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Weekly Contributions 35-50

[Redacted]

29 August 1950

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Of the developments reported on this week, that regarding the possibility of trouble in Bolivia (p. 4) is particularly significant.

CURRENT DEVELOPMENTS

GENERAL: The US Senate's committee report on coffee already has resulted in adverse reactions from Latin America (p. 2). A new, international, non-Communist labor organization is to replace the CIT as a force opposed to Communist influence among Latin American labor groups (p. 2).

NORTHERN AREA: In Cuba, the seizure of the Communist newspaper Hoy is the most important development to date in the campaign to suppress Communism (p. 2). Cuba is launching an extensive public works program (p. 3). The strengthening of Guatemala's armed forces will restore to them considerable political, as well as military, strength (p. 3). In Panama, prospects of trouble have increased because of unresolved differences between President Arias and Chief of Police Ramon (p. 3). Panama's enthusiasm for support of the UN cause in Korea has lessened because offers of aid have not been accepted (p. 4).

SOUTHERN AREA: In Bolivia, serious consequences may attend the critical labor situation in that country's mining area (p. 4). Chile's copper industry may again face a setback if strikes follow the termination of the present labor contract (p. 4).

SPECIAL SUBJECTS

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1. GENERAL: US Senate Coffee Report Expected to Intensify Anti-US Sentiment

Anti-US sentiment will be intensified in most of the coffee-producing nations of Latin America as a result of the unanimous approval by the US Senate Committee on Agriculture and Forestry of the revised "Gillette Report". Adverse reactions have already appeared in Colombia and in Brazil where there was particularly strong feeling following the release of the earlier "Gillette Report". Latin American opinion thus far has been that the report has done a disservice to the "good-neighbor policy", and that the US Congress has shown a lack of interest in the protests made last June by the 14 Latin American coffee-producing nations. If the US Senate accepts the report of the committee, an even greater wave of anti-US sentiment can be expected.

2. American Regional Affiliate of the ICFTU to be Formed
The International Confederation of Free Trade Unions

(ICFTU), supported by both CIO and AFL, together with the AFL-sponsored Confederación Interamericana de Trabajadores (CIT), is planning a hemisphere-wide labor conference in Mexico City in January 1951 to establish an American regional affiliate to take over the CIT and probably also to include the Mexican CTM and a few other unions not presently in the CIT.

The new organization should prove more representative of all non-Communist labor in the Western Hemisphere, and its affiliation with the ICFTU would give non-Communist Latin American labor increased influence in the ILO and UN because the ICFTU has consultative status in the latter two organizations. The new affiliate, when developed, should provide more effective opposition to the Communist-dominated CTAL, particularly in counteracting Communist propaganda among laboring groups.

3. CUBA: Anti-Communist Campaign Progresses

The seizure by the government of the principal Communist propaganda vehicle, the daily Boh, represents the most important development to date in what now appears to be a fairly widespread and effective campaign to suppress Communist activities in Cuba. Other current evidences of increasing public and governmental pressure for Communist containment include the firing of Communist workers by the Cuban Electric Company after authorization by the union Wkly, 1 Aug 50); a vote by the Syndicate of Habana Warehouse Workers and by the National Federation of Medical Workers permitting the expulsion of known Communists; and a newspaper campaign which resulted in the repudiation by thousands of Cubans of their signatures on the Stockholm "peace" petition. If the international situation remains acute, further anti-Communist action is expected, possibly including the outlawing of the Cuban Communist Party (PSP).

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4.

Internal Bond Issue for Public Works

Benefits to Cuba from the new public works bond issues will be limited. The present bond issue is for \$1.5 million and an additional \$75 million issue is eventually to be sold for similar purposes Wkly, 1 Aug 50). There is no doubt that large expenditures are needed for roads, water works and electric power facilities and to facilitate agricultural and industrial development, and also that there is an acute water shortage in several urban areas. However, real benefits from the new bond issue will probably be relatively small since graft and inefficient expenditures may be expected to prevent proper application of these funds.

5.

GUATEMALA: Strengthening the Armed Forces: Political Implications

A significant change in the political situation is indicated by Guatemalan army and air force negotiations for the purchase of arms to be delivered, if possible, before the presidential elections in November. The sudden availability of funds for the armed forces, after a long period of administrative neglect, suggests that President Arévalo has overcome his inherent distrust of the military (now purged of strongly conservative officers) and is prepared to use the army to maintain order during the elections, if not to influence their outcome. Heretofore, the military has suffered while the National Police and the militant, Communist-directed labor unions (both believed loyal to leftist candidate Arbenz) have been permitted to accumulate arms. However, Arévalo's decision to place the country under army control during recent disturbances demonstrates the existence of mutual confidence between Arévalo and Major Paz Tejada, Chief of the Armed Forces. Moreover, because the labor unions have been partially disarmed by the army, and because the leftist pro-Arbenz Partido Acción Revolucionaria and the National Police are the only other organizations (besides the army itself) capable of forceful, organized interference with the elections, the strengthening of the military suggests an effort by the administration to redress the political balance in favor of the moderates.

In general, it is believed that the strengthening of the armed forces will benefit US interests, since at the present time, these forces are the most moderate of the organization capable of effectively influencing political developments.

6.

PANAMA: Political Tension

Recent political tension has grown out of a struggle for power between the president and Police Chief Remón and by a rapprochement among factions opposing Arias. Immediate causes for the current tension are the president's efforts to avoid the reappointment as comptroller general of Remón's brother-in-law and to strengthen his regime against a possible opposition majority in

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the National Assembly scheduled to meet on 1 October. Underlying causes of the continuing political tension are Police Chief Remón's key position in politics and his interest in supporting opposition to Arias in order to further his own political position. The as yet unresolved differences between Arias and Remón continue to constitute a threat to stability. (Substance in CIA Wkly, 25 Aug 50.)

7. Press Criticism of UN Delay in Accepting Offers of Military Aid

Panama's enthusiastic support of the UN moves in Korea is being somewhat shaken by UN's delay in accepting the offer of aid made several weeks ago. The government's offer of bases for the training of UN troops, of its merchant marine, and of other forms of aid, had received the support of all political elements in Panama except the Communists. Panamanian volunteers for military service with the UN now number over one thousand, a large number for this small country.

8. BOLIVIA: Possible Disorder in Mining Area

There has been no report of change in the critically unstable labor situation since last week when the US Embassy at La Paz recommended evacuation of Americans from the trouble area (CIA Daily, 23 Aug 50). Discontent has recently been general among mine labor because certain commitments made to it by management have not been met and because students and teachers, who recently went on strike in La Paz at the alleged instigation of the PIR, and possibly the MNR, have been inciting the miners. Further, Communists, who have reportedly scheduled an uprising in the mining areas for the near future, continue to be a potential threat because of their demonstrated ability to aggravate any critical situation.

As there is no evidence thus far that the government has taken proper precautions against the occurrence of a second "Catavi incident", it appears quite possible that the very volatile-natured miners may engage in violence which, combined with current disorder in La Paz, may lead to a serious political-economic crisis.

9. CHILE: Possible Labor Troubles in the Copper Industry

Copper production, already curtailed this year by two serious strikes at Chuquibambilla (the world's largest copper mine and processing plant), may face another setback when the existing labor contract with the Chile Exploration Company expires on 31 August. Although there are no indications that discussions of grievances are imminent, it appears likely that the two chief demands that touched off the former strikes -- that overtime be eliminated or reduced and that the five pesos per day bonus currently paid be considered a

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permanent wage increase -- may be used by the Communist leaders of the sindicatos as a springboard for prolonged labor troubles. Resistance by the company, which would be almost certain, would cause a tie-up of the industry that might be damaging to Chilean economic and political stability as well as to the US interest in safeguarding the production of this strategic commodity.

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The Current Situation in Colombia

(Summary --- The stability of the Colombian government has apparently improved. The economic situation has deteriorated slightly in recent months but is probably still favorable. The army as a whole has remained loyal to the government. Capabilities of the Colombian Communist Party remain slight. International relations remain good.

--- US security interests have been favorably affected by the improved stability of the Colombian government.)

Political

The stability of the Colombian government has apparently improved as a result of the peaceful inauguration of President Gómez on 7 August.

The official Liberal Party position in regard to the new regime is one of passive civil resistance. In the period preceding the inauguration, the subversive elements of the Liberal Party together with an undetermined number of army officers tried unsuccessfully to organize a revolution before the new president should take office. Moderate Liberal elements were attempting during the same period to persuade the party to unite on some positive program through which the Liberals would be able to exert some influence on the Gómez regime. At the National Liberal Convention on 10 August, however, it became clear that the Liberal Party's intransigent elements (which include the National Directorate) had succeeded in preserving the Directorate's "do-nothing" policy for the party as a whole.

The avowed intentions of the newly-inaugurated president are 1) to strengthen Colombian-US friendship, 2) to insure fair treatment for foreign capital, and 3) to eliminate violence. In these statements, Gómez is believed to be sincere.

In regard to constitutional guarantees, Gómez has been less explicit. The important actions taken by the Conservative regime during the pre-inauguration period were: the indefinite postponement of Congressional sessions; the scheduling of new Congressional and municipal elections for June and September respectively of 1951; and the semi-official pronouncement that the state of siege would continue until after June 1951. These decisions were undoubtedly taken with the concurrence of Gómez and will continue to be effective under the new regime. In addition, press censorship has been tightened, telephone taps have been instituted, and selective censorship of the mails has been resumed. Although the Liberals' freedom to assemble was apparently not limited in the case of the National Convention on 10 August, the meetings of the Liberal Confederation of Colombian Workers have been hampered by government action.

25X1 estimates that the present restrictions on civil liberties will be continued at least for the immediate future; that Gómez will make a sincere effort to control the most violent members of his party; and that the government will remain relatively stable for the next several months.

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Economic

The economic situation has deteriorated slightly in recent months, but is probably still favorable. It is true that weather conditions have been unusually poor for both food crops and coffee. Consequently, cost-of-living increases have been accelerated, particularly for the working class, and coffee production for 1950 will be at least 10% below normal. The current high level of coffee prices is, however, a counterweighing favorable factor. The rise of coffee prices in recent months and the consequent resumption of coffee exports had reduced the unfavorable balance of trade during 1950 to US\$14 million by 8 July. It is estimated that the high coffee prices will prevent serious balance of payments difficulties in Colombia in 1950 despite the recently increased importation of merchandise, machinery, and materials which might become scarce because of the conflict in Korea; despite the increased food imports; and despite the smaller volume of coffee production and therefore of coffee exports.

A possible favorable indication for US foreign investment in Colombia (in addition to the attitude of Gómez -- see Political) is the rumored arrangement by which Tropical Oil Company may be offered 40% of the stock but full managerial control in the DeMares petroleum concession which reverts to the Colombian government in August 1951.

Military

The army as a whole has remained loyal to the government. The 20 July plot (Wkly, 13 Jul 50) was effectively thwarted, and only a few civilian arrests and minor bloodshed occurred. The army offensive against the insurrectionary movement in the llanos has had a fair degree of success as is indicated by the flight to Venezuela of the most important leader, Eliseo Velásquez.

The National Police, though unquestionably Conservatives, are a dubious asset to the Administration. Having had at least a share in causing the continued conflict in the llanos, the police are now a factor of unrest in Antioquia. Army-police hostility, which has led to several minor armed clashes in recent months, has been increased by a report that some of the police divisions have received rapid-firing weapons, presumably in order to oppose the army if the occasion should arise.

Air force capabilities will be substantially increased by the completion of contemplated Colombian purchases in the US of twelve new aircraft and US\$270,000 worth of spare parts. Approximately 85 of the Air Force's 145 aircraft are non-operational at present, primarily because of a lack of spare parts.

Subversive

The Colombian Communist Party's capabilities for subversive action remain slight. Although party pronouncements and press had followed the Soviet line, on 8 July party leaders were still awaiting instructions or orientation on the

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Korean conflict from either Bucharest or Paris. During recent months the distribution of the Cominform release: Por una paz duradera, por una democracia popular has been initiated. Subscriptions are being sold for the equivalent of approximately US\$7.50 per year and this money should slightly alleviate the extremely poor financial condition of the party, since the publications are received without charge.

International

The Colombian government and press have wholeheartedly supported the US and the UN in the Korean situation, at the same time condemning the Soviets for the invasion of southern Korea. It is true that, when conversations with the US Army to determine the needs of the unified command were held shortly before the inauguration of Gómez, it was decided that no commitments for Colombian assistance could be made until after the Gómez government had been installed on 7 August. However, as early as 27 June, the Colombian navy requested information as to possible coordination with the US. Furthermore, the Foreign Office position has been that any military action Colombia might take should be coordinated with that of other nations, but this statement was avowedly not meant to indicate that Colombia necessarily would not send troops unless other Latin American countries did so.

It is considered possibly significant for US-Colombian relations that Laureano Gómez, in conversation with Ambassador Beaulac on 24 July, stated that he feared that the Communists would make a concentrated effort in Colombia, and that, given a million dollars, they could bring about a successful revolution. estimates that this statement is completely unfounded in fact, and that its expression was designed exclusively to enhance, in US eyes the importance of good relations between the US and Laureano Gómez.

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