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By ics NARA, Date 6-18-01

Latin American

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July 30, 1964

MEMORANDUM FOR MR. BUNDY

Notes on ARA Staff Meeting:

1. Cuba. Editorial comment in U. S. papers on OAS action on Cuba has been overwhelming laudatory of action taken and of U. S. Delegation. American Legion has sent Rusk message of congratulations. Reaction in Latin American press generally supports positions taken by delegations in Washington. Uruguayan Foreign Minister is taking position that appeal must be taken to superior body -- United Nations Security Council -- under Article 53 of UN Charter before OAS action binding. Since SC merely noted without action sanctions applied previously against Dominican Republic and Cuba, this appears to be a blind alley.

2. Brazil. American and Foreign Power is about to conclude an agreement with Brazilians under which Brazil will purchase all of the companies assets. The agreement is potentially very explosive because the general public in Brazil wants the assets, but believes it should get them free on the theory that the company has already earned enough profits to pay for them several times over. Brazil will try to sell the agreement on the basis that the payments will be reinvested in Brazil. Opposition to an agreement with American and Foreign Power is the only issue on which Lacerda and Brazola agreed.

Mann is concerned about criticism that little effort is being made to strengthen the non-communist labor organization in Brazil. The AFL-CIO is very active in Brazil now, and the feeling in State is that about as much has been done in three months as could reasonably be expected. There is apparently an underlying disagreement between State/AID and the AFL-CIO on the approach to the problem, however. State/AID insists that it does not take a lot of money, but effective leadership and training. AFL-CIO is emphasizing an expanded housing guarantee program and other major projects as a key to winning labor support. AFL-CIO has \$1.5 billion in pension funds to invest, and wants to put this in 100% AID guaranteed housing programs at interest rates of 8% or more.

3. Panama. State has drafted a treaty for an option on a sea-level canal. Lawyers for State/Army/Canal Company will be getting together to review it with object of getting it in shape to present to Panama for negotiation.

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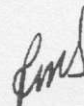
4. Chile. DCM and Political Counselor met with Frei to discuss progress of campaign. Frei believes he is ahead, feels he has adequate resources, [REDACTED]

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[REDACTED] Frei feels Allende backers are pessimistic on Allende's chances, but believes Allende recently got additional campaign funds. Because Allende is behind, Frei expects the campaign to become extremely bitter, and he urges the utmost caution on our part, to avoid giving Allende any campaign issue. Unless Allende beaten decisively, he fears investors will feel communism just around corner, and will not put in money needed for recovery in Chile. Frei says he is running hard now to pile up biggest majority possible.


Robert M. Sayre

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