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ALL CAPTIVE NATIONS

COMMUNIST BLOC TRADE WITH LATIN AMERICA.

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EVAL. COMMENT: An exceptionally interesting compilation of material on the East Bloc's trade with the Latin American countries, their methods of economic penetration and their politico-economic speculations for the future. Attention all Economic Editors.

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In an issue of the Spanish-language periodical "Vision," dated January 22 1956 and published in NEW YORK, there is a statement by Nikolai BULGANIN to the effect that the Soviet Union intends to expand its trade connections with Latin America.

The base for such an expansion is well prepared. As early as in 1948, the Communist Bloc made its first attempts at the economic infiltration of the Latin American countries. The first of the states to engage in this infiltration was not the Soviet Union itself but Czechoslovakia, the most industrialized of the captive nations. The political bridgehead for this preparatory work was Mexico. Its own trade with the East Bloc was, and is, insignificant and it had only one trade agreement with Communist-controlled countries. What it has, however, is a large number /the largest in Latin America/ of various "cultural" organizations of the Communist persuasion, which prepared the

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ground in the other countries of the continent under the leadership of the East Bloc legations. Incidentally, it was from Mexico that the "coup d'etat" in Guatemala was engineered.

The other country to serve as a base for Communist infiltration in the economic field was Argentina. There, the Soviets had two "cultural centers" and its satellites had five such centers. Argentina was followed by its satellite Uruguay.

The most effective of all the Communist-dominated organizations in Latin America turned out to be the "Confederacion de Trabajadores de America Latin" and the "World Federation of Democratic Youth." It was their doing that about a thousand visitors from Latin America went to the "Youth Congress" in WARSAW. The World Peace Congress was also used for preparatory contacts. The top figures in this activity were Brazilian intellectuals.

Toward the end of 1955, the Soviet Bloc had a total of 20 trade agreements of various kinds with Latin American countries. Thereof

Czechoslovakia	had six
Hungary	had five
East Germany	had three
Soviet Union	had two
Poland	had two
Rumania	had one
Bulgaria	had one.

Although a number of trade agreements existed even before the year 1952, hardly any trade exchange had taken place before that year. Its total was not more than 10-15 million dollars per year in both directions. The effective work began in 1952, when the trade exchange between the Communist Bloc and Latin America rose to 49 million dollars. In 1953, it was 70 million dollars and in 1955 the total was neither more nor less than 510 million dollars, always in both directions. This was more than even the most pessimistic observers at the State Department had reckoned with /their reckoning was 450 millions./

Argentina's trade with the Soviet Bloc rose from 29 million dollars in 1952 to 137 million dollars in 1954. 1955 was not a

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normal year where trade relations were concerned and can therefore not be used for purposes of comparison. Toward the end of 1955 Argentina had trade agreements with all the Communist countries with the exception of Albania. Its chief partners were the USSR, Poland, Hungary and Czechoslovakia.

ARGENTINA'S TRADE WITH THE SOVIET BLOC.

In March 1953, Argentina signed a frame agreement with the Soviet Union. This agreement was hardly made use of except for a few switch and transit deals via Britain. On May 19 another, more precise, agreement was signed for a year, providing for a trade exchange of 100 million dollars in both directions. Through this agreement the USSR became the third partner in size in Argentina's foreign trade. According to the list of goods, the Soviets were to deliver among other things 500,000 tons of oil derivatives, equipment for the metallurgical industry, the textile and leather industry etc. Simultaneously, both countries signed a supplementary agreement, referred to as industrial equipment agreement, providing for Russian deliveries on credit to the tune of four million dollars. Actually not equipment but arms were to be delivered for this sum. The credit was a long-term one with two per cent interest. In its turn, Argentina was to deliver to the Soviets 20,000 tons of frozen meat, 23,000 tons of raw hides, 60,000 tons of linseed oil /which really is a Soviet export product/, 5,000 tons of wool etc.

On August 5 1954, PERON got another credit from the Russians, which consisted of deliveries of arms and heavy machinery, mainly equipment for the armaments industry, for 30 million dollars. These deliveries were executed within 1 four months.

Argentina - Poland.

The trade relations between Argentina and Poland are based on the trade and payment agreement of December 22 1948, which was concluded for five years. Until 1952, the agreement was quite ineffective. On November 29 1952, this agreement was prolonged for another five years. On January 1954, it was supplemented with a special compensation agreement with the purpose of helping Argentina to get over its currency difficulties. At the time, the yearly trade exchange in both directions

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totalled 21.6 million dollars. The trade lists were made changeable in such a way that practically all groups of goods could be both exported and imported. The compensation terms acted as a revival of business and in 1955 Argentina bought in Poland goods for a total of 24.7 million dollars. The most important of these were coal, timber /which Poland imports,/ chemicals, steel, iron, rollingstock, dyes, glass, cement and electric material. Poland took from Argentina wheat, linseed, hides, tanning substances, unwashed wool and woollen textiles. Shortly before PERON's fall, Poland offered Argentina a ten-year loan at two per cent interest for the purchase of industrial equipment. The negotiations regarding the loan were discontinued owing to the political changes in Argentina.

Argentina-Hungary.

The trade exchange between the two countries is based on a trade agreement signed on July 14 1948, which was to be valid for one year but was subsequently prolonged until December 31 1952. Within the framework of this agreement and as a rule against payment in currency, Argentina bought from Hungary Diesel and electrical equipment for its railways. Today, Argentina has 73 Hungarian trains with 300 carriages. Toward the end of 1952, a Hungarian trade delegation came to Argentina, but it was only on August 24 1953 that a clearing agreement was signed. It was to be for three years and provided for an exchange totalling 13 million dollars in either direction per year. When it became apparent that the agreement did not function, the Hungarians sent another delegation, headed by the vice-director of "Technoimpex," SZABO /fnu/. On April 12 1954, another agreement was signed, providing for compensation and liquidating a temporary Hungarian debt of 1.25 million dollars. The compensation contemplated was to take place only once, the Hungarian deliveries being for 4.75 million dollars and the Argentine ones for 3.5 millions. The Hungarians deliveries were to be chiefly rolling stock and heavy machinery.

Argentina - Czechoslovakia.

As from September 2 1952, the two countries had a compensation agreement valid until December 31 1954. At the end of 1954, a large Czechoslovak delegation came to Argentina and the negotiations resulted in a five-year trade and payment agreement as from January 27 1955. The agreement stipulated that the minimum deliveries per year were to be for 64 million

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dollars in either direction. This agreement was accompanied by a compensation agreement for 15 million dollars in either direction and, lastly, a credit agreement providing for a Czechoslovak credit to Argentina of 15 million dollars at a two per cent interest.

On January 15 1954, a list of goods for 1954 was compiled in BUENOS AIRES, which looked as follows /roughly/:

Czechoslovak export to Argentina in 1954:

Iron and steel.....	Dollars	14,000.000
Machinery for the metal and leather industry	Dollars	3,500.000
Seamless steel pipes.....	Dollars	1,000.000
Rails.....	Dollars	1,100.000
Shipbuilding material.....	Dollars	2,500.000
Instruments, chemicals, cardboard, newsprint textiles, glass, china.....	Dollars	12,000.000

Argentina's export to Czechoslovakia in 1954:

Grain.....	Dollars	15,500,000
Meat.....	Dollars	3,000,000
Raw hides.....	Dollars	3,000,000
Wool.....	Dollars	4,000,000
Fruit.....	Dollars	1,100,000
"Quebracho" tanning substance.....	Dollars	1,000,000
Eggs, butter, honey, canned fish, wine.....	Dollars	4,000,000

Before PERON's fall, negotiations were under way about further Czechoslovak credits to Argentina.

BRAZIL'S TRADE WITH THE EAST BLOC.

Brazil has trade agreements with Poland, Czechoslovakia and Hungary. However, the greater part of the country's trade goes via Britain, or went that way until 1954, when both the Czechoslovaks and the Hungarians sent their trade delegations to Brazil. The reason were Brazilian currency difficulties. The East Bloc delivered machinery, coal and iron, among other things quite a large quantity of agricultural machinery and the equipment for whole stockyards. From Brazil they imported coffee, cocoa, textile fibres for technical purposes, Carnauba wax for the leather industry, tobacco, sisal fibres, rice, fruit and oleaginous plants.

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Brazil - Czechoslovakia.

On Czechoslovak initiative, a trade agreement was signed for two years on July 1 1951, between Brazil and Czechoslovakia. In this agreement, the Czechs got a very favorable "disaggio" /i.e. exchange rate/ on the state-controlled Brazilian currency, because Brazil, which had debts in other countries, at the time preferred to buy from Czechoslovakia where it had no debts. On March 18 1953, the agreement was prolonged for another two years.

In September 1954, the first bilateral agreement was signed between the two countries, which stipulated goods lists for every year and was to be valid for two years. It provided for a minimum of direct transactions between the two countries, totalling 60 million dollars in both directions. Czechoslovakia was to deliver machinery for 10 million dollars, as well as Diesel motors, building iron, technical iron, equipment for complete stockyards and cement. One third of the Brazilian export /Dollars 10,000,000/ was to be coffee, the rest fruit, hides, "Quebracho" tanning substance, the ores of metal alloys, among them rutile.

Brazil - Poland.

The trade agreement between the two countries, dating from October 24 1953, was prolonged for another year on November 24 1954. At the end of 1955 there was no information about any new agreement. The trade exchange between the two countries got going pretty rapidly as both sides had concrete needs and interest for stock articles. In 1954, the transactions in both directions totalled 26.5 million dollars and by October 1955 they reached the sum of 28 million dollars.

Polish exports were coal, machinery, chemicals, cement; the machinery being almost exclusively agricultural machines. From Brazil, Poland imported iron ore, coffee, cocoa, Carnauba wax, cotton, tobacco, vegetable oils and fruit.

Brazil - Hungary.

The trade exchange between the two countries, which began in 1948, was until 1954 exclusively on switch transactions via Britain. In 1954, the Hungarian trade delegation under SZABO /fnu/ visited even Brazil. SZABO was particularly qualified for dealing

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with that country as he had lived for three years in Brazil, In addition to his post at "Technoimpex," he is head of the Latin-American department at the Hungarian Ministry for Foreign trade. On April 9 1954, a payment agreement was signed in RIO DE JANEIRO, under which Hungary got the same favorable disaggio rate as Czechoslovakia had got earlier. To this was added a frame agreement which provided for a trade exchange for 20 million dollars per year in either direction. This agreement was prolonged in May 1955. The payment agreement allowed both sides an overdraft of two million dollars.

Brazil bought industrial equipment from Hungary, especially equipment for the oil industry, agricultural machinery, electrical material and surgical instruments. To Hungary, Brazil exported the same articles as to Poland.

There has been no trade exchange between Brazil and the Soviet Union or the other captive nations.

URUGUAY.

Uruguay has trade agreements with the Soviet Union, Czechoslovakia and East Germany. Effective trade is carried on with Czechoslovakia alone. This is based on an agreement from May 17 1949, which was prolonged on July 24 1952. This agreement expired a year later and has not been renewed. However, trade is being carried on in the form of switch transactions, mostly over Britain. The yearly turnover in either direction is three million dollars. Czechoslovakia delivers machinery, motorcycles, china, tractors, and Uruguay exports to Czechoslovakia via Britain and Holland wool, meat, canned meat, soup extract and, for transit to Russia, livestock suitable for the Russian steppes.

CHILE.

Confidential Communist reports designate the situation as "unsatisfactory." It is planned to influence the country through the World Federation of Democratic Youth. As many delegates as possible are invited to Communist congresses, where efforts are made to influence them in the desirable direction. In 1952-1953, agreements existed with East Germany and Hungary, but trade was more or less effective only with Hungary. In 1953, the trade exchange totalled 1.5 million dollars in either direction. The main difficulty is the transport problem and the

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fact that all shipments have to pass through the Panama Canal. However, beside the official relations, a lot of clandestine transactions occur with such strategic materials as tungsten, nickel etc., which in many cases were sold for direct shipment from Chile to TAKUBAR in China. In the years 1952-1955, these transactions are said to have totalled 15-20 million dollars. These contraband deals are carried on by means of forged documents and bribes.

PERU.

Peru's trade is dominated by the USA. The obstructing feature is again the Panama Canal and the high cost of transport. In March 1953, the anti-Communist government issued a prohibition of trade with the East Bloc. In order to "soften" the situation, a number of prominent Peruvians were asked to congresses in PRAGUE and WARSAW. In November 1955, influenced by the GENEVA Spirit, the government agreed to disregard the trade prohibition, particularly owing to the persistent Czechoslovak pressure to get trade negotiations going. In 1956, the Peruvians are planning to import Czech china, industrial steel and machinery in exchange for Peruvian cotton and hides. Russian proposals were also expected but the results of these are not known yet.

PARAGUAY

Paraguay has no trade agreements with the Communist Bloc. However, a certain contact exists through various firms which go in for switch deals via Britain as well as Holland and Sweden. The captive nations most often concerned in these deals are Czechoslovakia and Hungary. In 1955, these deals consisted of satellite purchases of hides, tanning substances and tobacco for 200,000 dollars, in exchange for agricultural machinery and textiles.

VENEZUELA.

On July 27 1948, Czechoslovakia signed a trade agreement with Venezuela which was subsequently prolonged until July 22 1950. Since then no formal agreement exists. As the Venezuelan export is mainly oil /95 per cent of the total/ and Venezuelan ore is in American hands, there is hardly any chance for a trade agreement with any other country. However, Czechoslovakia has

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managed to do switch transactions with Venezuela via Sweden, Holland, Britain, West Germany and Belgium. In this way, Czechoslovakia sold agricultural machinery, antibiotics, ceramics, fire-resistant material, textiles, and paper to Venezuela. At present they are trying to interest Venezuelans originally coming from countries now behind the Iron Curtain in the purchase of agricultural machinery.

MEXICO.

Although politically, Mexico is a center of Communist activities in Latin and Central America, the country has only one trade agreement with a Communist state. It is an agreement with Czechoslovakia, concluded on November 9 1949, prolonged for five years on October 10 1954 and now amplified in connection with the new Five-Year-Plan. It provides for a trade exchange totalling about one million dollars per year in both directions. Czechoslovakia supplies machinery, motorcycles, shoes, glass, paper, textiles and musical instruments, and exports from Mexico coffee, meat and various fibres. A certain trade exchange with the Soviets also takes place as well, as with Poland and Hungary, but in these cases the purchases are paid for in dollars. However, an intensification of trade with the USSR and Hungary is expected already in 1956.

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In addition to the aforesaid agreements, Bulgaria and Rumania each have an agreement with Argentina, which hitherto has not given any results. In this connection, the ministries for foreign trade of both the above countries have issued instructions that an intensification of trade with Argentina is to be striven for in 1956, above all in order to cover the shortage existing in these countries with regard to non-ferrous metals /especially copper, tin and nickel,/ vegetable waxes, tanning substances, raw hides, rubber, coffee, cocoa, wool and fruit.

No trade exists between Latin America and the Soviet Bloc over and above the aforesaid agreements and switch transactions.

The directives for the future are as follows: the Communist Bloc will do its utmost to penetrate further into the Latin-

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American market. This offensive is to have a certain political background. To crown the plan, a trip for Anastas MIKOIAN, the Soviet Minister For Foreign Trade, to Latin America is planned in 1956. The arguments underlying the offensive are roughly as follows: all the countries concerned are more or less countries with a monoculture and depend on the export of one article. According to the Communist reckonings, their position is the following:

Venezuela	oil	95	per cent
Salvador.....	coffee....	88	per cent
Cuba.....	sugar.....	85	per cent
Columbia.....	coffee....	82	per cent
Guatemala.....	coffee....	82	per cent
Brazil.....	coffee....	74	per cent
Haiti.....	coffee....	66	per cent
Honduras.....	bananas..	66	per cent
Chile.....	copper....	63	per cent
Bolivia.....	tin.....	59	per cent
Costa Rica.....	bananas..	59	per cent
Nicaragua.....	coffee....	51	per cent
Dominican Republic..	sugar.....	50	per cent

Owing to the monocultural position of these countries, they are both economically and politically entirely dependent on the powers that buy their output. They cannot do anything going against the wishes of the capitalist states, above all USA. If, however, they are given the chance to get rid of their monoculture and to develop some industry, their economy will be consolidated and their dependence on USA will decrease in proportion. At present they can be influenced by the slightest fluctuation on the world market, which will not be the case when their economy is more differentiated. All these countries possess raw materials which make industrialization possible. Therefore, the Communist Bloc now intends to buy a certain amount of the yield of their monocultures and thereby strengthen their position on the world market. One million sacks of coffee are to be bought in 1956, and industrial equipment exported to the countries concerned for this coffee. With the coffee price rendered more stable in this way, the Latin America countries will be able to pursue a more independent policy and gradually to put an end to the cultivation of one product.

Thus, from the Communist point of view, the first step in

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the penetration of the Latin American countries has got to be an economic one, to be followed by political infiltration after these countries have been pried loose from the Western Bloc.

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