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Working Paper on Latin America 52-50
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CURRENT DEVELOPMENTS

NORTHERN: In Cuba, Chibás, who is a major candidate for the presidency in 1952, has not declared himself on Communism (p. 2).

SPECIAL SUBJECTS



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1. CUBA: Chibás Remains Silent on Attitude Toward Communists
"Eddie" Chibás' increasing political influence makes his failure to declare himself regarding Communism especially significant. As a major candidate for the presidency in 1952, Chibás has been very active since his return from a serious illness [redacted] and his reputation as the most powerful Cuban exponent of honest government has continued to strengthen his political position. However, members of his party, the Ortodoxos, have been collaborating with the Communists, apparently with an eye to Communist support in the 1952 elections. Chibás' failure to take a forthright stand on Communism during the deteriorating world situation of recent months has been one important factor in delaying congressional action to authorize effective suppression of Communist activities in Cuba.

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Working Paper on IA, 52-50
Situation Memorandum 79-50

26 December 1950

The Current Situation in Brazil

(Summary -- Post-election political tensions have been stabilized, and Vargas will be inaugurated on 31 January without incident. Economic activity has been relatively high and will remain so, barring widespread world conflict. The preparedness of the armed forces has received increased attention recently, although there are no present plans for an offer of Brazilian troops to the UN.

-- US interests have been favored by continued progress toward the opening up of the Amapá and Urucum manganese deposits.)

Political

Political tension continued to run high for more than a month after the October elections in which Getúlio Vargas won by a landslide, but insistence by outgoing President Dutra and War Minister Canrobert that the democratic process be respected prevented any violent disturbances. Since the end of November when the government party (PSD) and the "loyal opposition" party (UDN) publicly recognized the results of the election and abandoned the "absolute majority thesis" (Getúlio received a plurality, 48.5% of the vote), even this challenge to an orderly transfer of power has been removed. There is no reason, therefore, to change earlier estimates [redacted] that Vargas will be inaugurated as scheduled on 31 January.

Influenced at least in part by the fact that the PSD retained the largest block of seats in the congress and that his own PTB ranks a poor third, Vargas has intimated that he will not limit his cabinet to members of his own party. He announced shortly after election day that his government would be of a "laborist" orientation [redacted] and, more recently, PTB leaders have said that he would establish three new ministries: health, economy, and information; and two new banks: rural credit and social security. While it is generally felt that he will attempt to govern without resort to "totalitarian" methods, he apparently will have at hand some of the appropriate machinery -- for example, the new ministries of information and economy -- should he feel the need to use it.

Economic

Brazil continues to enjoy a relatively high level of economic activity, and the incoming Vargas regime is expected to make every effort to improve the situation further. Although Vargas has still not committed himself to specific measures for the elimination of trouble-spots in the economy, it is generally believed that he will focus his efforts chiefly around the working-man's problem -- inflation -- and further development of the basic industries. Rumors that he will devalue the cruzeiro within the near future are judged [redacted] unfounded, although it is possible that he may establish some system of multiple rates of exchange.

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Brazil's steadily improving economic condition is unlikely to deteriorate appreciably in the near future, except as the result of world conflict. Although this year's unprecedented coffee and cocoa prices dropped slightly in September and October, they are edging up again in the US market, and coffee, at least, will probably remain at levels calculated to improve the already-favorable terms of trade. Commercial dollar payments are virtually current except for certain special categories, and while the backlog of commercial sterling and other European currency obligations has increased in recent months, the dollar holdings are such (about US\$121 million) that all commercial arrears could be liquidated at this time should it seem desirable.

Negotiations to establish the framework of a Joint US-Brazil Commission under the US Point Four Program are completed; the commission is scheduled to begin work in 1951 with a budget of US\$800,000 for the first year. Emphasis will be away from general surveys and toward specific projects -- chiefly power and transportation -- already sketched in by previous surveys.

Immediate prospects for increased manganese production and export to the US remain poor, but longer-range prospects have improved considerably. The Brazilian congress on 17 November passed a bill guaranteeing an IBRD loan for the joint US-Brazil development of the Amapá deposits. Meanwhile, plans for a port near the Amapá area have been completed, and studies for the construction of a connecting railroad are under way. It is estimated that all plans and financial negotiations will be completed within six months. In addition, a second major US steel company has reportedly settled its differences with Brazilian concessionaires and will negotiate an agreement for the development of the large deposits at Urucum.

Military

The preparedness of the armed forces has received increased attention recently, although Brazil apparently will not give military support to the UN forces in Korea in the next few months (see International). The Brazilian congress is currently considering a supplementary US\$37.8 million for the purchase of two US cruisers and other equipment for the improvement of the armed forces. The president has asked revision of the military service law to make all men between 17 and 45 subject to draft. In addition, the Brazilian press reports a joint anti-submarine warfare tactical exercise in September, the first since World War II, and a large joint army-navy-air force maneuver in November. The latter maneuver -- that of the 1st Military Region -- involved over 20 percent of Brazil's total armed forces, according to the press, and was locally acclaimed as a "brilliant performance".

The determination of the majority of the important high-ranking officers to keep the armed forces out of politics at this time was dramatically illustrated by the removal of Vice-Admiral Pinto de Lima, Commander in Chief of the Fleet, for challenging the validity of Vargas' election. [redacted] considers it most unlikely that the military will make any attempt to prevent Vargas from assuming office.

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Subversive

After an upsurge of activity in preparation for the October election, the illegal Communist party has apparently withdrawn to minimum "peace" and front-group activity. There is no indication that last summer's militant calls for revolutionary activity can be implemented even in a small way. Seemingly disoriented by its failure as a political rallying-point (the Communists exchanged two federal deputies for one, and apparently sustained a net loss in most state and local situations), the party has attempted to save face by interpreting the Vargas victory as victory against Communist scapegoats like "Yankee imperialism". The national conference of "Partisans of the Peace", which had to announce that no state had met its quota of signatures for the Stockholm appeal, met in October, as scheduled, in São Paulo and elected over forty delegates to the international congress. It is doubtful that more than a few were able to make the necessary arrangements to attend, however.

During the past few months, the Communist press has stepped up its campaign against the presence of US military personnel in Brazil.



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The only really aggressive Communist activity recently was the effort of the Communists during the past week to attempt to organize strikes and to stage demonstrations. Through this intensified pre-Christmas agitation, the Communists had hoped to induce non-Communists to participate in the strikes by exploiting the popular demand for congressional action to provide a Christmas bonus for all workers. Despite the popularity of the bonus issue, the Communists had practically no success in inciting strikes, and, reportedly, the police rapidly arrested many Communists in Rio, São Paulo, and Recife. There are no apparent reasons to change [redacted] estimates that the Communists present no serious threat to the stability of Brazil.

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International

Brazil has been somewhat handicapped in the conduct of her foreign relations, during the past few months, by the virtual lack of liaison between the outgoing and incoming governments. The Dutra administration is probably sincere in wanting to give all possible aid to the US and UN forces in Korea. At the same time, however, Foreign Minister Fernandes apparently feels that he cannot commit the country to policies that might or might not be carried out under Vargas. In answer to direct question, Fernandes has said that there are no plans at present for an offer of Brazilian troops. Current statements by Vargas offer few clues, and can be best described as resounding "double talk" designed to keep open all courses of action. It seems likely that the congress will approve a Dutra request for US\$2.7 million worth of food and supplies, but no further action is likely to be

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taken within the next two months The Brazilian foreign minister has stated that Brazil favors the meeting of the foreign ministers of the American republics -- a meeting requested by the US under the regional arrangements of the Organization of American States -- but he adds that Brazil favors the meeting in February after the new government has had some time to become oriented to world matters. Meanwhile, it has been reported that Dutra may soon meet with Vargas to talk over the critical world situation.

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Barring the rapid spread of armed conflict, Vargas can be expected to be generally less favorable to US influence than Dutra and to be more friendly toward Argentina, but specific lines of foreign policy will probably be determined on an ad hoc basis.

The official radio station reported on 22 December that Brazil had canceled the exequatur of Polish Consul Alexander Bodak at Curitiba in the state of Paraná. His jurisdiction included the states of Paraná, Rio Grande do Sul, Santa Catarina, and Mato Grosso. Although the government did not indicate what caused this action, it probably resulted from Bodak's increased political activities among the local Polish Communists.

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The Current Situation in Chile

(Summary -- Increasing political tension slightly threatens the stability of the González Videla government. On balance the economic position during the recent quarter appears favorable, largely because of heavy sales of copper. Morale, loyalty, training and efficiency of the armed forces remain at a satisfactory level. Chilean Communists are reaping the benefit of the pressure exerted by non-Communist groups for repeal of the repressive Defense of Democracy Law. Chile's international relations remain basically unchanged; in the East-West struggle, Chile is expected to support the US.

-- US security interests are not threatened seriously at present but may be damaged if pressure groups succeed in modifying the anti-Communist Defense of Democracy Law.)

Political

Increasing political tension -- arising largely from current pressures from restive labor groups and groups advocating repeal of the Defense of Democracy Law -- slightly threatens the stability of the González Videla government. Furthermore, preliminary jockeying for position for the 1952 elections indicates that government stability may remain somewhat precarious for at least the next quarter. The most serious immediate problem facing the government is the settlement of the current strikes of government and welfare workers. Satisfying demands for special bonuses would not only work a financial hardship on the government but would also establish a precedent for further group action. The firmness of the government thus far indicates eventual control of the situation without conceding too much to the workers.

The political situation is further complicated by the increasing groundswell of opposition, largely among leftist political and student groups as well as the labor groups that are most directly affected, to the repressive measures allowed the government under the Defense of Democracy Law. Since this law has been the administration's most effective weapon for the control of Communism, the president and the more conservative elements of the government until recently have consistently opposed any efforts of leftist groups to effect its repeal or modification. Recently, however, González, in another of his politically astute moves designed to maintain labor support, admitted a willingness to modify the labor aspects of the law. Although the administration may find it expedient to compromise in order to maintain the vital support of labor and leftist political groups, such a course would reduce government ability to control the Communist elements that have already infiltrated to a certain extent and will continue infiltrating labor groups, particularly in the copper and nitrate industries. A setback in US security interests could develop from a more leftist orientation of the government which would give Communists greater freedom of activity.

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Economic

On balance Chile's economic position during the recent quarter appears generally favorable, largely because of continued sales of copper at prevailing high prices. Less favorable factors -- continued monetary inflation, reduced production and income resulting from a long series of strikes, and general economic uncertainty caused by a shifting policy of the government following the change of leadership in the Ministry of Finance -- have reduced the beneficial effects of the strong copper sales. To date that portion of former Minister of Finance Vial's economic plan that has been implemented -- namely, the proposal for tax increases to finance the wage increases granted government employees, armed forces, the judiciary and teachers -- has fallen far short of its goal. Indications that the Vial economic plan will probably be pigeonholed in congress are: (1) failure of Vial to win the 26 November senatorial by-election; (2) inclination of the new finance minister away from Vial's policy; and (3) unpopularity of the "forced savings" aspect of the policy. Although the policy of the new finance minister is not clearly defined, it is doubtful that any program that must appease divergent political groups in a pre-election period will alleviate the basic economic problems facing the administration.

Military

There has been no significant change in the morale, loyalty, training, or efficiency of the armed forces in the last quarter. The navy and air force have indicated a willingness to participate actively in the Korean war. However, no definite commitment has yet been made.

Subversive

Communists are reaping the advantage of an overlapping of political and ideological views of certain labor and political groups especially with regard to demands for the repeal of the Defense of Democracy Law. At the same time, they are capitalizing on every opportunity to advance their cause by increased attempts to infiltrate political, labor, and student organizations and to embarrass the government by promoting and participating in strikes. The chances of increased Communist activities are great if the Defense of Democracy Law is modified in the next quarter.

International

There has been no significant change in Chile's international relations in this quarter. Chile continues in general to follow US policy and to support the US in international organizations. In matters involving the East-West struggle, Chile will undoubtedly continue to support the US and, specifically, will maintain the flow of copper to the US, despite the possibility of having to adopt a somewhat conciliatory domestic policy towards the Communists.

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