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Soviet Economic Penetration of Latin America

Although the countries of the Sino-Soviet Bloc have been attempting since 1955 to expand and intensify their political and economic influence in Latin America, until the last 6 to 9 months their efforts produced little in the way of tangible results.

Sino-Soviet Bloc trade with Latin America during 1957 totaled approximately $200 million, a decline of about 17 percent from 1956, and accounted for slightly less than 3 percent of total Latin American exports and about 1 percent of total imports. About 70 percent of the commerce with the Bloc last year was conducted by Argentina, Brazil and Uruguay, with Cuban sugar sales comprising most of the remaining 30 percent.

Bloc credits extended to Latin America currently amount to about $32 million, of which $26 million is in the form of short-term Polish credits to Brazil for ship purchases. The remaining $6 million was extended to Argentina by Czechoslovakia and the USSR in 1955 for capital equipment purchases. The Bloc is participating in only one construction project in the area. A coal-washing plant in Argentina, for which a credit of $2.1 million was provided, is being constructed under Czechoslovak supervision. Except for some 70 technicians working in Argentina to service industrial equipment purchased from the Bloc, relatively few Bloc technicians were active in Latin America last year.

[redacted]

Since the end of 1957, however, depressed commodity markets in the Free World, but especially in the US, have made this area--a primary materials producer--far more receptive to Bloc cajolery.

The major objective of the Bloc in Latin America has been and remains the vitiation of the traditional ties--political, cultural and economic--between North and South America. Until recently the Bloc's pursuit of this objective has been rather feeble and confined mainly to attempts to encourage subversion, promote cultural exchanges and expand economic relations. In 1958, however, the deepening of the business recession in the US and an accompanying disorganization of many commodity markets produced severe economic dislocations in Latin America. The chief source of foreign exchange and thus of money for financing economic development in these countries is derived from the export of one or two commodities--in Venezuela, oil; in Brazil, coffee; in Uruguay, wool; and in Argentina, hides and meat. Falling prices and contracting markets have both depressed personal incomes in these countries and seriously retarded their own economic development programs. The result has been increasing antagonism toward the US.

The Bloc has reacted to this situation of discontent in a not unfamiliar fashion. It offers to barter not arms but products in great demand at home in exchange for the commodity surpluses of Latin America. Its activities have been concentrated in the three strategic countries: Argentina, Brazil and Uruguay. In these countries not only are economic troubles involving the sale of surplus products and foreign exchange shortages especially severe, but their national foreign policies for some years have tended to be relatively independent of the US.

Argentina has been the prime target of the Soviet economic offensive. Until 1957 Argentina accounted for over half of Latin America's trade with the Bloc. Since then an increasing shortage of foreign exchange and urgent requirements for imports of machinery and materials such as oil and coal have heightened Argentina's receptivity to Bloc offers. Since the first of the year Argentina has signed sizable trade contracts with the USSR, Poland, and Czechoslovakia and negotiations are now in progress with Hungary. Under these contracts Argentina has agreed to purchase, partly on the basis of 4-year credits, steel rails, machinery and transport equipment. In addition, the USSR and to a lesser extent Czechoslovakia have for some time indicated interest in aiding the development of Argentina's petroleum industry, although thus far only fairly vague offers of economic and technical assistance have been forthcoming.

Brazil's attempts to maintain export earnings by withholding its coffee supplies have intensified its chronic shortages of foreign exchange. Meanwhile the country's domestic economy is almost completely dependent on external supplies of fuel and lubricants. On June 4, after more than a year of hints and vague trade proposals, the USSR officially offered Brazil 200,000 tons of crude oil in

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exchange for such commodities as cocoa, cotton and coffee. The appeal of this proposal, which involved about $9 million worth of petroleum, is obvious. In addition, negotiations are currently underway in Rio de Janeiro with a Rumanian trade mission which is offering petroleum production equipment and petroleum products in exchange for Brazilian commodities. Also in May 1958 Brazil contracted to exchange coffee and other commodities amounting to $24 million for 14 Polish merchant ships. Brazil, whose diplomatic relations with the USSR were severed in 1947, has sold minor amounts of certain goods to the Soviet Union for some years, the trade being conducted through other countries or private companies. Lately, however, the USSR has worked for the establishment of official trade relations and has been assisted in this by important political and business groups in Brazil.

In 1958 the USSR displaced Great Britain as the largest importer of Uruguayan wool, the country's main export. Soviet wool purchases amounted to $10 million during the 5 months October through February 1958. Meanwhile Soviet sales to Uruguay were insignificant. In mid-April, however, Uruguay agreed to the first of a possible 10 shipments of Soviet petroleum in payment for the wool. This first shipment reached Montevideo on June 3.

Soviet economic activities have not been confined to these three countries. The USSR, for example, recently bought 15,000 tons of copper wire from Chile; it has contracted with Colombia for the exchange of 20,000 tons of Syrian wheat for Colombian coffee.

Several of the European Satellites as well as the USSR have hinted at offers of industrial plants in Bolivia, Chile, Colombia, Cuba, Ecuador, Mexico, Peru, and Paraguay, as well as in Argentina, Brazil and Uruguay.

Thus, although the total volume of Bloc trade with Latin America has been small to date, the USSR aided by other members of the Bloc has succeeded within the past six months in exploiting depressed or unstable economic conditions in key countries by arranging to purchase surplus commodities for sorely needed fuels or machinery. A significant short-run expansion of Bloc trade with Latin America may be expected during the present disorganization of world commodity markets. This expansion may well be confined to the present period although we must expect that the USSR and its associated communist states will attempt to maintain, in the future, the gains in Latin American trade made during this dislocation.

Soviet Bloc Imports from Latin America

	Total Sino-Soviet Bloc			USSR			European Satellites			Communist China		
	1955	1956	1957	1955	1956	1957	1955	1956	1957	1955	1956	1957
Argentina	80.3	41.9	26.4	29.7	16.7	14.9	51.9	24.4	11.4	0.7	0.8	.1
Brazil	46.6	30.5	40.8	0.7	0.0	0.3	41.3	30.8	40.5	4.6	0.7	a/
Chile	0.3	a/	--	0.0	0.0	--	0.3	a/	--	a/	a/	--
Colombia	1.3	0.7	0.1	0.9	0.4	--	0.4	0.3	0.1	0.0	0.0	--
Cuba	37.4	15.7	43.4	36.4	14.2	43.4	0.6	1.5	--	0.4	a/	a/
Ecuador	--	--	2.9	--	--	--	--	--	2.9	--	--	--
Mexico	0.6	1.6	0.8	0.4	a/	--	a/	0.1	0.3	0.2	1.5	0.5
Peru	--	--	--	--	--	--	--	--	--	--	--	--
Uruguay	10.5	8.0	12.6	4.6	0.4	[illegible]	5.9	7.5	6.8	0.0	0.1	3.5
Venezuela	--	0.2	0.2	--	--	--	--	0.2	.2	--	--	--
Total	179.2	107.6	157.3	72.1	31.7	60.8	100.4	72.8	92.3	2.2	3.1	4.1

a/ Less than $100,000

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Sino-Soviet Bloc Exports to Latin America

	Total Sino-Soviet Bloc			USSR			European Satellites			Communist China		
	1955	1956	1957	1955	1956	1957	1955	1956	1957	1955	1956	1957
Argentina	110.0	59.3	11.8	39.1	26.7	4.8	70.9	31.5	6.6	0.0	1.1	0.[illegible]
Brazil	38.1	46.1	40.1	0.0	0.0	--	38.1	46.1	40.1	0.0	0.0	a/
Chile	2.5	3.1	.9	1.3	2.3	--	a/	a/	.8	1.2	0.8	0.[illegible]
Colombia	1.5	1.5	11.1	c/	c/	--	1.4	1.4	11.1	a/	a/	[illegible]
Cuba	1.3	2.6	2.8	c/	c/	a/	1.3	2.6	2.8	a/	a/	a/
Ecuador	--	--	.4	--	--	--	--	--	.4	--	--	--
Mexico	1.3	2.7	2.8	b/	0.1	b/	1.0	2.0	2.3	0.3	0.6	0.[illegible]
Peru	--	--	1.5	--	--	--	--	--	1.5	--	--	a/
Uruguay	2.5	10.6	4.1	0.1	3.2	0.3	2.4	7.4	3.8	a/	a/	a/
Venezuela	2.0	2.7	4.2	1.9	2.6	0.2	b/	b/	3.8	0.1	0.1	0.[illegible]
Total	159.2	128.6	79.8	42.5	35.0	5.3	115.1	91.0	73.2	1.6	2.6	1.[illegible]

a/ Less than $50,000.
b/ Less than $100,000.
c/ Less than $500,000.

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