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Weekly Contributions 41-50
Latin America Division, ORE, CIA
10 October 1950

Of the items published this week, D/LA finds of particular interest that on the probable establishment of a UN unit in the Colombian army (p. 3) and that on recent anti-Communist developments in Guatemala (p. 2).

CURRENT DEVELOPMENTS

GENERAL: Strained Ecuadoran-Peruvian relations are unlikely to lead to serious trouble (p. 2).

NORTHERN AREA: In Cuba, the resignation of the senate president has brought to light a rift in the Auténtico Party (p. 2). In Guatemala, recent developments indicate a loss of Communist influence and a government desire for closer cooperation with the US (p. 2).

CENTRAL AREA: Colombia favors the establishment of a UN unit within the armed forces (p. 3).



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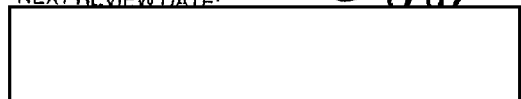
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SPECIAL SUBJECTS

- The Current Situation in El Salvador 4
- The Current Situation in Surinam 7

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1. GENERAL: Strained Ecuadoran-Peruvian Relations Unlikely to Lead to Armed Conflict

Renewed discussion of the Ecuadoran-Peruvian boundary dispute by the guarantors of the 1942 Rio Protocol (Argentina, Brazil, Chile, and the US) has increased tension in Ecuadoran-Peruvian relations. The traditional ill feeling between Ecuador and Peru has also been heightened recently by unconfirmed rumors in each country that the other is engaging in military maneuvers near the border. Although it is quite possible that aroused public opinion, especially in border towns, may provoke one or two minor frontier incidents, it is believed that the desire of both governments to avoid an outbreak of hostilities will preclude the occurrence of any serious trouble at this time.

2. CUBA: Rift in Auténtico Party

The strength of President Prío's party may be lessened as a result of the resignation last week of the politically powerful senate president, Miguel Suárez Fernández, who has long been persona non grata with the president, but is nevertheless a strong potential candidate for the presidency in 1952. It seems unlikely that the rift between the president and Suárez Fernández will be eliminated in view of the intensity and long duration of the political rivalry involved. Suárez' political activity will not necessarily be anti-Auténtico at this time but will certainly be anti-Prío, and the divided loyalties thus created within the Auténtico party is very likely to undermine its strength both in congress and in its negotiations with minority political elements for support.

3. GUATEMALA: Anti-Communist Developments Indicate Desire for Pro-US Alignment

Recent anti-Communist developments in Guatemala indicate a loss of Communist influence and a desire, on the part of the government, to align itself more closely with the US in world affairs. In recent weeks, the government has signed the Rio Treaty despite Communist protests, has suppressed the Communist newspaper Octubre, and has banned a projected workers' school. The minister of government has suggested a specific anti-totalitarian law which would outlaw Communist activity, and railway workers have revolted against the Communist leadership of Manuel Pinto Usaga -- a revolt possibly inspired by Colonel Arbenz, the administration candidate most favored to succeed President Arévalo.

It is apparent that the government, in seeking to align itself more closely with the US, has been instigating and publicizing these anti-Communist developments. It is true that the government's anti-Communist campaign was not initiated until the effective suppression of conservative anti-administration parties had rendered Communist help less necessary to the stability of the administration and to the success of the Arbenz candidacy. Nevertheless, the developments do indicate that Guatemalan Communist leaders have lost influence, that the government can risk suppressive measures against them, and that it prefers a pro-US to a pro-Soviet alignment in international affairs.

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4. COLOMBIA: UN Unit Probable in Armed Forces.

The Colombian army chief of staff's strong approval of Secretary Acheson's suggestion for training UN units within the armed forces will probably result in the setting up of such a unit in Colombia, should the General Assembly adopt the suggested resolution. The current readiness to support the US in this proposal may probably be attributed in part to Colombian interest in securing the equipment which would presumably be made available to a UN unit. Primarily, however, it is believed that the action should be attributed to the sincere interest of the Colombian people in UN action and to the leadership of the Colombian government in this respect, further proof of which was the offer of the frigate, "Almirante Padilla". Although a Colombian army unit would need considerable assistance in equipment and training, the readiness of the Colombian army to fight would add somewhat to UN manpower reserves and, in addition, would be a propaganda asset in the US effort to mobilize action against Communism.

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The Current Situation in El Salvador

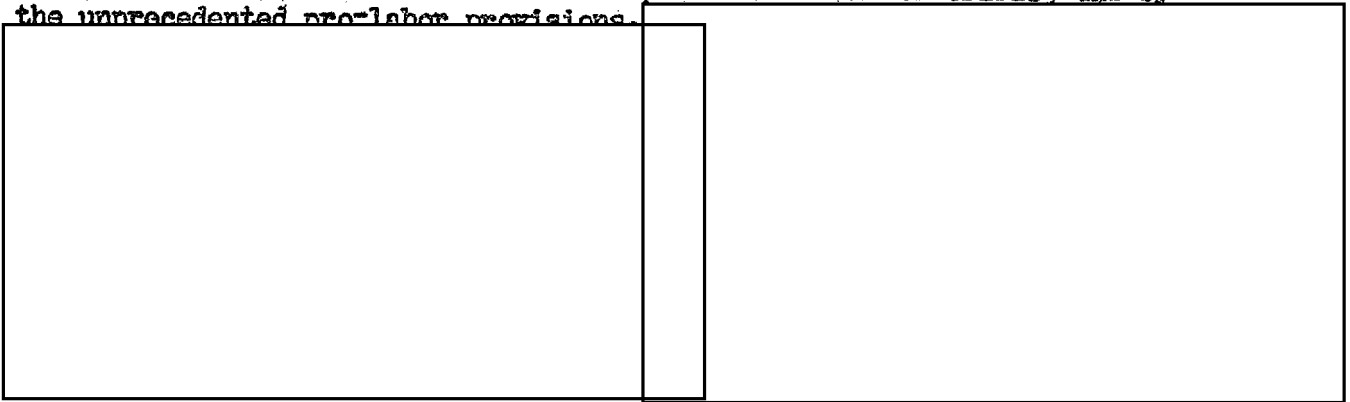
(Summary -- After twenty-one months of rule by decree under a revolutionary junta, El Salvador returned to constitutional government under an elected president on 15 September. Liberal provisions in the new constitution have aroused opposition among conservatives. The economic situation remains favorable, but businessmen fear government control and competition. Communists continue to have little influence in national affairs. There has been no change in the military situation, with the army continuing to manifest loyalty to Osorio. El Salvador's foreign relations continue, in general, amicable and cooperative.

-- US security interests are favored by El Salvador's UN position but have been disregarded in El Salvador's new claims to offshore waters.)

Political

The most outstanding recent political development has been the return to constitutional government and the inauguration of Major Oscar Osorio as president on 15 September. The new constitution, prepared by a pro-Osorio assembly and signed on 7 September, has aroused anxiety, resentment, and opposition among conservatives, who see their long-standing economic autonomy and political influence threatened by the expropriation provisions in the new constitution, by the anti-monopoly clauses, by the provisions for government operation of private companies in event of crisis, and by the unprecedented pro-labor provisions.

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Economic

El Salvador's economic situation continues to be very favorable. Business conditions have been better than usual for the season between coffee harvests, and financial indices (bank assets, bank deposits, and money in circulation) are well above comparative figures for former years. Record coffee prices continue to maintain foreign exchange reserves at a high level. Public confidence in the government's Lempa River hydroelectric project (for which a \$12 million International Bank loan was granted last year) has been demonstrated by the rapid and complete sale of the \$5.2 million domestic bond issue needed to complete the financing. Initiation of construction activities (by a US firm) will benefit local employment and business. The favorable economic situation has enabled President Osorio to put into effect his program for promoting the industrial, agricultural,

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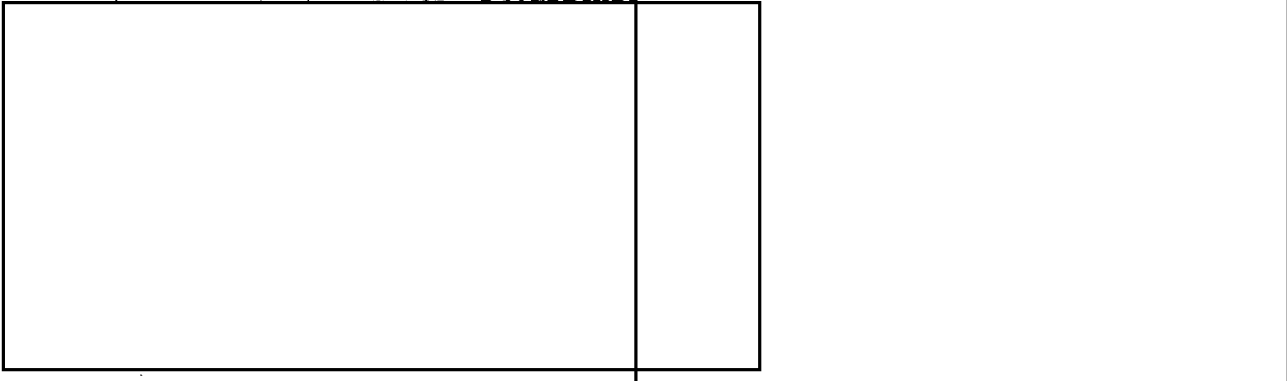
The Current Situation in El Salvador

(Summary -- After twenty-one months of rule by decree under a revolutionary junta, El Salvador returned to constitutional government under an elected president on 15 September. Liberal provisions in the new constitution have aroused opposition among conservatives. The economic situation remains favorable, but businessmen fear government control and competition. Communists continue to have little influence in national affairs. There has been no change in the military situation, with the army continuing to manifest loyalty to Osorio. El Salvador's foreign relations continue, in general, amicable and cooperative.

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and commercial development of the country. However, opposition may be expected from wealthy businessmen and coffee producers who fear that the government may take over control of profitable, privately-managed organizations such as the Compania Salvadorena de Cafe, the Mortgage Bank, and the Central Reserve Bank. Such a move might be in accord with Osorio's determination to combat the traditionally tight credit situation through the creation of a government finance agency which will extend small, long-term, low-interest loans. Businessmen are also concerned about the possibility of increased taxes, of social legislation which may favor increased wages and workers' compensation payments, and of expropriation on the basis of "social necessity". Although Osorio's program will give the government control over a greater portion of El Salvador's wealth, thereby reducing the stabilizing influence of the country's ultra-conservative capitalists, it may promote a degree of economic diversification and an increase in productivity. The most immediate effect will probably be an increase in government employment and the creation or expansion of a few favored business enterprises.

Military

There has been little change in the military situation. The army remains capable of maintaining internal order and continues to be loyal to Major Osorio, the new president. It is possibly true that Major Oscar Bolanos, dominant member of the former government junta, sounded out army support for a plan to prolong his junta government. However, Bolanos, who now has accepted the post of minister of defense, apparently abandoned this plan. In recent months, some new army equipment has been acquired in the US. Interest continues in plans for a coast guard which, if established, may provide El Salvador with a means of patrolling its newly claimed 200-mile offshore territorial limit (see International).

Subversive

Communists continue to exert little influence in national affairs. Political activity has been slight since the defeat of the anti-Osorio coalition candidate in the March presidential election. Greatest activity has been among university student groups. Communists were able, in June, to stage a student protest against the Lempa river hydroelectric project (denounced as "US imperialism"), and they were active in initiating, and prolonging, the student strike in July. Largely through the Comité Revolucionario Estudiantil Communists have engaged in organizational work directed toward the formation of a new youth organization, a new clandestine organization, and new Marxist study groups. In the field of labor, activity has been slight but has increased since the publication of two basic labor laws by the junta government. These laws (which will presumably be supported by Osorio) legalize company and trade unions but forbid federalization and carefully circumscribe union activities. Communists have therefore laid plans to consolidate opposition and to agitate for the unification necessary if labor is to become influential.

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 during coming months, Communist influence is not expected to increase.

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International

El Salvador's relations with its neighbors, with the US, and with other countries continue to be, in general, cooperative and amicable, though the recent claim to sovereignty over offshore waters (see D/LA Wkly, 12 Sep 50) provides grounds for international controversy. Despite protests from the US and Great Britain, El Salvador incorporated in its new constitution a claim to absolute sovereignty over the high seas to a distance of 200 miles offshore. This claim, which conflicts with US commercial and defense interests, will lead to further controversy. Moreover, a nationalistic trend, as illustrated in the new constitution, may eventually lead to conflicts between the government and US business interests in the country. In recent months the government has ratified the OAS charter and the Bogota Pact and in the Korean controversy has given full support to the UN. The government continues to look to the United States for technical aid and advice.

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The Current Situation in Surinam

(Summary — The political situation is now relatively calm after one rather stormy controversy in the Staten in July. Economic conditions have not improved in the period from April to August. The Dutch army garrison at Paramaribo and Surinam's small force of policemen continue to be of no military importance. No subversive movement is known to exist in Surinam. No matter of importance affecting Surinam's international relations has arisen in the past six months.

— US security interests have not been affected by recent developments in Surinam.)

Political

The political situation is now relatively calm after a rather stormy controversy in July centering around the dismissal of a doctor from the staff of the public hospital. Last March, Minister of Education and Public Health Lou Lichtveld dismissed Dr. H. C. Van Ommeren, government surgeon in the public hospital when the latter, apparently motivated mainly by personal and professional jealousy, refused to obey an order of his superior. Dr. Van Ommeren, who is a member of the Staten, retaliated by proposing in that body a motion of censure against the minister. Although Van Ommeren's party, the National Party of Surinam (NPS), had in a party congress approved this parliamentary move, when the motion came to a vote eight of the twelve NPS Staten members resigned from the party and voted to sustain the minister. For a while it was feared that this split in the NPS, which is the majority party in the Staten, would cause the government to fall and necessitate new elections. It now appears likely, however, that the governor will wait to see if the Staten as presently constituted can function before dissolving the assembly and calling for new elections. Present composition of the Staten is 8 Independents, formerly NPS; 4 NPS; 1 SIB (Surinam Mineworkers' Bond); 6 VHP (United Hindu Party); and 2 SLO (Surinam Farmers' Organization).⁷

Economic

Economic conditions did not improve in the period from April to August, but the outlook is much brighter for the coming months. (There is no economic information available on Surinam for August and September.) As a result of decreased US demand for bauxite in the first half of 1950, the largest of Surinam's three bauxite mines cut back production by 25%. Although the cut-back in production was not fully reflected in bauxite exports since production from one other mine increased slightly in the same period, the reduction in exports of bauxite was sufficient to have a slightly adverse effect on the economy and the loss of this dollar income has so increased Surinam's dollar shortage that the government has found it necessary to tighten controls on imports from hard currency areas for the last six months of 1950.

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The government's desire to counteract the trend toward complete dependence on one export product, bauxite, has been reflected in a number of recent measures designed to encourage the pursuit of other economic activities. Further efforts to stimulate gold production included the setting aside of certain areas where miners can prospect for gold without taking out a concession, and the removal of the royalty which formerly had to be paid on all gold produced in the country. Probably as a result of these incentives, gold production has increased considerably in recent months over the 1949 all-time low level of production, but there is little chance that the over-all trend toward the decline of the gold industry will be changed. The government has sought to aid the citrus fruit industry by the establishment of a central packing house, with a view to eliminating complaints of Netherlands importers that a large portion of Surinam fruit is spoiled by the time it arrives in Holland. The determining factor in the government's decision to build the packing house at this time was probably the termination on 1 December 1949 of an agreement between the Netherlands and the Surinam Government prohibiting the importation of citrus fruit into the Netherlands from any country other than Surinam, a situation which now forces Surinam to compete with other nations for the Netherlands trade. A still further step in the government's attempt to achieve a more diversified economy is seen in the Netherlands-ECA financed Lelycorp Plan, a project for the settling of both local and Dutch farmers on a large tract of fertile land for the cultivation of rice, peanuts and soya beans. Although these government measures will help to increase production of fruit and other agricultural products, it is not believed that they will significantly affect the one-product nature of the Surinam economy.

Economic conditions promise to improve considerably in the next six months. Since bauxite comprises 75% of Surinam's exports and since practically all of this bauxite goes to the US, Surinam's economy is particularly sensitive to every change in US demand for aluminum. The outbreak of war in Korea immediately reversed the early 1950 downward trend in US aluminum production and since July demand of both civilian and defense industries has been so great that the aluminum industry, even producing at full capacity, cannot supply all that is needed. Moreover, should there occur some unforeseeable slackening in industry's demand (a development which is most improbable) there would still be no slow down in US aluminum production for some time, as any available aluminum would now be quickly purchased by the Munitions Board, which received a large appropriation for stockpiling aluminum in July and has been unable as yet to acquire any significant quantity for stockpiles, because of the current scarcity of the metal. These developments assure Surinam of increased bauxite exports, a greater supply of US dollars and a resultant considerably improved economic situation in coming months.

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Military

The Dutch army garrison at Paramaribo and Surinam's small force of native policemen continue to be of no political or military significance.

Subversive

No movement of a subversive character is known to exist in Surinam.

International

No matter of importance affecting Surinam's international relations (which are administered by the Netherlands) has arisen in the past six months. Surinam did not obtain its hoped-for associate membership in the Economic Commission for Latin America (ECLA) at the third session of that body in June 1950. However, the Netherlands did recognize Surinam's interest in this commission by appointing as the Dutch representative, Surinam's Minister of Education and Public Health, Lou Lichtveld.

There have been no further developments relative to the proposed federation of the Netherlands, the Dutch Antilles and Surinam. The Round Table Conference originally scheduled for July has now been postponed until some time in 1951.

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