat, Bolivia probably hopes that its request for US economic aid will be given more consideration. The US Department of State (in reply to Bolivia's request for its views) advised against a general conference and suggested instead bilateral conversations between Bolivia and the other South American republics. Despite this, the Bolivian government sent out the communication containing the proposal for the conference. Bolivia maintains, however, that it will satisfy itself with bilateral consultations, and has explained to the US Embassy at La Paz that the circular communication was not an invitation to a conference but only a means of sounding out the views of other governments. [] believes that the proposed conference will probably not be held, and that any action which may be anticipated will take the form of consultations between interested governments.

6. CHILE: Labor Disturbances

Labor disturbances, many of them Communist inspired, are expected to occur beyond the traditional May Day period after the president's return to Santiago on 4 May. Dissatisfaction among non-Communist workers over the failure of the government to implement basic economic legislation (according to the terms agreed upon in the settlement of the January strikes) is one reason for the

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current labor discontent. The Communists, always quick to take advantage of any situation to create disturbances and to embarrass the government, can be relied upon to support and to foment anti-government demonstrations. While it is likely that the government can control any attempted violence, there is the danger that a larger scale strike movement could be touched off, aggravating the already deteriorating political and economic situation.

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The Current Situation in Cuba

(Summary -- The Prío government is stable. The economic outlook remains favorable. The Communists have gained in strength. The armed forces are, as a whole, loyal to the administration and are strong enough to maintain the authority of the state. The Cuban government has indicated its intention to follow a policy similar to that of the US toward Latin American dictatorships. US-Cuban relations remain unchanged.

-- An unfavorable factor from the standpoint of US security interests is the Cuban practice of modifying its anti-Communist policies and attitudes when necessary in the interests of domestic political expediency.)

Political

The Prío government is stable. Election activities, which dominate the political scene, have had no adverse effects upon the government's control. Interest now is centered on the June by-election, which is the first test of Auténtico and opposition strength before the 1952 presidential election, and may indicate the trend of political events during the remainder of President Prío's term. The president's party (Auténtico) is aware of this and is making an all-out effort -- including the usual distribution of jobs and other rewards -- to win the election, and, although it has a good chance of winning a majority of posts in the country as a whole, it may lose the important Habana mayoralty and senatorial contests where "Coincidentes" (backed by Grau, Batista, Pujol, and the Communists) and Eddie Chibás' Ortodoxos (Partido del Pueblo) are strong contestants.

In the Habana campaign, opposition charges have made governmental corruption an important issue despite President Prío's announced new policy of honest government [] Wkly, 21 Feb 50). Both Auténticos and the "Coincidentes" are connected with the spoils system under which politicians have robbed the Cuban treasury, but Eddie Chibás' Ortodoxos are generally regarded as proponents of honest government. In the effort to limit the Ortodoxo appeal to the voters, the government has made some improvements in financial administration, but these are likely to be only temporary as the reforms have cut into the revenues of powerful gambling and prostitution interests who control many votes and who subsidize influential politicians.

[] estimates that even the possible loss to the administration of important Habana posts in the forthcoming elections would not immediately affect the stability of the government. Such a loss, however, might

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weaken the administration during the period prior to the 1952 presidential election and could improve opposition chances in that election.

Economic

The economic situation remains favorable. It is true that reforms in the Ministry of Finance will probably be temporary. Congress may pigeonhole the 1950-51 governmental budget; the president's economic policies continue to be based almost entirely on political expediency; wealthy Cubans continue to fear to invest money in Cuban projects; and current economic activity is being retarded by frequent strike threats (see Subversive). It is encouraging, however, that governmental revenues have increased in recent months and that the 1949-50 fiscal year may close 30 June with a small budget surplus; there are fair prospects for the sale of most of the 1950 sugar crop at favorable prices; the textile industry is more prosperous than it was a year ago; and minor industries are moderately prosperous. Other encouraging developments are the progress of Cuban cane and US beet sugar producers toward the formulation of a united sugar policy; the widespread public desire to solve economic problems connected with the diversification of domestic production; the government's authorization of the partial mechanization of the cigar industry; and the work toward the development of barter exchange formulae and other methods for increasing cigar and tobacco exports. It is estimated that there will be no substantial change in the favorable economic situation in the next three months.

Subversive

The Communists have gained in strength during the hot election campaign. Factors in this gain are the Communist electoral pact with the "Coincidentes" Wkly, 14 Mar 50) and the equivocal attitude of the Catholic Church toward this pact. In addition, local sections of various political parties have dickered for Communist votes; the government, in a move to split the Communist vote (registered at 127,000), has greatly decreased its former repressive measures; and non-Communist labor leaders have (in part, unwittingly) followed the Communist Party line in recent labor disputes. As a result of these various maneuvers, the Communists now feel strong enough to reveal openly their international orientation toward Moscow despite the strong anti-USSR attitude of most Cubans, and have greatly increased their labor activities. Agitation in key industries (sugar, maritime, and port) has increased in recent weeks to the point where the Minister of Labor calls the strikes a dangerous weapon that is leading toward "anarchy". It is believed that labor troubles will continue to pose a serious problem. The Communists will continue to take advantage of their improved political and labor position during coming months and will probably be an important factor in Cuba for a considerable time to come -- despite any repressive measures taken against them -- because low income groups largely fail to recognize that basic Communist objectives are a threat to them and to the economic life of the country.

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Military

The armed forces are, as a whole, loyal to the administration and are strong enough to maintain the authority of the State under ordinary circumstances. Since the Caribbean situation is not now acute, military officials are somewhat less concerned over preparations for defense than previously [] (Wkly, 7 Feb 50). During coming months, no change in the loyalty or strength of the armed forces is expected.

International

The Cuban government, which has indicated its intention to follow a policy similar to that of the US regarding the recognition of Latin American dictatorships, evidently is making an effort to improve its diplomatic relations with those countries. The Cuban Charge, who was appointed to the Dominican Republic last September, went to his post in February. The claims made by the Dominican Republic against Cuba because of the abortive Cayo Confites expedition seem to be near settlement. It has been announced that normal diplomatic relations will be resumed with Nicaragua, then Peru. Diplomatic -- and commercial -- relations with Venezuela are in the process of being strengthened. [] believes that a resumption of diplomatic relations with Peru prior to the release of Victor Haya de la Torre may be strongly opposed by many Cubans, and that relations with the Dominican Republic may continue to be strained. It is true that the Cuban government may intend to abide by the recent resolutions adopted by the COAS regarding the Caribbean situation and that Trujillo's release of two female relatives of General Rodriguez (Caribbean Legion leader) has created a very favorable impression among many Cubans. On the other hand, most Cubans are distrustful of Trujillo and strongly oppose the particular brand of dictatorship that he practices. Moreover, the Cubans still believe that the COAS report has not solved the two most important problems in the Caribbean area -- lack of representative democracy in the Dominican Republic, and Trujillo's arms program. It is estimated, therefore, that Cuban-Dominican relations will remain more or less favorable only so long as Trujillo makes a special effort to keep them so.

Cuban-US relations remain friendly. The difficult bilateral discussions on proposed Cuban tariff increases on imports of certain US goods and on radio broadcasting problems [] (Wkly, 7 Feb 50) are in process. Cuba continues its support of the US as against the USSR in international affairs. Regarding the problem of Chinese representation in the UN, Cuba has stated its opposition to any premature settlement of the problem, its willingness to help the US in any way possible, and its intention to work toward finding a face-saving way by which the USSR can return to the UN. Cuba has extended diplomatic recognition to the Associated States of French Indo-China, giving as its reason a desire to promote the democratic evolution of dependent peoples and to reaffirm Cuban sentiments against colonialism.

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