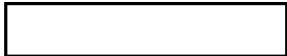
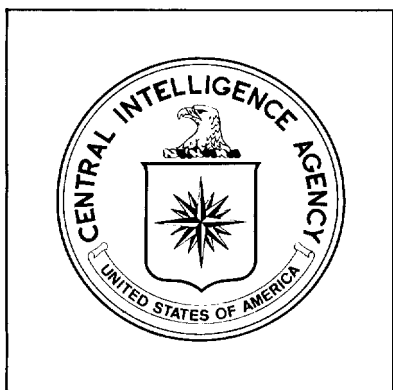


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# STAFF NOTES:

## Latin American Trends

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## LATIN AMERICAN TRENDS

This publication is prepared for regional specialists in the Washington community by the Western Hemisphere Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Argentina: Who Will Lead Labor and Perhaps the Nation?

Intense infighting for political control of the Peronist movement and continuing discord within the powerful Peronist labor confederation (CGT) threaten to undermine the paramount positions of union leaders Casildo Herreras and Lorenzo Miguel. Both have been criticized in the past for their ties to the now-discredited Lopez Rega and for their identification with the arch-conservative wing of Peronism. Although Herreras has generally sought to remain aloof from political battles, he was jeered during a recent public appearance--an indication of mounting dissatisfaction with the apparent inability of national leaders to arrest deteriorating economic conditions.

Shaken and disillusioned by the experience, Herreras last week offered his resignation as head of the CGT. It was rejected, but Herreras is reportedly not the type to tough it out and will probably step down if workers continue to challenge his authority.

If Herreras goes, it seems doubtful that Miguel will succeed him. Miguel is the leader of the most powerful sub-grouping of unions within the CGT and has long been a prominent spokesman for labor, but his hold on power may have suffered even more than that of Herreras as a result of his frequent involvement in controversy.

A more likely candidate is Victor Calabro, the governor of Buenos Aires province who, like Miguel and Herreras, comes from the influential metalworkers union.

In fact, Calabro is being touted in some labor and political circles as an eventual successor to President Maria Estela de Peron. Should Mrs. Peron leave office before her term expires in 1977 and should Provisional President of the Senate Italo Luder be unable to serve in her stead, Peronist congressional and labor leaders, with the military's sanction, have

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reportedly agreed to support Calabro for president. The governor, who openly aspires to the nation's highest office, has been soliciting military leaders' support since at least March 1975. He has had a significant hand in organizing strikes in his province, which have exacerbated Argentina's month-old economic and political crisis.

More conservative labor segments, however, probably find Calabro an acceptable candidate only because he is the sole provincial governor with a trade union background. Under the succession law enacted last month, governors and congressmen form the pool from which congress must elect a new president if the incumbent leaves office. Calabro has alienated many labor leaders and his relationship with Lorenzo Miguel is less than cordial. In a thinly veiled criticism of Miguel, Calabro recently denounced labor leaders for "forgetting their trade union responsibilities, relying exclusively on political alternatives, and thereby creating the danger of losing control of labor to others who do not share their philosophy." In May 1975 he took exception to calls by Peronist labor leaders for a political rather than a military approach to dealing with terrorism.

Such controversial stands have undoubtedly also angered military hard-liners, but Calabro is reportedly maintaining contact with several army officers in the apparent hope of building a populist base of support.

It is too early to predict the outcome of Calabro's efforts to achieve greater power. As Argentine political groups become more fragmented and factionalized, however, it becomes clearer that only someone with strong institutional backing can hope to succeed. Today the only institutions that can provide the necessary support are the military and labor.

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Chile: Life on the Other Side of the Tracks

Since the coup that ousted Salvador Allende, there has been a great deal of controversy over the impact of the military regime's economic austerity policies on the Chilean working class, many of whom supported the former Popular Unity government. Despite official rhetoric to the contrary, most indications suggest that the lower classes are feeling the brunt of economic hardship and that their lot is not improving. The Latin American Trends offers a synopsis of a recent assessment of this situation by US Embassy labor attache Arthur B. Nixon.

The reporting officer points out that gaining an insight into the attitudes of Chilean workers is difficult because of a general reluctance to talk to strangers and the probable fear that any criticism of the government might be reported and cause reprisals. Nevertheless, he has formed a firm impression that living conditions for a majority of Chileans have deteriorated rapidly in the last year and that working-class support for the present government has virtually disappeared. The major reasons are unquestionably economic, but the government's abuses of human rights contribute to some extent.

Middle-class salaried professionals and technicians, if still employed, are compensating for their loss of purchasing power by seeking less expensive quarters and by reducing or eliminating the "niceties" of food and diversion. Moving down the economic ladder into the skilled, semi-skilled, and laboring categories, the sacrifice verges on hardship. This hardship is becoming increasingly severe. Many blue-collar employees have virtually eliminated meat from their regular diet and are consuming larger amounts of the cheapest filling starches. Many are economizing by finding more modest living quarters or sharing quarters with families or friends.

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Firm data is lacking on the decline in purchasing power, but unemployment in the Santiago area is running about 15 percent. Trade union and other sources believe that actual unemployment is higher and will probably continue to increase, as the economy turns down under the influence of the government austerity program. The government has embarked on a number of measures to help the unemployed and the poor who are hardest hit, but its resources are limited. Only a small percentage of the unemployed have been assisted by the "leaf raking" projects devised to alleviate the situation.

In today's Chile it is difficult for one from the relatively affluent side of the tracks to realize the extent of the problem, but the superficial signs are everywhere. In Santiago's central business district, adults and children beg and shabbily dressed persons of all ages sell small items that range from cheap ballpoint pens to individual bandaids. While the writer admits that he did not know Chile under Alessandri or Frei, he saw few beggars or walking street vendors during Allende's years in power. After 9 p.m. the beggars and vendors are replaced by young, obviously needy prostitutes. There has also been a sharp increase of beggars who go from door to door in the upper-class residential areas.

The generally depressed economic conditions are also reflected in Chilean dress. Increasingly, Chileans in the working upper level appear less stylish. Those in the middle levels are shabby and the bottom level of the population is downright ragged. The better restaurants serve fewer, while the hash houses are full. Shops attract crowds of window shoppers, but few can buy. The pawnshops are doing a land-office business; one source claimed their business had increased tenfold in the past year.

Labor leaders provide further evidence of a serious and growing social problem. All voice frustration at their inability to solve the problems of their membership. When a worker is laid off, he appeals to the

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union for help and, receiving none, resigns from it. One astute trade union official privately predicts actual starvation unless something is done to help the needy or reverse the economic trend. Prospects for either seem unlikely at this point.

The director of the Catholic Church's Committee for Peace claims that parish priests have so far organized over 150 soup kitchens in Santiago's slums, but that there is a clear and present need for at least 500 more in the capital. Committee workers claim that isolated acts of desperation such as suicides and the sacking of food stores in slum areas have occurred, but have not been reported in Chile's controlled media. Most observers contend that the government will not allow publicity on these incidents for fear they will spread and further damage its image abroad.

Many non-Marxists believe that whatever popular support the junta might have enjoyed among the working class has virtually vanished. Many who supported Allende's overthrow now claim that the junta's economic performance has created widespread disgust with the government and the military among the lower and middle classes. Few foresee that this disenchantment can or will be organized into effective protest, however. The firm and effective control exercised by the government in all areas will prevent the organization of either constructive or violent opposition in the predictable future. Most labor leaders do predict spontaneous acts of desperation such as neighborhood food riots this winter, however, but they feel that few persons outside the immediate neighborhoods will hear of them. Union leaders believe that any attempted general protest would be quickly and brutally repressed.

The growing disapproval of the government among workers is becoming more and more evident. For example, for months after the coup, movie screen appearances of General Pinochet or other junta members brought a spontaneous and enthusiastic demonstration of crowd

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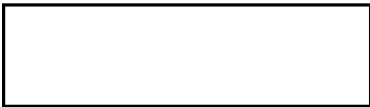
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approval. These same appearances now provoke few cheers. In middle-class neighborhoods they are generally met with silence. Labor leaders report they now provoke whistles (the Latin American counterpart to our booing) in working-class areas. For the time being, however, Chilean workers will have little alternative but to vent their frustration through this type of protest, since they appear unable to organize a serious challenge to the current government.

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Colombia: Hike in Domestic Oil Prices

To stimulate oil exploration and to stem declining production, the Colombian government has decided to permit higher ceiling prices for old and new crude. Newly appointed Mines and Energy Minister Juan Jose Turbay apparently was instrumental in the action, which will boost the price paid by Colombian refineries for crude and from old wells to \$3.50 a barrel--up from \$1.65 a barrel, one of the lowest prices in the world.

Prices for new oil range from \$5.50 to \$7 a barrel, with the higher prices applying to deep wells and wells in distant regions. The government has long recognized the need for higher oil prices, but shrank from the anticipated political consequences of pushing up energy costs.

The country's oil industry has suffered heavily as a result. Production has been declining since 1970 and exports of crude oil stopped in early 1974. No important commercial well has been drilled in 11 years, and recoverable reserves now total 628 million barrels--only 10 years' consumption at the current rate. Exploration has dwindled from an average 46 wells per year in the early 1960s to 19 wells annually in the 1970s.

With demand for energy rising 8 percent a year and oil production falling rapidly, fear of a large import bill for oil is adding to the government's worries. Last year oil imports cost \$3 million.

Most oil companies, which must give first priority to domestic consumption, will react to the new prices by expanding production of old oil, allowing Colombia to meet its domestic requirements at least through 1976. The companies also will expand exploration, although production from new discoveries probably will not add substantially to domestic supplies much before 1980.



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Colombia: Hosting the Occultists

The first World Congress of Witchcraft, to begin in Bogota on August 24, is already generating a predictable mix of interest and scorn in the press. That the meeting will be held in Latin America is no coincidence, however, as occultism has deep roots in Latin cultures, particularly in the New World. In surprising ways it touches daily life and politics, and even in as advanced a society as Argentina's the influence of a practicing astrologer and medium like Jose Lopez Rega can be felt as high as the presidency.

Many Latin Americans--a majority of them, according to Columbia University anthropologist Charles Wagley--have a basically supernatural concept of the causes of events in their lives and of natural phenomena. Although beliefs of African and American Indian origin differ from region to region, others deriving from southern Europe, such as medieval folk medicine, are widely held throughout Latin America. Indeed, the belief in witchcraft that was known in the Spanish, Portuguese, and French cultural heritages may be stronger in Latin America today than it remains in the Old World.

The meeting in Bogota will bring together spiritualists from many cultures. Chief among the announced participants are Israeli mentalist Uri Geller, Italian surrealist Federico Fellini, American ESP researcher Edgar Mitchell, Colombian fantasist Gabriel Garcia Marquez, and Brazilian-American anthropologist Carlos Castaneda, who spent five years with the Yaqui Indians of northern Mexico as a sorcerer's apprentice. They and others will conduct seminars, demonstrate techniques, and exhibit paraphernalia. A highlight of the convention will be private demonstrations of Haitian voodoo and Brazilian macumba rites.

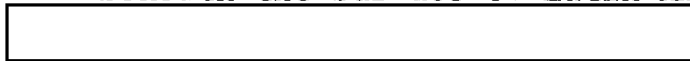
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Two prominent happenings at the congress are expected to be quite serious attempts to communicate with the late Juan Peron and Salvador Allende. Some delegates have already expressed an interest in consulting with Peron about the political turmoil that has plagued Argentina since his death, and there is also interest in questioning Allende about the circumstances of his death in the Chilean coup. In addition, Bolivian delegates have pledged to look into alleged government corruption in their country and also to work what magic they can to provide Bolivia with its long-sought outlet to the sea.

Observers of the meeting will no doubt be hard pressed to take much, if any, of it seriously. Nevertheless, it could well provide a rare public glimpse of the shadow world of fatalism and pseudo-science lying not far beneath the surface of Latin American society.



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Brazil: Opening the Door to Foreign Oil Companies?

President Geisel



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25X1  favors allowing foreign petroleum companies to explore for oil in Brazil at some unspecified time in the future. He hopes to bring about this influx of technology without triggering a nationalistic backlash.

Brazil depends on imports--mostly from the Middle East--for 80 percent of its petroleum requirements. The substantial increase in oil prices during the past year and a half has made a significant dent in the nation's foreign exchange holdings and contributed to its current economic slowdown.

Geisel, who was president of the state oil monopoly PETROBRAS prior to becoming chief executive, has supported an aggressive exploration program aimed at self-sufficiency in petroleum. Throughout 1974 the President toyed with the idea of allowing foreign companies to explore for oil in Brazil on a contract basis, although he knew that such a move would bring substantial criticism from nationalists who would view such an action as altering Brazil's basic petroleum policy. In late 1974 significant new offshore oil discoveries caused Geisel to shelve plans to open the country to foreign exploration.

After the euphoria associated with the new discoveries subsided, the Geisel government faced the reality that the newly found oil would not come into production for four or five years, and even then Brazil would be far from self-sufficient. In early 1975 the President asked Minister of Mines and Energy Shigeaki Ueki to prepare a draft proposal to permit foreign firms to participate in oil exploration in Brazil. Under Ueki's proposal, foreign companies would enter into risk contracts with PETROBRAS for the exploration and sale of petroleum within Brazil. The firms would retain only a specified percentage of the oil they discovered.

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They could repatriate a limited part of their profits but must reinvest the remainder in Brazil. The proposal expressly prohibits foreign firms from refining oil in Brazil or participating in the nation's petrochemical industry.

Acting on Geisel's desire to test public opinion on the matter, Ueki in mid-May publicly floated the idea that foreign firms might engage in oil exploration. Reaction was mixed: approval from Minister of Finance Mario Simonsen and to a lesser extent by some pro-government congressmen; harsh criticism from Minister of Industry and Commerce Severo Gomes and opposition politicians. In the face of this preponderantly negative reaction, Ueki backed off and said his comments reflected his own thinking and were not necessarily the administration's sentiments.

25X1 [redacted] Geisel still plans to implement Ueki's formula at a more propitious time. He believes that from an economic standpoint Brazil cannot lose, since the foreign oil companies will be allowed to drill only in less promising areas that PETROBRAS has no intention of exploring and they will not be reimbursed if they are unsuccessful. Geisel will have to wait until he has improved his political standing with conservative military elements who have long opposed the entrance of foreign oil firms for any purpose, however. [redacted]

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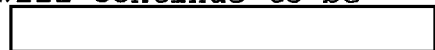
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Uruguay: Showdown Temporarily Averted, Problems Remain

The conflict between civilian and military officials (See Latin American Trends, August 13, 1975) over control of the nation's economic policymaking machinery has been temporarily resolved, but the underlying causes of the difficulties remain.

Minister of Economy and Finance Alejandro Vegh, who resigned when the military attempted to cancel a \$110 million loan he had negotiated with a consortium of foreign banks, withdrew his resignation after President Bordaberry and the military high command agreed to let the loan go through. Vegh, however, failed in his attempt to have General Abdon Raimundez, vice president of the Bank of the Republic and an opponent of his austerity policy, removed from his position.

The dispute and its compromise solution are typical of the difficulties Vegh and other civilians have had with military officers who occupy key posts throughout the bureaucracy. While Vegh may be able to centralize policymaking on economic matters in his office for a while, his moves will be closely scrutinized by the military high command. The conflict between civilian and military officials over who makes economic policy will continue to be the nation's major political irritant.



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El Salvador: Coup Plotting Reported

The bloody confrontation between students and security forces on July 30 has generated coup plotting and further demonstrations, but several of the ingredients necessary for a viable challenge to the Molina government seem to be missing.

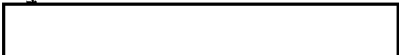
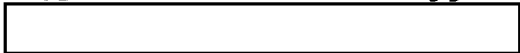


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there has been no indication that key commanders are ready to line up with the plotters. Nor has any strong military figure emerged to exploit concern over Molina's failure so far to generate enough popular support to ensure an honest victory in the legislative elections scheduled for next year.

President Molina, after taking an initial tough public line against the opposition and blaming events on a communist conspiracy, is moving to make the best of a bad situation. He has met with the cabinet and government legislators and the diplomatic corps to explain his position, and the administration plans to take its story directly to the barracks as well. Security forces monitored a massive demonstration on August 14 protesting the earlier bloodshed but did not intervene. Efforts by the major opposition Christian Democratic Party--anathema to the military--to organize a legislative investigation of the clash were beaten back by the government party majority.

As the elections approach, however, Molina's problems are certain to grow, especially if the opposition takes an aggressive line.



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