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# REVIEW COMMUNIST BLOC ECONOMIC ACTIVITY IN LATIN AMERICA

The Sino-Soviet bloc since early 1959 has been including the major Latin American countries in its long-range program for improving economic relations in underdeveloped countries. The USSR has thus far relied chiefly on sporadic exploitations of Latin American economic and political fluctuations, but there now are indications that a long-term effort is under way to take greater advantage of economic and political instability in the area.

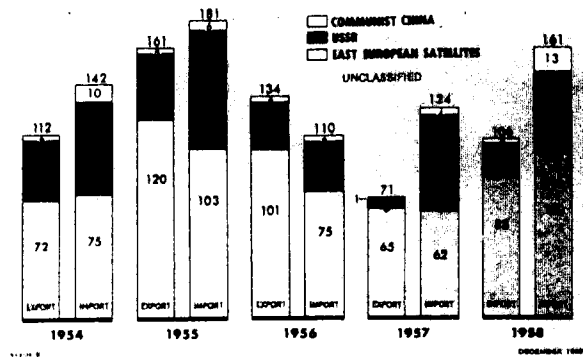
Latin America was responsible for 30 percent of bloc trade with underdeveloped countries in 1955, but its share had dropped to 12.5 percent by 1958. In recent months, however, the bloc has stepped up its activities in Latin America, although the area still is not being accorded the high priority assigned to Asia and the Middle East. Among recent economic activities are Mikoyan's visit to Mexico in late November to open a Soviet exhibition--which also is to be shown in Havana shortly--the conclusion of a Soviet-Brazilian three-year trade agreement in Moscow on 9 December, strategically timed sugar purchases from Cuba, attempts to purchase Chilean copper directly rather than through West European middlemen, and a proposal for a more attractive oil-wool exchange with Uruguay.

Soviet and Satellite Roles:  
The European satellites' trade effort in Latin America is motivated in considerable part by valid commercial considerations. Some of the East European countries, particularly Czechoslovakia, have long had trade ties in the area and in recent years have been able to satisfy some Latin American demands for industrial equipment.



Satellite commercial delegations have concluded numerous contracts to provide machinery, transportation equipment, and plants under both private and governmental long-term agreements. The satellites have been able to secure essential raw materials and foodstuffs and to diversify their sources of imports by trade from Latin America.

**SINO-SOVIET BLOC TRADE WITH LATIN AMERICA**  
MILLIONS OF DOLLARS



Although Soviet and Chinese purchases and sales there are not devoid of an economic rationale, they are frequently timed to advance the political objective of reducing Western--particularly US--influence in the area.

The USSR is trying to establish as a model a successful economic relationship with at least one Latin American country. Latin American regimes generally are interested in economic relations with the Soviet bloc more for economic advantage than for the implicit protest against the West which underlies much of the bloc's economic appeal to some other underdeveloped areas. Despite the conclusion of numerous trade agreements and the extension of some credits, bloc economic activity has made only a slight impact in Argentina, Brazil, Uruguay, and Cuba--the countries which in 1958 accounted for about 90 percent of all Latin American trade with the bloc.

**Argentina:** Argentina is the only Latin American country to have signed an agreement providing for major Soviet economic development assistance--a \$100,000,000 credit for petroleum equipment. The Soviet offer was made in July 1958, just before Argentina's first announcement welcoming extensive foreign financing for oil development. In October 1958 an Argentine mission visited Moscow and concluded specific contracts under the credit for about \$30,000,000 worth of material. Delivery, accompanied by a small number of Soviet technicians, has just begun. Officials in Buenos Aires indicate that most of the credit probably will not be used.

Earlier experience, moreover, has served to moderate Argentine expectations about trade with the USSR. In 1955, when Argentina was seeking a source of nondollar industrial imports and an outlet for its agricultural surpluses, the USSR increased its purchases by 30 percent--on credit under a clearing agreement. The lack of acceptable Soviet goods, however, caused Argentine imports of Soviet goods to rise only 10 percent. Argentina continues to find that Soviet industrial goods available for export frequently do not meet its needs, and as a result it has found itself supporting Soviet trade by holding credits, which exerts an inflationary effect on the economy.

Reliable reports from Buenos Aires indicate that the clearing agreements with the bloc probably will be terminated, putting trade on a cash basis. One official states that bloc purchases under these pacts "are not important enough to warrant continuation of the system." Argentina's official relations with the bloc have cooled--six bloc diplomats were ousted this year--and this probably contributed to the lessened enthusiasm for bloc trade.

The satellites have supplied a wide variety of manufactured goods, raw materials, complete plants for sugar processing, coal-washing facilities, and a power plant. They also purchase a wide variety of Argentine goods. In 1958 the chief satellite purchases were spread over at least 15 major Argentine export commodities. The USSR, in order to increase the impact of its trade, concentrated its purchases on hides, wool, and quebracho extract. The bloc directly bought over 40 percent of Argentina's hide exports in 1958.

Brazil provides the best illustration of the transition of Soviet foreign economic policy from opportunism to a planned campaign for a permanent growth in relations.

Taking advantage of Brazil's financial difficulties, the USSR arranged in early 1959 for the first trade exchanges in several years and has delivered \$1,500,000 worth of crude oil and purchased \$3,000,000 worth of coffee and cocoa. This ad hoc arrangement had been preceded by more extensive offers which Rio de Janeiro declined. The satisfactory fulfillment of Soviet contracts in 1959, renewed Soviet offers with assurances that Brazilian coffee would not be re-exported, internal political considerations, mounting coffee surpluses, and the scarcity of foreign exchange led Brazil to accept a more expansive Soviet agreement setting a \$24,000,000 target for trade during the next three years.

During the agreement the USSR is to purchase some cocoa, hides, and vegetable oils, as well as 70,000 tons of coffee--about 7 percent of Brazil's present accumulated surplus, which now exceeds its 1960 export quota. Recent annual average Soviet consumption of coffee has been less than 5,000 tons. The USSR is to supply principally petroleum, machinery, and wheat. In 1960 the USSR specifically is to deliver 150,000 tons of wheat worth \$9,000,000, 600,000 tons of crude oil worth about \$7,000,000,

which could reduce Brazil's current foreign exchange outlay for oil by about 2.5 percent; and \$9,000,000 worth of machinery and equipment. Trade exchanges are to rise from \$25,000,000 each way in 1960 to \$37,000,000 in 1961 and reach \$45,000,000 each way in 1962.

Soviet trade with Brazil is expected to remain within the bounds set by the agreement--less than 3 percent of Brazil's expected foreign trade in 1960-62. The USSR is not likely to foster great consumer demand for coffee when the traditional drink, tea, is available in barter trade with China. Other Brazilian goods specified for export to the USSR are either exported only in small quantities by Brazil or are not in significant demand in the USSR. Furthermore, the USSR presumably will not deliver large amounts of oil in barter trade with Brazil. Soviet oil now is a major foreign exchange earner in the West, where Soviet demand for plants and equipment is much greater than its current ability to pay.

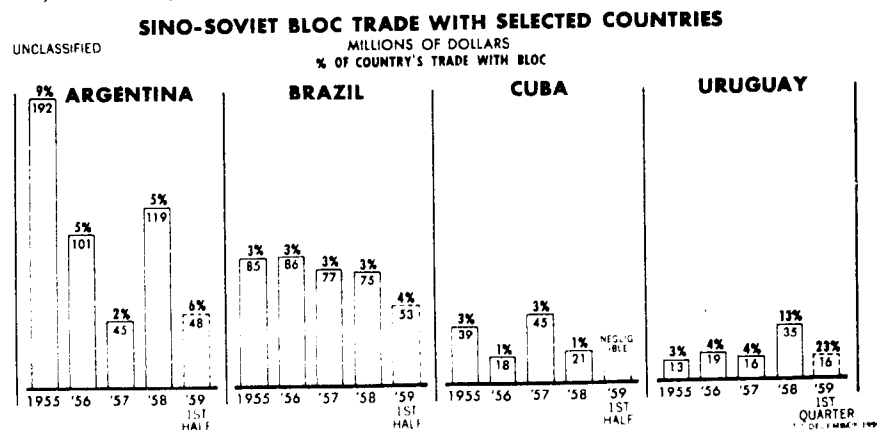
To press its advantage, however, it is possible that the USSR will during 1960--an election year in Brazil--propose an economic development credit. This might be attractive to Brazil as an alternative to economic reforms that would be a prerequisite to new loans by the International Monetary Fund.

Until this year, Brazil's trade with the bloc had been largely limited to exchanges with Czechoslovakia, Poland, Hungary, and Communist China. Czechoslovakia and Poland have established a firm basis for continuing trade on extremely favorable terms by supplying machinery and transportation equipment for foodstuffs and raw materials in demand in their own economies.

Uruguay: The USSR found in Uruguay an economy small enough to permit major inroads within a relatively short time. Sticking to a restricted program encompassing purchases of wool and deliveries of oil, the USSR has achieved a position of considerable economic importance. Bloc trade, which had been responsible for only 3 to 5 percent of Uruguay's foreign trade, suddenly rose to 13 percent in 1958 and, most important, accounted for one third of Uruguay's wool sales.

In late 1958 the USSR made its purchases of wool conditional on Uruguayan acceptance of Soviet oil, at least in partial payment. As a result, the USSR this year is supplying more than one fourth of the petroleum consumed in Uruguay. As Uruguay is reluctant to continue this barter trade, the USSR has offered to buy \$25,000,000 worth of wool in 1960--almost twice its purchases this year. Moscow insists, however, that Montevideo accept oil for at least two thirds of the wool. To make the deal attractive, Moscow proposes to pay cash for the wool and to permit Montevideo to pay for the oil over a 9- to 12-month period.

Cuba. Bloc trade with Cuba has consisted almost entirely of Soviet sugar purchases, which have ranged from 200,000 to 500,000 tons annually in the past few years. Orders have usually been placed following shortfalls of Soviet beet-sugar crops. Soviet purchases in late 1959, totaling 500,000 tons for delivery in 1959-60, were timed to take advantage of low world prices and bolster the Cuban sugar market. Since Soviet beet-sugar production fell far short of plan goals this year, additional orders probably will be placed in 1960.



During his recent visit to Mexico, Mikoyan is reported to have approved a deal whereby the USSR is to provide Cuba with from \$5,000,000 to \$6,000,000 worth of agricultural implements, to be delivered on credit by a Mexican company, and to have promised that Soviet technicians would service the equipment. The USSR has carefully avoided, however, identifying its economic activities as direct support for the Castro regime, which is increasingly unpopular among Latin American leaders.

Cuba has accepted Moscow's offer to present its exhibition in any Latin American country following its stay in Mexico City. The exhibit is now scheduled to open in Havana about February.

Satellite missions have visited or are planning to visit Cuba to try to capitalize on anti-Western sentiment and establish trade relations. Czechoslovakia has already established a permanent trade representative in Havana.

Others: Eastern Europe accounts for nearly all of the negligible bloc trade with other Latin American countries. This amounted in 1958 to about \$10,000,000, mostly exports from Czechoslovakia.

Official bloc visitors in Latin America frequently propose expanded economic contacts, and Soviet delegates to international conferences in the area within the past year have announced that economic assistance is available. More specific aid offers have been made to Bolivia, Uruguay, and Mexico. The USSR indicated in mid-1959 that it would consider an application for \$60,000,000 worth of credits to assist oil development in Bolivia. No advanced negotiations are known to have taken place, however. Soviet willingness to provide major long-term aid following natural disasters in Uruguay was indicated in quasi-official approaches earlier this year.

More recently, during his visit to Mexico, Mikoyan discussed extension of a standard Soviet \$100,000,000 economic development credit. To avoid possible outright rejection by Mexican officials, who are under no economic or political pressure to accept Soviet assistance, Mikoyan apparently did not press his proposal.

On the whole, the bloc is probably encouraged by the Latin American response to its trade promotion program. A Colombian trade delegation renewed trade pacts with several bloc countries during a trip to Europe earlier this year. On the heels of the departure of the official Brazilian trade mission to Moscow, Santiago announced that an unofficial Chilean delegation would leave on 4 January to investigate trade possibilities in Moscow, Prague, and Warsaw.

Small but attractive trade deals presumably will be offered to entice wider acceptance of the bloc--first economically, then politically--in countries where economic problems are forcing governments to consider any proposal which holds promise of promoting economic expansion.