

THE WHITE HOUSE

WASHINGTON

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September 15, 1965

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Developments in Latin America

This is the third of a series of reports on developments in different areas of the world which you asked that I submit to you on a weekly basis. It covers Latin America. Bracketted portions are those too sensitive for even background use.

On the whole, things are going well for us in Latin America. Your August 17 speech on the Alliance for Progress has focused new attention on the Alliance. We are continuing to take advantage of this. The situation in the Dominican Republic is still touch-and-go but Garcia Godoy is slowly gaining ground in establishing his authority.

Dominican Republic: On the international front the Provisional Government is doing quite well. All the OAS Governments have recognized, except Guatemala which is expected to do so very shortly. Most of the NATO countries have recognized, including France, U.K., Italy, and West Germany. So have Spain, Japan and the Vatican, as well as several other countries.

On the domestic front, Garcia Godoy has weathered two crises: the silencing of radio stations which were warring with each other and the removal of Wessin. Having reached a shaky understanding with the right (involving ouster of Wessin and confirmation of the other military chiefs in their positions), Garcia Godoy must now confront the extreme left. He obtained cancellation of the mass rally they planned to hold September 12. About 30% of the rebel defenses have been removed in the rebel area. Some 1500 men of the rebel forces have returned to their homes. Garcia Godoy is optimistic about disarming the rebels but so far we see very little hard evidence that arms collection has taken place. He is making a start at getting the country back on its feet economically, but normalization of economic activity will not come until the rebel zone disappears.

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By g/kp NARA, Date 7-9-91

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[ Some of Garcia Godoy's appointments -- particularly in the judicial branch -- cause us concern and we have so informed him. ]

Chile. President Frei scored a major victory on September 9 when the Chilean Senate by a vote of 26-14 expressed its willingness to consider the copper bill which would ratify agreements reached between the Frei administration and three major U.S. copper companies: Anaconda, Kennecott and Cerro Corporation. The lower chamber approved the bill earlier. The bill goes back to both chambers for detailed study. Another close vote in the Senate is expected when it comes back for final debate.

These agreements would give the Chilean Government equity participation in expanded operations of these companies and would entail investments upwards of \$400 million by 1970 which would increase copper production from 600,000 to 1 million metric tons in five years, thus greatly increasing Chilean foreign exchange earnings. The investments and increased earnings would contribute greatly to Chile's economic development.

Peru. President Belaunde has just weathered a Cabinet crisis. The ostensible cause for the Cabinet's fall was the President's unwillingness to allow his Cabinet to be questioned by the opposition-controlled Congress on the Government's handling of the guerrilla situation, as well as other major problems. Belaunde did not want to play into the hands of the opposition on the guerrilla issue. He is pushing a counter-guerrilla campaign vigorously. The resignation of the entire Cabinet also provided an easy way to get rid of a couple of members who were causing him difficulties. The change in Cabinet does not appear significantly to affect U.S. - Peruvian relations.

Colombia. After a year of procrastination on measures to correct its deteriorating economic position, the Valencia administration in recent weeks began to take self-help measures to eliminate a budgetary deficit and to price imports at a more realistic exchange level. These measures will enable the U.S. and the international financial agencies to come to its assistance. The IBRD and we will begin confidential negotiations with the Colombians in Bogota this week. [ Our contribution will probably run around 100 million in loans and PL-480 assistance. ]

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Uruguay. It too has been on the brink of an economic crisis due to stagnated production, rapid inflation and chronic loss of reserves, and has been forced to act. A high level Uruguayan refinancing mission has just completed visits to the U.S. and Europe where it had a large measure of success in rescheduling its debts with private banks. With this breathing spell, the government is now faced with the task of taking short term and long term measures to remove the basic causes of its economic difficulties.

The U.S. Government role to date has been limited to offering to consider sound projects for U.S. financing. In response to requests for cash now, we have indicated that we would consider such requests if Uruguay first negotiates a standby agreement with the IMF, with all the corrective self-help measures that this implies. [ At the root of Uruguay's problem is its collegiate executive. It remains to be seen whether they will face up to the necessity for constitutional reforms. There is some movement in this direction. ]

Panama. [ Pressure from the opposition Panamenista Party and from ultranationalist and Castro/Communist elements on the Panamanian Government to produce a public statement of progress in the Canal treaty negotiations with the United States has been increasing over the last two months. The Panamanian National Assembly will convene on October 1 and unless the Robles Administration is able to point to specific evidence of progress, this forum will be utilized by these groups to attack it. The Panama Government would then be placed under severe pressure in its own self-defense to take a more extreme position in regard to the negotiations. This in turn would decrease the possibility of the United States and Panama reaching a mutually acceptable arrangement in the Canal negotiations. I have sent to you a draft of a statement of progress which, if you approve, will serve as the basis for discussions with the Panamanians. ]

Date for the Rio Conference. The Preparatory Committee for the twice-postponed Rio Conference is required to meet by September 20 to set a new date for the meeting. We expect that the Committee will recommend that the Conference begin November 17, 1965. This date is agreeable to the United States, and informal expressions of approval have been forthcoming from several other delegations. We believe that the date is acceptable to the Brazilians.



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Visit of Italian President. President Saragat and Foreign Minister Fanfani have completed the Brazilian and Uruguayan legs of their Latin American tour. They have Argentina, Chile, Peru and Venezuela to go. So far the trip has been a big public success. We do not know yet what the official reaction has been.

*m.f.B.*

McGeorge Bundy

cc: Bill Moyers

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