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Trip to South America 1959

Aug. 21

Dept. of Political and Security Council Affairs

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DEPARTMENT OF POLITICAL AND
SECURITY COUNCIL AFFAIRS

CONFIDENTIAL

21 August 1959

NOTE ON RECENT DEVELOPMENTS

IN BRAZIL

Copy No. 1

NOTE ON RECENT DEVELOPMENTS IN BRAZIL

1. The Constitution of Brazil, adopted in September 1946, provides for the election of a President and Vice-President for a period of five years, and for a bicameral legislature - the National Congress - composed of a Senate, whose members are elected for eight years, and a Chamber of Deputies, whose members serve a four-year term. The present Chamber of Deputies is the outcome of the elections held on 3 October 1958. At the present time a proposal is being put forward for the establishment of a Council of State with the object of assuring former Presidents a role in State affairs.
2. The Government of President Kubitschek, who was elected on 3 October 1955 and inaugurated on 31 January 1956, rests mainly on the support of the Social Democratic Party - the largest party in the Chamber - and of the Brazilian Labour Party. The Social Democratic Party, which is the party of the President, is in fact conservative and nationalist in its outlook. Vice-President Goulart is the leader of the Brazilian Labour Party, which is largely composed of the followers of the late President Vargas. The principal opposition party is the National Democratic Union, which is basically conservative but less so than the Social Democratic Party. Of other parties represented in Congress, mention may be made of the Republican Party, the Social Progressive Party, under the leadership of Ademar de Barros, a former Presidential candidate, and the Party of Popular Representation of Plinio Salgado, accused of former neo-fascist leanings. The Communist Party, under the leadership of Carlos Prestes, was outlawed in 1947 and has lost popular support, but it is still influential as an electoral ally.

3. Since the President and Vice-President are not eligible for successive terms, political interest in Brazil focuses at the present time on the Presidential elections due in 1960. The Social Democratic Party has already chosen as its Presidential candidate the present Minister of War, Marshal Teixeira Lott. The position with regard to other candidates has not yet been formally settled. A large part of the National Democratic Union favours as candidate Janio Quadros, the former Governor of Sao Paulo State; he may also receive the support of important elements within other parties, including the Brazilian Labour Party. Since some elements in the National Democratic Union are still unsettled in their attitude, some attention is paid to the possibility of a third major candidate which might also draw support from some elements within the Social Democratic Party; the candidacy of Marshal Lott is the result of the influence of the more extreme elements within the Social Democratic Party.

4. None of the three major Brazilian parties controls enough votes to elect its candidate without the alliance of other political forces and, accordingly, the Social Democratic Party is likely again to support a Vice-Presidential candidate from the Brazilian Labour Party. The Vice-Presidential partner for Mr. Quadros is likely to be drawn from the National Democratic Union, since Mr. Quadros himself is still officially a member of the Brazilian Labour Party. The election of Mr. Quadros would bring to an end the "Vargas era" in Brazil.

5. Although the October 1958 Congressional and Governors' elections constituted a victory for moderates as against extremists and political demagogues, nationalism will be one of the dominating notes in the 1960 Presidential election. In fact, in the current Brazilian political scene the only clear-cut ideological issue is between extreme and non-extreme nationalism.

6. A recent reorganization of the Cabinet resulted in the appointment of a new Foreign Minister, Mr. Lafer, who is a member of the Chamber of Deputies, a former Minister of the Treasury and an industrialist and economist. It is unlikely that any basic changes in Brazilian external policy will result in the immediate future, but added emphasis may well be laid on the economic aspects of Brazil's international relations. In a recent statement, Mr. Lafer said that Brazil might be called upon to formulate a new policy on the basis of possible changes in the international outlook. He added that Brazil should strive to expand its markets throughout the world.^{1/} He reaffirmed friendly relations between Brazil and the United States, and expressed satisfaction on the renaissance of Europe.

7. The other Cabinet changes affect the Ministry of the Treasury, the Ministry of Justice and Interior, and the Ministry of Transportation, Communication and Public Works, which is the major source of patronage within the Administration. The effect of these Cabinet changes was to strengthen the position of the Social Democratic Party, but the changes have not been well received by the extreme nationalist elements in Congress. The new Minister of the Treasury reaffirmed the continuity of the financial and economic policies of the Government, and indicated that the balance of payments deficit for the semester would be smaller than the one anticipated and would be covered through adequate measures in the phase of final planning. Recent selective credit policies would be maintained, he said, on the basis of a quantitative control of the over-all volume. Brazil has made some moves toward a free exchange market.

^{1/} There is a group of diplomats, industrialists and political leaders who desire contacts with the USSR and China, and pressure for such contacts, particularly with the USSR, is expected to grow. The USSR is now exchanging some oil for Brazilian products, on an experimental basis.

8. Of the economic problems, the two most pressing are the coffee situation and the question of oil development.

9. Brazilian finances are substantially affected by coffee crop excesses, and reductions in coffee exports and coffee prices have been the greatest contributing factors in deficit against Brazil's balance of payments. Despite world over-production, coffee is and will continue to be, at least for some time, the "bread and butter" of Brazil. But in addition to this price and export problem, the coffee policy of the Government of appropriating part of the foreign exchange proceeds of coffee exports has also caused discontent among coffee-growers, who consider it as a form of confiscation. The Government maintains that revenues from the programme are helping industrialization. Recent developments show that Brazil continues to be greatly interested in the stabilization of coffee markets through an international agreement, rather than resorting to the more risky and politically controversial alternative of dumping the product in the world market.

10. In the prevailing circumstances, particular attention continues to be given to petroleum, for which the demand is constantly growing. The fundamental objective of the Government's policy is that Brazil should be rendered self-sufficient, and despite past substantial use of the limited resources available in searching for oil in the Amazon region, considerable progress has been made in developing production.^{2/} Priority is now being given to areas where exploitable oil has already been found.

^{2/} Petrobras is now producing 75,000 barrels of petroleum a day. The figure will be increased to 100,000 before the end of the year, but imports of oil products are still the greatest factor contributing to payments deficit.

11. A mile of solid rock beneath the surface of potential oil lands has constituted a serious difficulty, to which are added bureaucratic complexities. Since the problem of exploitation of petroleum resources through a state monopoly as against foreign participation is still a very emotional issue, the possibility of a reversal of this "go it alone" policy is small.^{3/} Comments against Petrobras, the state oil monopoly, are still political suicide. The majority of military and political leaders are reluctant to accept any change in oil policy.

12. A plan of economic stabilization designed to halt inflation and stabilize the national currency has had limited success. Brazil had initiated consultations with the International Monetary Fund regarding its financial problems, but discussions were broken by Brazil on the basis that conditions required by the Fund were economically unwarranted and politically unacceptable. In the nationalistic climate prevailing in the country, the action of the Government strengthened its internal position, and it is likely that this was one of the objectives of the suspension of discussions.

13. While negotiations are now being carried out with the United States regarding economic and financial assistance, it is uncertain what arrangements might be made to relieve the pressure. It is expected that Brazil at least will be able to arrange for a postponement of payment of amortization and interest on past loans, but the situation is not desperate. Some relief could also come from credit arrangements with oil suppliers.

^{3/} It is questionable, however, whether international oil companies would be interested in an arrangement similar to the one made with Argentina, except in areas of known resources. Years of negotiations between Brazil and Bolivia on the implementation of a 1938 pact granting Brazilian companies the right to develop Bolivian oil in certain areas, in payment for a railroad, led to a controversial agreement, attacked by Brazilian nationalists and Petrobras, and whose implementation is still uncertain.

14. Economic and financial difficulties have not affected the planning of programmes of development, and during the current year particular attention is being given to the North-Eastern region of Brazil,^{4/} both for economic and for political reasons, but undoubtedly there is a great national interest in the fate of the North-East.

15. Another important project in the political and economic scene is the Government's continued efforts to speed the development of the hinterland by moving the national capital to the new city of Brasilia, planned to take place in April 1960. The transfer has become a controversial issue, and the plan is perhaps not being carried out with sufficient economic realism, but it could become in the long run a decisive factor in the future of the country and a symbol of its drive and dynamism. Due to financial difficulties, construction of Brasilia has been restricted to a level strictly necessary for the Government's transfer there. The transfer of the administrative organs will be carried out gradually.

16. Despite the economic problems confronting Brazil, the Economic Survey of Latin America for 1958 commented that "Brazil's economic situation was far from being wholly unfavourable. Most of the difficulties mentioned are not the outcome of a stagnant economy with great, and at times growing, structural weaknesses. To a certain extent, the inflation and balance-of-payments deficit are inherent in a development process that is relatively vigorous, and are accompanied by dynamic changes which should gradually lead to a more balanced economic structure and greater national integration."

^{4/} The expression "North-Eastern region" refers to an undeveloped area of 950,000 sq. km. covering areas of nine States from the third to the seventeenth parallels. It is a dry, tropical area marked by little thermic differences and with irregular rains. The causes of its dryness are to be found more in its geological structure than in its climatic conditions. A proposed survey of a section of the area is now being considered by the Special Fund.

17. There is good reason to hold that, for its progress, Brazil needs a greater force of skilled labour and a sounder agricultural basis. This explains the emphasis of President Kubitschek in his March Annual Message to Congress, in which he urged it to give attention to agrarian and educational reforms. There is some danger, however, that a demagogic land reform might further aggravate problems of agricultural production.

ANNEX

BRAZIL (Capital: Rio de Janeiro)

President Juscelino Kubitschek
Predecessor: Nereu Ramos

Vice President Joao B. M. Goulart

Assumed offices January 31, 1956

Terms end January 31, 1961

Regular Presidential terms Five years

Next Presidential election October 1960

Minister of Foreign Affairs Horacio Lafer

Minister of the Air Force Maj. Gen. Francisco Corrêa de Mello

Minister of Agriculture Mario Meneghetti

Minister of Education Clóvis Salgado

Minister of Health Mario Pinotti

Minister of the Treasury Sebastiao Paes de Almeida

Minister of War Gen. Henrique Batista Duffles
Teixeira Lott

Minister of Justice and the Interior Armando Falcao

Minister of the Navy Admiral Jorge do Paco Mattoso Maia

Minister of Labor, Industry and Commerce. Fernando Nóbrega

Minister of Transportation, Communications
and Public Works Rear Admiral Ernani do Amaral Peixoto

NOTE ON THE SANTIAGO MEETING OF
CONSULTATION OF FOREIGN MINISTERS

1. The Fifth Meeting of Consultation of Foreign Ministers of the American States, held in Santiago, Chile, from 12 to 18 August 1959, concluded its sessions with the signing of a "Declaration of Santiago" and the adoption of several resolutions. The main accomplishment of the meeting was to confer upon the existing Inter-American Peace Committee special temporary powers to study the causes of international tensions in the Western Hemisphere, and to conduct investigations and exercise functions of conciliation upon the request of Governments, or, under certain conditions, on its own initiative. The idea of establishing special machinery favoured by the United States was therefore discarded. As an indication of the compromise which emerged from the debates, the conference, on the one hand, reiterated the principle of non-intervention, and, on the other hand, censured dictatorships and endorsed respect for human rights. One of the resolutions recommended the drafting of an inter-American convention on human rights and the creation of a commission to ensure their observance.

2. The meeting had been called largely on the suggestion of the United States, after the Dominican Republic had withdrawn its charges before the OAS against Cuba and Venezuela. The latter countries had originally opposed the calling of the meeting, but subsequently agreed to it, putting forward suggestions to the effect that, together with the political tensions in the Caribbean, the general problems of representative democracy and human rights should be considered. Cuba had also proposed consideration of the relationship between economic under-development and political instability; but this latter point was not formally included in the agenda. A compromise before the conference met recognized that economic matters were implicitly included as a subject for discussion.

3. As the Foreign Ministers gathered in Santiago and the conference opened with a speech of President Alessandri of Chile, two main tendencies among the participants were observed. On the one hand, several States placed emphasis on a re-statement of the principle of non-intervention; on the other hand, a smaller group favoured a revision of the principle in terms of requirements of fundamental human rights and representative democracy. While emphasis on non-intervention would redound to the benefit of controversial regimes in the Hemisphere, the majority was not prepared to incur the dangers involved in the projected dual limitation on the strict principle of non-intervention.
4. The majority also concluded that there was no need for more than a re-affirmation of the relationship between economic and political conditions. A group of moderates tried throughout the conference to find formulae which would reconcile these tendencies.
5. Unprecedented was the fact that during the debates mutual accusations and recriminations between the Foreign Ministers of Cuba and Venezuela, on one side, and the Dominican Republic on the other, resulted for the first time in violent and heated verbal exchanges in the sixty-year history of inter-American conferences. Likewise, while the Foreign Ministers were meeting in Chile, there was a tense political atmosphere resulting from charges by the Cuban Government that the regime of the Dominican Republic had been involved in a counter-revolutionary plot uncovered by Premier Castro himself. Shortly before the adjournment of the conference, the Cuban Government was also accused by Haiti of sponsoring an invasion of her territory. The Inter-American Peace Committee, which includes the United States, Mexico, Uruguay, Venezuela, and El Salvador, already met in Santiago under the chairmanship of the United States.
6. Another characteristic feature of the Santiago meeting was that, as against the other four Meetings of Consultation of American Foreign Ministers

previously held at Panama (1939), Havana (1940), Rio de Janeiro (1942) and Washington (1951), this conference was convoked to deal with problems which originated in the relationships between the American States and not, as before, with dangers to peace, security and territorial integrity caused by factors outside the Western Hemisphere. The review of the current situation at the public plenary sessions, at the working committees, and in private conversations between the Foreign Ministers proved that the problems are not susceptible of easy and rapid settlement. The formulation of concrete proposals for preventing armed invasions without appearing to shield controversial regimes was the main aim which seems to have been achieved with the proclamation of the Santiago Declaration and the adoption of other relevant resolutions. The operation of the inter-American peace organs and the study of representative democracy and human rights will be reviewed at the Eleventh Inter-American Conference of Quito, due to convene on 1 February 1960. However, the pressing realities of the bitter struggles between existing forms of government, as well as nationalistic strides for rapid economic development, are likely to maintain most of the Latin American countries in a state of tension during the foreseeable future.

NOTE ON THE SITUATION IN PARAGUAY

1. Paraguay is under a constitution which was submitted to a plebiscite in 1940. It is a controversial document, designed to adapt past and contemporary constitutional theories and practices of government to the peculiar circumstances of Paraguay. It provides for an authoritarian method of government, with emphasis on the powers of the Executive, which, inter alia, may dissolve the Legislature (Chamber of Representatives), on condition that elections be held within two months of the dissolution.
2. The country has a long history of internal dissension, punctuated by serious disputes with foreign States. Since 1948 Paraguay has been under the rule of a single party, the Colorado Party, which is markedly conservative in tendency and closely aligned with some military elements in Paraguay. The present President of Paraguay, General Alfredo Stroessner, owed his election to the Presidency in August 1954 to his successful intervention between rival factions within the Colorado Party. He was re-elected President in February 1958 for a term of five years.
3. The existing Paraguayan Government faces serious opposition within the Colorado Party itself and on the part of some army leaders. This opposition took first the form of an abortive insurrection in December 1955, organized by the anti-Stroessner faction of the Colorado Party under the leadership of Mendes-Fleitas. The Government also faces the opposition of the Liberal Party, which, with the support of Army elements, dominated the country in the years preceding 1936, and of the so-called Febrerista group, originally made up of dissatisfied military officers, unsuccessful anti-Liberals and persons with some ideological principles, which owes its name to the successful coup d'état

in February 1936, whereby it overthrew the preceding Liberal regime. Opposition to the Stroessner regime has substantially increased both inside and outside Paraguay, but the opposition suffers from serious disunity on problems such as the wisdom of recourse to violence and of cooperation with communist elements. More recently, however, the extent of opposition has increased by reason of rivalry between the Colorados and the army, and dissatisfaction on economic grounds, reinforced by objections from the lower Catholic clergy against extreme methods allegedly used by the Government in the suppression of the opposition. The growing discontent has to be viewed within the context of the widening trend against the continued existence of dictatorial regimes in Latin America.

4. In order to meet this growing pressure, which has been expressed in a resolution of the Executive Committee of the Colorado Party demanding reforms, President Stroessner promised in his last State-of-the-Nation message to end the state of siege, which has been in effect since 1947, to grant a political amnesty, to lift restrictions on freedom of expression, and to call a constitutional assembly to work out a new constitution. Apparently, the Paraguayan High Hierarchy of the Catholic Church has also played a role in moves to convince President Stroessner of the need to liberalize his regime.

5. The state of siege was in fact lifted at the end of April, but, after a brief period during which opposition groups tended to become active, it was reimposed for 60 days by a decree of 29 May 1959, on the pretext of the need to preserve public order endangered by student demonstrations and strikes. This renewed repressive policy was illustrated by another decree, which dissolved the Chamber of Representatives after it had requested prosecution of the Chief of Police. The crisis provoked the resignation of the Minister of Justice, César Garay, who was replaced by Juan Ramón Chaves. General Stroessner subsequently promised

new elections within 60 days and a new electoral law; but it is at best uncertain whether he will be able to revert, in the immediate future, to his promised liberalization programme.

6. The immediate occasion of recent agitation was the increase in transportation fares; but the agitation, precipitated by student leaders, has degenerated into a series of riots. Student leaders have demanded a lifting of the state of siege, a general amnesty, and the calling of a constituent assembly. The Government maintains that current student agitation is of communist inspiration.

7. José Zacarías Arce, together with Oswaldo Chaves, have been named as the principal leaders of the Government opposition within the Colorado Party, which is still under the leadership of Tomás Romero Pereira, former President of the Republic. Some leaders of both the Colorado and the Liberal Party have been recently arrested on allegations of a plot against the regime; but although the President seems to have quelled at least for the time being the discontent of some leaders, he now relies almost completely on the support of elements of the armed forces.

8. Paraguayans are reputed to be uncompromising in politics, and therefore the political situation might well deteriorate further. The main pressure on the political level is for the adoption of a new constitution. Both the Liberal Party, under the leadership of Alejandro Arce, and the Febrerista group, under the leadership of Colonel Rafael Franco, favour such a move; and in the view of the two parties, the main political problem is constitutional reform.

9. The success of the Cuban revolution has undoubtedly given encouragement to some Paraguayan exiles who have been active in Argentina, Venezuela and Cuba, in planning the overthrow of President Stroessner. But, though manoeuvres will

probably continue to promote a national liberation front to overthrow the Government by violence, the key to the situation is held by Army leaders with sufficient prestige to organize and carry out a coup d'état. Current popular discontent could facilitate such an objective, especially since dissension already exists among the armed forces themselves. Since, however, police repression, including - it is alleged - the use of torture, has intensified popular hostility against the Government, spasmodic popular outbreaks of a violent character may well occur.

21 August 1959

ANNEXED NOTE ON FURTHER DEVELOPMENTS

1. The most important recent developments affecting the situation in Paraguay indicate that the extreme wing of the Colorado Party remains in control under the influence of the Interior Minister, Edgar L. Insfran. Units of the extremist-minded cavalry continue to be President Stroessner's strongest supporters among the military forces. The state of siege was extended on 29 July for another sixty days on the basis that the situation which had prompted the previous measure still existed.
2. President Stroessner has called elections for February 1960 to elect a new Chamber of Representatives, and has enacted a new election law which establishes elections by tickets. This allots to the majority party two-thirds of the posts in the Chamber of Representatives and the remaining one-third to the minorities in proportion to the number of votes received. The law also provides that new parties must have a minimum of 10,000 members to participate in the elections. The law excludes the communists from participating in the elections.
3. The decisions of the Santiago Conference may give the Government of Paraguay a new breathing spell, through the Conference's emphasis on non-intervention. But the key to the situation is still held by Army leaders with sufficient prestige to organize and carry out a coup d'état. At this stage, there is no way of evaluating the immediate possibility of such a development.

ANNEX

PARAGUAY (Capital: Asunción)

President Gen. Alfredo Stroessner
Predecessor: Arq. Tomás Romero Pereira

Re-elected February 9, 1958

Term ends 1963

Regular Presidential term Five years

Next Presidential election 1963

Minister of the Interior Dr. Edgard L. Ynsfrán
(Ministro del Interior)

Minister of Foreign Affairs Dr. Raúl Sapena Pastor
(Ministro de Relaciones Exteriores)

Minister of Public Works and Communications .. Gen. Mario Coscia T.
(Ministro de Obras Públicas y Comunicaciones)

Minister of Justice and Labor Juan Ramon Chaves
(Ministro de Justicia y Trabajo)

Minister of the Treasury Gen. César Barrientos
(Ministro de Hacienda)

Minister of National Defense Gen. Marcial Samaniego
(Ministro de Defensa Nacional)

Minister of Industry and Commerce Dr. Fabio da Silva
(Ministro de Industria y Comercio)

Minister of Agriculture and Husbandry Dr. Ezequiel Gonzalez Alsina
(Ministro de Agricultura y Ganadería)

Minister of Public Health and Social Welfare . Dr. Raúl Peña
(Ministro de Salud Pública y Bienestar Social)

Minister of Education and Worship Dr. J. Bernardino Gorostiaga
(Ministro de Educación y Culto)

Minister without Portfolio Arq. Tomás Romero-Pereira
(Ministro sin Cartera)

DEPARTMENT OF POLITICAL AND
SECURITY COUNCIL AFFAIRS

CONFIDENTIAL

21 August 1959

NOTE ON
RECENT DEVELOPMENTS IN ARGENTINA

MADE IN NORWAY
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Copy No. 1

NOTE ON RECENT DEVELOPMENTS IN ARGENTINA

1. Modern Argentina is the product of the late nineteenth century, when the political life of the country began to be influenced by the ideologies of its conservative and radical (liberal) elements. In 1930, under the influence of the depression, the Radicals were overthrown by the Conservatives and leaders of other opposition parties, and support of the army, and the nation entered a transition period during which it finally fell under army control and the increasing influence of syndicalist ideology, as developed by the Peron regime. It was during this regime that trade union organization was transformed into a political force. The overthrow, but not liquidation, of the Peron regime in 1955 opened a new phase in Argentine political life, and therefore, the course of recent developments has to be understood in the context of the economic and political situation which is to a great extent the outcome of the movement of reform sponsored by General Peron and his wife, with its emphasis on social welfare and a directed economy.

2. The overthrow of the Peron regime gave the Radicals a chance of reorganizing their forces, and the aftermath of Peron's fall has seen a partial revival of Radicalist ideology and of its basically liberal aspirations, but as the Radicals split into two major groups, the U.C.R.I. (Union Civica Radical Intransigente) and the U.C.R.P. (Union Civica Radical del Pueblo), the election of the incumbent Radical President (Arturo Frondizi) was only made possible with Peronista and Communist support.

3. The Government has moved from crisis to crisis^{1/}, and strikes and inflation continue to plague Argentina. Elected as a leftist, Mr. Frondizi has reversed

^{1/} One of these crises - a coup attempt from within the administration - allegedly led by Vice-President Alejandro Gomez, forced his resignation.

its economic position and broken with Peronistas and Communists. A great deal of controversy has developed regarding commitments by Mr. Frondizi to Peron's followers, and together with the economic austerity programme recommended by the International Monetary Fund and the influence of the armed forces, this controversy was responsible for a recent political crisis which almost led to the overthrow of the regime and forced a reorganization of the Government. The key change in the reorganization was the appointment of the Economy Minister, Alvaro Alzogaray, who is an avowed adept of free enterprise. The net result of the crisis was an increase in the political influence of the armed forces, although they are divided, and a limited slow-down of the austerity programme.

4. The most decisive element in the situation is the attitude of military leaders who in their majority seem to be inclined to maintain the constitutional regime but who are bent on reducing Peronista and labour influence. It was pressure from the military that brought about the resignation of Rogelio Frigerio, Frondizi's Economic and Social Affairs Secretary and close adviser, who is accused of being connected with Peronista groups.

5. Extreme nationalists have protested that Argentina is being sold to foreign interests. Labour continues to protest the rising cost of living and is against the Fund's programme^{2/}, but the Government is trying to carry on its plans of industrial and agricultural development. There have recently been several work stoppages and strikes and considerable social agitation, which are interpreted as forerunners of a test of strength between the Economy Minister (Mr. Alzogaray) and the labour unions, particularly the unions under Peronista influence. Peronista influence still remains, but it has decreased.

^{2/} Under the auspices of the Fund, wage increases and credit expansion were limited and a foreign exchange reform was carried out.

6. A major issue is the attitude of President Frondizi, apparently with the acquiescence of the armed forces, toward foreign investment in Argentine oil. An international group of companies composed of United States, British, French, and other interests is now working for the Argentine oil monopoly under contracts of services. This was a reversal of traditional nationalistic policy and will eventually permit a re-allocation of the \$350 million dollars normally spent on oil imports to the purchase of capital goods. But the question is whether public opinion will overcome antipathy to foreign development of oil and will accept the fait accompli in this matter. Argentina is expected to attain self-sufficiency in oil by 1961.

7. Despite the economic picture, investment opportunities continue to attract large concerns. Substantial credits have also been granted to Argentina. The political future of the Government is therefore closely connected with the success of current policies, particularly of an economic character, which are aimed at stabilizing as far as possible the Argentine situation.

8. Argentina's traditional position in international affairs has been marked by leadership ambitions vis-à-vis Spanish America and some rivalry with the United States and Brazil. Following, however, the failure of Peron's policies, the country has tended to adjust itself to a pattern of closer international cooperation within the Western Hemisphere, and under its present regime is carrying out a policy of rapprochement with the United States. The initiative of the United States in this direction, which is also probably based on balance of power considerations, has facilitated the new effort, but results are still uncertain. The basis of the new relationship is the petroleum deal and the programme of foreign investment, and there is no doubt that current economic-political relations with the United States, if not upset by Argentine nationalism,

could eventually make an important contribution in the direction of economic development.

9. President Frondizi has given full support to Operation Pan-American and, in a letter of June 1958 to President Eisenhower, suggested broadened inter-American cooperation. In the past, inter-American policy was usually dominated by political rather than economic considerations, particularly as regards dealings with Spanish America.^{3/}

10. Argentina is still conscious of its remoteness from the present-day centres of power and has generally been reluctant to involve itself in Northern Hemisphere international movements. In addition to the success or failure of current policies, a great deal will also depend on the future of its economic relations with its South American neighbours, particularly Brazil and Chile, and eventually on the future of the Latin-American common market. Relations with Brazil and Chile are now amicable.

^{3/} The economies of Brazil and Argentina are, to a considerable degree, complementary, and this factor gives initial substance to current plans for a free market in South America.

ANNEX

ARGENTINA (Capital: Buenos Aires)

President Dr. Arturo Frondizi
Predecessor: Gen. Pedro E. Aramburu

Assumed office May 1, 1958

Term ends May 1, 1964

Provisional Vice President Dr. José María Guido

Regular Presidential term Six years

Minister of Foreign Affairs and Worship Dr. Diogenes Taboada

Minister of Interior Dr. Alfredo Vitolo

Minister of Education and Justice Dr. Luis Mackay

Minister of Economy Ing. Alvaro Alzogaray

Minister of National Defense Dr. Justo P. Villar

Minister of Public Works and Services Ing. Alberto R. Costantini

Minister of Labor and Social Security Ing. Alvaro C. Alzogaray

Minister of Social Welfare and Public Health Dr. Héctor V. Noblia

DEPARTMENT OF POLITICAL AND
SECURITY COUNCIL AFFAIRS

CONFIDENTIAL

21 August 1959

NOTE ON RECENT DEVELOPMENTS

IN URUGUAY

Copy No. /

NOTE ON RECENT DEVELOPMENTS IN URUGUAY

1. Uruguay is the smallest of the South American Republics, and its inhabitants are almost wholly of European descent. One third or more of the population is concentrated in the south-eastern corner of the Republic in and around Montevideo. There are no large urban communities in Uruguay except in Montevideo.
2. During the beginning of the nineteenth century, Uruguayans developed, in the midst of a succession of invasions and civil wars, a distinctive national character, and this was in part an answer to the need, recognized at the time, for a buffer State between Brazil and Argentina.
3. From the origins of the Republic the political life of Uruguay has been under the leadership of two major rival groups which wore distinguishing colours (red or white); the present-day political groups - Blancos and Colorados - are the heirs of these original groups. Traditionally the Blancos - the National Party - are supposed to have the approval of the conservative and rural classes and of the clergy, while the Colorados represent a liberal and progressive line.^{1/}
4. At the beginning of the twentieth century the Colorado Party under the leadership of José Batlle y Ordóñez transformed Uruguay into a progressive democracy and South America's first Welfare State.
5. One of the main features of "Colorado" ideology is that the State should operate a large number of public corporations (entes autonomos); in the course of time the Uruguayan State has assumed control of electrical power, telephones,

^{1/} Minor parties now represented in the Senate or Chamber of Deputies are the Socialists, Christian Democrats, Communists and Reformist Democratic Union.

petroleum refining, the manufacture of alcohol and cement, railways, and principal banking institutions and insurance. Such monopolies have been employed to procure social and economic benefits and to limit the control of foreign capital over the industrial life of the nation, but they have been relatively free from political interference. Under the influence of the Batllista group, the Colorado Party has sponsored advanced labour laws, old age and unemployment pensions, continued separation of Church and State, and close co-operation in inter-American affairs.

6. Under the Constitution, which was submitted to a plebiscite in December 1951, the executive in Uruguay consists of a National Council of Government of nine members, commonly known as the Colegiado; six members are drawn from the political group which receives the greatest number of votes, and the other three from the second largest party.^{2/} The Presidency of the Council is held in rotation on a yearly basis by the first four members of the majority party on the ballot. This form of government is the outcome of agreement reached in 1951 between the Batllistas (the principal Colorado faction) and the Herreristas (the principal Blanco faction under the leadership of Luis Alberto de Herrera) to recommend the establishment of a plural executive of this character. Such a collegiate Government offered the Blancos the best chance of participating in the Government.

7. The last election to the Council for a four-year period was held in November 1958, and the new Council took over on 1 March 1959. The inauguration of the new Council marked the first time in ninety-three years that the National (Blanco) Party had assumed control of the Government. The Blancos

^{2/} A complicated election system recognizes a large number of factions, each of which is known by a number. Factions are permitted to pool their votes under major designations.

had been too divided in the past to vote for a single designation (lema); but the election was interpreted mainly as a reaction against the economic policies of the Colorado Party. The results were that the Blanco Party carried the election by some 90,000 votes. A significant development in the elections was the rise to power of the rural wing of the party, under the leadership of Benito Nardone. An ex-stevedore, ex-union organizer and former Colorado Party supporter, Nardone has a great following in rural areas.

8. The new Government promised austerity, a policy of economic recovery based on sound money, the gradual simplification of multiple exchange rates, the stimulation of agriculture and industrial production, and a realistic approach to the problems of social legislation. But even before inauguration there had been friction among the Blanco majority, and subsequently this majority split into two rival groups - the Herrerista faction, which included Echegoyen, Haedo and Alonso, and the Ruralista faction, including Harrison and Zabalza, with Nardone as leader of the group.

9. An agreement between Herreristas and Ruralistas, arranged by Pedro P. Berro, now Minister of the Interior, brought about a working majority which approved the distribution of cabinet posts. However, Herrera subsequently came out against the agreement, and a special convention of the Blanco Party repudiated it. The legality of the convention was questioned, and, with the subsequent death of Herrera, the rising popularity of Nardone and the bickering of Herreristas over party politics, together with a national emergency caused by the worst floods in Uruguay's history, the agreement remained in operation. The factional split has nevertheless affected progress towards the solution of Uruguay's most pressing problems. On the other hand, the national emergency has forced the rival groups to reach compromises on some minor issues.

10. The question of national leadership of the National (Blanco) Party is still unresolved, and the party has now three major factions - Herreristas, Ruralistas and the Union Blanca Democratica (the urban wing of Blancos). Of possible successors, the current President of the National Council, Martin Echegoyen, Victor Haedo, member of the Council accused of past Fascist sympathies, and Payssé Reyes, member of the Chamber of Deputies, have been most frequently mentioned. But it is questionable, owing to clashes of personalities and differences separating the Blanco groups, whether reconciliation will be readily achieved. Greater co-operation between the Herrerista and the Union Blanca factions would be needed if the National Party is to make a contribution. Constitutional revision is likely to become an issue once more.

11. Before the floods the economic condition of Uruguay was already difficult, but the situation has been greatly aggravated by the losses suffered. The country is in critical need of additional revenue, and faces a serious task of reconstruction. Economic policy is being the subject of serious reconsideration, particularly with respect to exchange controls and limitation on imports. The Government has taken strong measures to control speculation, but disagreements have arisen among Blanco factions with regard to basic economic issues.

12. Although the tourist trade has been a source of foreign exchange, Uruguay still depends almost entirely on its pastoral and agricultural exports for foreign currency, and has therefore a very vulnerable economy, since demand and prices for its products are subject to sudden fluctuations. Past Governments have encouraged the development of domestic industry to reduce the nation's dependence on external trade, but as there are no local sources of petroleum, coal or iron, the country is obliged to import essential supplies, such as fuel, raw materials and machinery, which have to be paid for with meat, wool

and grain. Some industrialization has been carried out in the fields of food-processing, wool-combing and consumer goods, but some of the new industries remain dependent on imported raw materials. It is not surprising, therefore, that economic issues such as the rising cost of living, unemployment, the drop in the value of the peso, the reduction of industrial activity, and the state of the wool market still continue to affect Uruguay.

13. One of the major problems of Uruguay is to live within its means, but the question is whether the Government, without losing its popularity, could take adequate measures to face the situation.

14. Some Uruguayans believe that bureaucracy and over-nationalization and subsidies have cramped initiative and that the Welfare State legislation, which is such a feature of Uruguay's political structure, has been pushed ahead too fast and too far. In fact, there is still a great disparity between the interior of the country and the urban areas, particularly Montevideo. But in addition to such internal problems, the difficulties in maintaining its trade on a favourable basis are not expected to find an easy solution. Uruguayans were gratified when the United States finally killed the special tariffs on Uruguayan wool, but, in fact, the Soviet Union has become the best market for Uruguayan wool. There is therefore a limit to what the Government can do without outside assistance, and some authorities believe that the country will need the help of a major loan in the immediate future.

15. The change in administration has not affected Uruguay's alignment with the West, and despite close trade relations with the Soviet Union which are expected to continue, the political attitude of Uruguay towards communism has remained unchanged. There is a small Communist Party in Uruguay which received

in the November elections 24,000 of the 950,000 votes. Uruguay is expected to continue to take an active part in the United Nations and to give its continued support to the Inter-American System, despite the more conservative character of the present Government and a more cautious attitude towards international issues.

16. Within the South American area, relations with both Brazil and Argentina are at present particularly amicable.

ANNEX

URUGUAY (Capital: Montevideo)

Executive Branch.....National Council of Government

Members: Dr. Martín R. Echegoyen, President of the Council
Benito Nardone, Eduardo Victor Haedo, Escribano Faustino
Harrison; Dr. Justo M. Alonso, Dr. Pedro Zabalza, Ing. Manuel
Rodríguez Correa, Escribano Ledo Arroyo Torres, Cesar Batlle
Pacheco;
Secretary of the Council: Manuel Sánchez Morales

Predecessors: Carlos L. Fischer, Luis Batlle Berres, Dr. Alberto Zubiría,
Arturo Lezama; Justino Zavala Muniz, Dr. Zoilo Chelle, Dr. Luis
Alberto de Herrera, Ramón Viña, Daniel Fernandez Crespo;
Secretary of the Council: Dr. Justo J. Orozco.

Last election November 29, 1958
Council Took Office March 1, 1959
Council Term Ends March 1, 1963
Regular Term of Council Four years
Minister of the Interior Dr. Pedro P. Berro
(Ministro del Interior)
Minister of Foreign Affairs Capt. (Ret.) Homero Martínez Montero
(Ministro de Relaciones Exteriores)
Minister of Finance Juan E. Azzini
(Ministro de Hacienda)
Minister of Defense Gen. (Ret.) Cipriano Olivera
(Ministro de Defensa Nacional)
Minister of Public Works Ing. Luis Giannastasio
(Ministro de Obras Públicas)
Minister of Public Health Dr. Carlos Stajano
(Ministro de Salud Pública)
Minister of Agriculture Carlos V. Puig
(Ministro de Ganadería y Agricultura)
Minister of Industry and Labor Enrique R. Erro
(Ministro de Industrias y Trabajo)
Minister of Education and Social Welfare . Dr. Eduardo Pons Etcheverry
(Ministro de Instrucción Pública y Previsión Social)

Ambassador Extraordinary and Plenipotentiary
to the United States and Representative
to the Organization of American StatesJulio A. Lacarte

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