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The Situation in Uruguay

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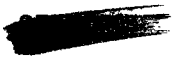
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The Situation in Uruguay





THE SITUATION IN URUGUAY

THE PROBLEM

To assess the economic and political situation in Uruguay, the potentialities for extremist subversion, and the involvement of Brazil and Argentina, over the next year or so.

CONCLUSIONS

A. There is growing dissatisfaction with Uruguay's present governmental system, particularly with its nine-man executive, the National Council of Government (NCG). This device, designed to prevent one-man or one-party rule, has also prevented effective governmental action to halt a steady economic deterioration marked by growing budgetary deficits, an accelerating inflation, a decline in real wages, and a banking crisis. (*Paras. 3-9*)

B. Within the period of this estimate, the NCG may be reformed by constitutional amendment, or there may be a credible prospect of the adoption of such an amendment in the general election to be held in November 1966. However, the political and legal obstacles to such a reform are great. Moreover, reform of the NCG would not, in itself, end the factionalism which characterizes Uruguayan politics or ensure effective action to cope with the economic situation. (*Paras. 17-18*)

C. In Uruguay there is already some apprehension of a military coup to alter the political system. We consider it almost certain that no such move is now imminent. If, however, the situation continues to deteriorate without effective remedial action by the NCG or a credible prospect of constitutional amendment, the odds in favor of a coup attempt will mount. If there should be a coup, it would almost certainly be initiated by non-Communists. If initiated by a

President who had full military support, the actual takeover would almost certainly be quick and effective. Any other coup attempt would almost certainly encounter both military and popular resistance and might result in prolonged and widespread violence and disorder. (*Paras. 19-21*)

D. The Communists have no illusion that they could seize power in Uruguay in present circumstances. They are apprehensive of a rightist coup, however, and are preparing to stimulate popular resistance to one. In a confused and disorderly situation, their labor leadership and paramilitary capabilities could be an important factor. It is unlikely that they could gain a dominant influence, but, if they were to make a substantial contribution to the defeat of a coup attempt or to a democratic counter-coup, they would gain respectability and further political opportunities. (*Paras. 10-14, 22*)

E. Brazil is seriously concerned about the subversive threat which would result if Communists or extreme leftists were to gain power or important influence in Montevideo. Brazil would be reluctant to intervene militarily in Uruguay without US and Argentine concurrence and OAS approval, but would almost certainly do so if convinced that the situation there required it. (*Paras. 22-25*)

F. If Brazil were to intervene in Uruguay, the Argentine military would wish to intervene also. An incidental consequence might be the overthrow of the constitutional government in Argentina, if it did not sanction Argentine military intervention. If Argentina did intervene, it would almost certainly be in collaboration (rather than conflict) with Brazil. (*Paras. 26-28*)

DISCUSSION

I. THE INTERNAL SITUATION

A. Political and Economic Problems

1. During this century Uruguay has been outstanding in Latin America for its political stability. General economic well-being, a high literacy rate, respect for civil liberties, a two-party system, and an advanced social welfare program have facilitated the maintenance of representative government and democratic institutions. The population of nearly three million is almost wholly of South European derivation; there is no problem of religious or racial strife. As a result of free education through the university level and the absence of rigid class barriers, Uruguay's middle class is large by Latin American standards. Over the years, moreover, the Uruguayans have acquired a certain pride in their country's civilized approach to political matters and have developed a tendency to abhor violence.

2. Since independence two parties, the *Blancos* and the *Colorados*, have dominated Uruguayan politics. The *Colorados* were the dominant party for nearly a century, until the election of 1958, when the *Blancos* took the lead. In modern times the *Blancos* have generally represented upper class and agricultural interests, the *Colorados* urban middle class and labor interests. There are few sharp ideological differences between these parties, both of which spread across most of the political spectrum, but, there are sharp factional cleavages within each. Only the adoption of a unique political device has kept the widely divergent factions within their respective parties and maintained the facade of a two-party system.¹ This device, however, has institutionalized the factional cleavages within each party. The passage of important legislation almost always requires extensive political log-rolling; in practice it has been extremely difficult to secure passage of any measure that runs counter to the specific interests of one of the principal political factions. (See Figure 1—Composition of the Uruguayan Congress—for the representation of the present parties and principal factions in Congress.)

3. A constitutional amendment in 1952 established a nine-man National Council of Government (NCG) to exercise the executive power in lieu of a single president.² This device, intended to prevent arbitrary one-man or one-party rule, has also prevented decisive executive action. Its built-in tendency to prolong discussion and to compromise important decisions has been particu-

¹The Uruguayan electoral law provides not only for the proportional representation of political parties, but also for proportional representation of the factions within each party on the basis of their shares of the party vote.

²Six of the nine members are from the leading party, three from the second ranking party. The major factions of those parties are proportionally represented. The presidency of the Council rotates annually among members representing the majority party.

URUGUAY



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FIGURE 1. COMPOSITION OF THE URUGUAYAN CONGRESS

SENATE	MEMBERS
National Party (<i>Blancos</i>)	
Unión Blanca Democrática (UBD)	7
Blanco Axis (<i>Herreristas and Ruralistas</i>)	6
Orthodox <i>Herreristas</i>	2
Sub Total	15
Colorado Party (<i>Colorados</i>)	
Colorado List 15	8
Unión Colorada y Batllista	4
Colorado List 99	2
Sub Total	14
Christian Civic Movement (MCC)	1
Communists (FIDEL)*	1
Total	31
CHAMBER OF DEPUTIES	
National Party (<i>Blancos</i>)	
Unión Blanca Democrática (UBD)	22
Blanco Axis (<i>Herreristas and Ruralistas</i>)	21
Orthodox <i>Herreristas</i>	5
Sub Total	48
Colorado Party	
Colorado List 15	28
Unión Colorada y Batllista	9
Colorado List 99	7
Sub Total	44
Christian Democrats (PDC)	3
Communists (FIDEL)*	3
Popular Union Party (PUP)	1
Total	99

*Leftist Liberation Front (*Frente Izquierda de Liberación*), an electoral front formed and dominated by the Communist Party, but including as well various small leftist splinter groups.

larly apparent in the difficult economic and political conditions of recent months. (A similar council, established in 1919, was abolished by a presidential coup in 1933.)

4. During the past decade there has been a steady decline in the Uruguayan economy. Indeed, the government's inability to take needed action has been a contributing factor to Uruguay's economic deterioration. Although population increase has been moderate (less than two percent), per capita gross domestic product (GDP)³ has declined steadily at an average rate of almost one per-

³ GDP is used here, instead of the more familiar GNP, because in Uruguay, as in most Latin American countries, national accounts are almost always in terms of GDP. GDP differs from GNP in that GDP measures the value of all production within the country before net payments abroad to owners of factors of production are deducted. In the case of Uruguay this difference appears to be unimportant.

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cent annually since 1957. Agriculture, on which Uruguay depends for its foreign exchange earnings, suffers from low productivity and discouraging government tax and exchange policies. Both crop and pastoral production have tended toward stagnation since 1958. Moreover, during the last five years the output of manufacturing industry, the largest single economic sector, has been declining, in real terms. The economy is now unable to provide the goods and services necessary to implement its advanced system of social welfare legislation. In fact, that system has become short of liquid funds and actuarially unsound, but the government has taken no effective remedial action.

5. Unemployment has now risen to about 12 percent of the labor force and is largely concentrated in the Montevideo metropolitan area, which includes about half the population of the country. Over the last 18 months real wages have decreased about 15 percent and organized labor is pressing for wage increases. However, wage increases for employees of the inefficiently operated public enterprises would further increase the growing budget deficits of those enterprises, over which the NCG has only limited control.

6. The annual rate of inflation has been increasing since 1962, with consumers' prices rising 21 percent in 1963 and 43 percent in 1964. This rate, which may reach 50-60 percent in 1965, derives in large part from unrestricted private credit expansion, as well as from the monetization of the government's growing budgetary deficits and the deficits of state-owned enterprises.

7. Uruguay is confronted by an external payments crisis and some debt service payments are in arrears. The Uruguayan peso, in its official exchange rate, has been devalued twice in less than a year (November 1964 and March 1965). During the last six months the value of the peso on the free market has declined from 25 to 50 pesos per US dollar.

8. Uruguay's fiscal problems are now further compounded by a banking crisis in which the management of over-extended private banks has been assumed by the Bank of the Republic. Recent disclosures indicating corruption involving political figures of both major parties have led the government to assume direct control of the Bank of the Republic itself. The upshot has been loss of confidence in the country's banking system and serious impairment of investor confidence in Uruguay's economic prospects.

9. This pattern of economic deterioration has intensified dissatisfaction among almost all strata of the population. The accelerating inflation and the banking crisis have alarmed businessmen; the level of wages and the growth of unemployment have antagonized labor; the continued rise in the cost of living has upset the consumer. The fragmentation of the political parties and the inability of the politically mixed NCG to provide decisive leadership has prevented remedial action by the government. Consequently the considerable and growing dissatisfaction in the country is directed increasingly against the governmental system itself—and particularly against the cumbersome plural executive and its tendency to reinforce factionalism and indecisiveness. A number of civilian

and military leaders have become convinced that effective administration can only come through change in the plural executive system.

B. The Extreme Left

10. The Communist Party of Uruguay (PCU) is a well-established legal political party with about 15,000 members, some 2,000 of whom are actively and regularly involved in party affairs. Communist support is concentrated in the metropolitan area, but the party is increasing its propaganda and recruiting activities in the countryside. It has organized an electoral front (FIDEL)⁴ which includes several small pro-Castro groups. Under the system of proportional representation, FIDEL's 40,000 votes in the 1962 elections (3.5 percent of the total) enabled it to elect one senator and three deputies. There are also small pro-Chinese and Trotskyite splinter groups; these have no representation in the Congress and not much potential for attracting votes.


11. The PCU derives most of its support from organized labor and student groups. It dominates the leadership of the principal labor confederation (CTU), which represents about one-third of organized labor. The Communists have used the CTU to exploit legitimate labor grievances and to call major strikes. Recently, however, public awareness of their use of the CTU has led them to use another labor front (CNT) for this purpose. Through the CNT they were able, in early April, to secure broad support from non-Communist unions for a 24-hour strike, their most effective strike effort so far. The PCU's small youth organization exerts a considerable influence among politically active university students (about 15 percent of the total number of students), but it is by no means as influential as are its counterparts in such other Latin American cities as Caracas and Lima.

12. Under the Uruguayan political and legal systems, the PCU and other extremist groups have considerable freedom of action. Meetings of Communist international fronts are frequently held in Montevideo.⁵ Traditionally a refuge for foreign political exiles, Uruguay has long been a convenient base for Communist Bloc and extreme leftist operations in other Latin American countries.⁶ This situation tends to exacerbate Uruguay's relations with the other countries. Brazil is presently the outstanding case in point: the Uruguayan Government has only reluctantly imposed limitations on the range of movement of Leonel Brizola, the exiled Brazilian leader of the extreme left, and has not prevented him from keeping conspiratorial contacts with followers from across the Brazilian border.

⁴This acronym, derived from *Fronte Izquierda de Liberacion*, is manifestly intended to appeal to the non-Communist admirers of Fidel Castro.

⁵The NCG, however, recently prohibited the holding in Montevideo of such a meeting called to promote "continental solidarity" on behalf of Cuba and the Dominican Republic.

⁶The USSR, Czechoslovakia, Poland, Rumania, Yugoslavia, Hungary, and Bulgaria all have diplomatic missions there. In addition, there are trade missions from East Germany and North Korea.



13. The PCU has followed the Soviet Union's lead in urging Communist unity and solidarity. While it seeks to attract the support of Castroites through such devices as FIDEL, the PCU has continued to stress legitimate political activities aimed at exploiting general discontent with the existing economic and political situation. The PCU hopes to attract disillusioned supporters of the traditional parties and new voters to FIDEL and thus to increase sharply its legal political influence. At the same time, the PCU has taken initial steps to improve its capability to foment violence. It is prepared to organize strikes and street demonstrations and has trained some 50-60 activists to incite rioting.

14. The Communists have no illusions that they could overthrow the government. In the present circumstances in Uruguay their strategy is essentially defensive. They are concerned lest a rightist-military coup bring drastic curtailment of their present freedom of action and have organized a paramilitary unit of 300-400 men specifically to take part in opposing such a coup.

C. Security Forces

15. The Uruguayan security forces number some 29,000 men: Army, 10,000; Navy, 1,800; Air Force, 1,400; National Police 15,000; Maritime Police, 500. They are generally reliable and efficient, but are handicapped by shortages of modern equipment, especially communications equipment. For this reason they would have difficulty controlling widespread disorders. Almost certainly, however, they could prevent the overthrow of the government—unless, of course, a major portion of the security forces themselves were engaged in the attempt.

16. The security forces have usually kept aloof from interference in the political life of the country. There is, however, considerable dissatisfaction among military and police officers regarding the ineffectuality of the existing system of government, and particularly regarding their relatively low pay and declining economic status. A few of them are probably disposed to support a move to establish a more effective system by coup, if need be. They would be united in opposing any revolutionary attempt by extreme leftists.

II. THE PROSPECTS FOR A CHANGE IN THE POLITICAL SYSTEM

17. The growing dissatisfaction with the present political system, particularly with the NCG, may bring about its alteration by means of a duly adopted constitutional amendment. Influential leaders of both major parties are already seriously concerned about the deteriorating economic situation, the difficulty of getting remedial action through the NCG, and the danger of an eventual military coup or Brazilian military intervention, and have publicly advocated an amendment to reform the NCG. We must emphasize, however, that as yet there is no consensus on how the NCG should be reformed. President Washington Beltran, with support from some leaders in both major parties, has advocated the substitution of a single executive. The idea of a smaller NCG drawn exclusively from the principal faction of the leading party has

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also been suggested. For the present, the *Herreristas* are generally opposed to any change.⁷ Even if the terms of a constitutional amendment were to be agreed upon, it would still be almost impossible to obtain its early adoption. The quickest method would be the enactment of a "constitutional law," which would require the affirmative votes of two-thirds of the members in each house of Congress and a popular majority in a special referendum. It is highly unlikely that the required two-thirds vote could be obtained except under the most compelling circumstances. Alternative methods would be by a petition signed either by 10 percent of the registered voters or else by 40 percent of the members of Congress, subject to popular acceptance at the next general election—but the next general election will not be held until November 1966. Meanwhile, Beltran is due to turn over the presidency to Alberto Heber, an *Herrerista*, in March 1966.

18. We must emphasize, further, that a reform of the NCG would not, of itself, end factionalism in Uruguayan politics or ensure effective action to cope with the economic situation.

19. In Uruguay there is already some apprehension of a military coup to alter the political system. We consider it almost certain that no such move is now imminent. If, however, the situation continues to deteriorate without either effective remedial action on the part of the NCG or a credible prospect of a constitutional amendment, the odds in favor of a coup attempt will mount.

20. In such circumstances, the coup initiative might come from the top, as it did in 1933—that is, from a frustrated president. If the move had the support of the military and the police, as would be likely in such a case, the actual take-over would be quick and effective. The coup group would almost certainly promise an early return to constitutional normality, subject to such reform of the executive as would enable it to deal effectively with basic national problems. There would be some adverse popular reaction and perhaps some disorder, but the security forces would almost certainly be able to control the situation.

21. Alternatively, a coup might be attempted by some impatient military leaders, with some political support from *Herreristas* who would be more interested in seizing power than in constitutional reform. Such a move would almost certainly encounter both military and popular resistance. It might be quickly smashed, or it might precipitate prolonged and widespread violence and disorder. Even if the coup succeeded initially, the resulting situation would be highly unstable, with an early counter-coup likely.

22. The Communists would attempt to lead popular resistance to any coup. In the case of a coup from the top (Para. 20), they would not have much opportunity to do so. In the case of a coup which precipitated prolonged and widespread violence and disorder (Para. 21), their labor leadership and paramilitary

⁷ The *Herreristas* are the followers of the late Luis Alberto de Herrera, the outstanding *Blanco* leader during the period 1925-1962. Herrera was an admirer of the fascist regimes of Mussolini, Vargas, and Peron. The *Herreristas* are generally ultranationalistic and authoritarian, but are also highly opportunistic.

capabilities could become an important factor. It is highly unlikely that they could gain a dominant influence, but, if they were to make a substantial contribution to the defeat of a coup attempt or to a democratic counter-coup, they would gain respectability and further political opportunities.

III. THE INVOLVEMENT OF BRAZIL AND ARGENTINA


23. Since the April 1964 revolution in Brazil, the Brazilian Government has been sensitive regarding the failure of the Uruguayan Government to control effectively the activities of Goulart and Brizola in Uruguay and apprehensive of the increased subversive threat to Brazil which would result if extreme leftists were to gain power or important influence in Montevideo. In this connection, Brazil has sought to bring pressure to bear on Uruguay by open discussion of the possible contingency of a preventive Brazilian military intervention in Uruguay. The precedent of the US military intervention in the Dominican Republic and Brazil's prompt support thereof have redoubled the effect of this psychological campaign and have occasioned considerable apprehension in Uruguay.

24. Leading Brazilian officials undoubtedly think that Uruguay would be far better off with a regime more like their own. Brazil's experience under Goulart may lead them to overestimate the actual danger of a Communist takeover in Uruguay. They have good reason to fear subversion in Rio Grande do Sul, the Brazilian state adjacent to Uruguay, which is the home ground of Goulart and Brizola. The Brazilian commander on the Uruguayan frontier and the Brazilian ambassador in Montevideo are particularly nervous in these respects. They have almost certainly sought to alarm the Brazilian Government regarding the trend in Uruguay. They have probably also conveyed their views to their Uruguayan military contacts. There is no evidence, however, that they have more directly sought to foment a military coup in Uruguay.

25. Undoubtedly Brazil has a contingency plan for military intervention in Uruguay to forestall a Communist or extreme leftist takeover there. Brazil would be reluctant to put such a plan into execution without US and Argentine concurrence and OAS approval, but, bearing in mind the Dominican precedent, would almost certainly act unilaterally if convinced that the occasion required it.

26. Uruguay came into existence as a buffer state between Brazil and Argentina which neither would allow the other to dominate. The Argentine military leaders are as concerned as the Brazilian to prevent a Communist takeover anywhere in Latin America. There have probably been discussions between them regarding the potentialities for such a development in Uruguay. If Brazil should decide to intervene militarily in Uruguay, the Argentine military would wish to intervene also, not only to combat communism on the borders of Argentina, but also in order to prevent Brazil from gaining a dominant position in Uruguay.

27. A Brazilian intervention in Uruguay would probably provoke a strong anti-interventionist political reaction in Argentina. The Illia administration's



relations with the Argentine military are already strained by its failure to secure for Argentina a leading role in the Inter-American Force in the Dominican Republic. Illia would be caught between this political reaction and the desire of the Argentine military to participate. Thus an incidental consequence of a Brazilian military intervention in Uruguay would probably be a political crisis in Argentina and the possible overthrow of the constitutional government by the Argentine military.

28. If both Brazil and Argentina were to intervene in Uruguay, they would almost certainly do so in collaboration. There would be almost no chance of an armed conflict between the two intervening forces. The intervention would be an affront to Uruguayan nationalism. Nevertheless, the intervening forces would be unlikely to encounter serious opposition outside of the Montevideo metropolitan area. There the Communists and ultra-nationalists might be able to organize a die-hard resistance. Even if the intervention were accomplished without too much trouble, the subsequent political settlement and disengagement would be likely to present great difficulties, compounded by the mutual distrust and antagonisms of all the parties involved, Argentine, Brazilian, and Uruguayan.

THE CENTRAL INTELLIGENCE AGENCY

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