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INTELLIGENCE MEMORANDUM

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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INTELLIGENCE MEMORANDUM

SUBJECT: Increased instability in Latin America

The increased instability of several of the twenty Latin American governments during the past few months has resulted primarily from economic difficulties, internal political tensions arising from pre-election activities, Argentine proselytizing, and, to a lesser extent, Communism and anti-Americanism.

During the past seven weeks there have been two violent changes of government -- in Bolivia and Cuba -- and the possibilities for other revolutions are increasing, particularly in Chile, Panama, Colombia, Ecuador and Venezuela.

Further violence in Bolivia may result from the struggle for dominance between various factions of the Nationalist Revolutionary Movement. The strongest factions are President Paz Estenssoro's relatively moderate group and the extreme nationalists headed by the Minister of Mines and Petroleum, Juan Lechin, and other important labor leaders. Lechin, who is pro-Argentine, has urged the miners to retain arms, which he would probably not hesitate to use to threaten or displace Paz Estenssoro.

Peru and Chile are alarmed about possible Argentine and Communist involvement in the revolt and current agitation in Bolivia. They fear that any new disorders in Bolivia might eventually spread to their countries.

Signs of instability are also present in Cuba, where Batista is opposed by some embittered army officers, the majority of students, the Communists and others who did not benefit from the coup.

The political situation in Chile is unstable, and the country is experiencing economic and financial difficulties. A presidential election scheduled for September has precipitated increasingly vocal opposition to the weak government, and given rise to anti-US expressions. The most popular presidential candidate today appears to be ex-dictator Ibanez del Campo, who may attempt a coup if he loses.

The Communist Party, outlawed in 1948, is now an active, relatively overt organization with 40,000 to 50,000 members. Penetration of organized labor is significant, and the government is reluctant to crack down. The vote potential of the Communists, who with important Socialist groups are backing a "popular front" candidate, is sought by most parties.

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Management-labor-government relations at the large US-operated copper mines which supply about 55 percent of United States copper imports, are at a low ebb. A strike has been scheduled for 25 April. In view of extreme nationalist pre-election statements, the government's insecure position, and its declared interest in raising the price of copper sold to the United States, it is uncertain in what quantity and at what prices copper will be available to the US during the rest of 1952.

Current instability in Panama centers around the 11 May presidential election. The two chief candidates are former police chief Jose Remon and his cousin Roberto Chiari. Remon's supporters say that he will be Panama's next president, by fraud or force if necessary. Certain supporters of Chiari, however, assert that they will oppose a Remon victory by force. Ex-President Arnulfo Arias, who is aligned with neither side, probably holds the balance of voting strength.

Although Chiari's forces and, to a lesser extent, Remon's have both attacked US policies in the Canal Zone, neither candidate is basically anti-US. Panamanian Communists are more antagonistic to Remon than to Chiari, but have actively campaigned for neither candidate, and in any case control few votes. The Argentine Labor Attache has reportedly campaigned with some success for Remon.

Increased guerrilla activity throughout much of Colombia, along with a sharp division within the controlling Conservative Party, has forced the administration to rely heavily on the army. However, growing army dissatisfaction over the government's inept handling of the guerrilla problem has increased the possibility of a coup and a military dictatorship. The Communists have played little part in the guerrilla disturbances. The government, meanwhile, is trying to reconcile the opposing factions, and possibly may have some success.

In Ecuador, the possibility of coup and counter-coup, always present, has been increasing with the approach of the 1 June presidential election. Earlier prospects for a "relatively normal" election have been upset by the unexpected candidacy of the twice-deposed rightist demagogue Velasco Ibarra and by the withdrawal of the left-wing coalition candidate, Salazar Gomez. The contest is now chaotic enough to encourage a bid for power from either the opportunistic Defense Minister, Diaz Granados, or the neo-fascist Mayor of Guayaquil, Guevara Moreno. Should President Plaza succeed in conducting an election despite these threats, a victory of a right-wing candidate might set the stage for a liberal revolt.

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Prospects for trouble in Venezuela have remained at a fairly high level since the Constituent Assembly election campaign started last summer and it became clear that the governing junta intended to rig the results. The chief threat to stability is the outlawed, leftist Democratic Action Party, whose exiled leaders have been plotting to regain power since they were overthrown in 1948. Capabilities of the Democratic Action have probably been reduced somewhat by the Cuban coup, which has made Havana unavailable as a base of operations, and by the fact that the army is apparently still united behind the junta. Harassing activities and continued plotting, if not an actual revolt, can be expected.

In Argentina, Peron's strict security controls since last September have prevented the organization of a revolutionary movement, but the government is extremely worried about continued plotting, labor unrest, and dissension among labor leaders.

Although Brazil is relatively stable, President Vargas' tenure could be threatened by a continuing division within the armed forces and by an increase in the current dissatisfaction of certain high-ranking army officers with his policies on economics, foreign affairs, and Communism.

In Paraguay, the current situation now appears more favorable to revolutionary attempts than a year ago. Tension can be expected to increase with political machinations in anticipation of the 1953 presidential election. Maladministration, corruption, the high cost of living and food shortages have caused growing discontent, even, reportedly, in the higher army echelons.

Uruguay is faced with serious economic and financial difficulties, and reportedly there is deep dissension in the newly organized government.

Until the 6 July elections in Mexico, domestic political frictions may cause outbreaks of violence. These are not likely to affect the government's stability or United States interests.

Guatemala is at present under a greater degree of Communist influence than any other Latin American country. A small hard core of Communists has exerted influence out of all proportion to its size. Recently, however, there has been a growing anti-Communist movement which now extends to two of the major labor unions. Even if Communist influence should be drastically reduced, it is unlikely that there would be any diminution in the manifestations of nationalism and the campaign of harassment against US companies operating in the country.

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The Caribbean Legion, led by political exiles from various Caribbean countries, is not believed to be actively organized at present. Although it has not acted as a military force since 1949, its rumored existence, as well as meetings of Legion leaders, is a major psychological factor and the Legion remains a potential threat to the peace and stability of the Caribbean area. The Legion's main objective is to eliminate dictatorships.

Argentina's intensified propaganda and labor activities have increased anti-US feeling, developed obstacles to hemisphere unity, and created difficulties among labor in other Latin American countries. The improved proficiency of these activities has resulted in the establishment of a third-position Latin American Committee for Syndical Unity and increased influence among important labor leaders, especially in Chile, Peru, Colombia, Bolivia and Panama. In Panama the Argentine Labor Attache was able to organize a pro-Argentine political group, and in several other countries pro-Argentine cultural societies have been established.

Since most countries in the area have been traditionally suspicious of Argentina's motives, the latter's propaganda technique emphasizes the protection of Latin American interests, such as a just price for raw materials, and capitalizes on nationalism and dissension within various trade unions.

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