

Briefing on Latin AmericaCommunist Parties in Latin America

Latin American Communist parties, exclusive of dissident and pro-Communist groups, have a minimum estimated strength of 225,000 members and several times this number of sympathizers. Their strength appears to be growing. Membership varies from three large parties in Argentina (80-90,000), Venezuela (40-45,000), and Brazil (40,000) to small influential parties in such countries as Chile and Peru and ineffective elements in Haiti and Nicaragua. Communist parties now have legal status in eight countries, (Argentina, Uruguay, Mexico, Ecuador, Colombia, Venezuela, Cuba and Chile) ^U quasi-legality in one (Bolivia), and are ^A relatively free to operate in others including Brazil and Peru. Since late 1957, four of these parties--in Venezuela, Colombia, Chile, and Cuba--have regained legal status and have subsequently stepped up their activities. In Venezuela, Guatemala, Cuba and Colombia, where Communists are attempting with some success to reassert an active role in politics, the parties seem to have the best prospects for expanding their national influence. Communists also have a substantial influence in student and labor movements and intellectual circles in a number of countries. Under the stimulus of Soviet criticism, they have increased their efforts since early 1958 to co-ordinate their activities in the hemisphere through national congresses and special meetings of party leaders.

Latin American Visits to Bloc

Latin American travelers to the Sino-Soviet Bloc countries totalled about 670 in 1955, dropped slightly in 1956, and increased sharply in 1957 to over 1,400 persons. The bulk of the travelers attended "cultural" events, such as the Moscow Youth Festival in 1957, which attracted about 940 Latin Americans. Within the area, Brazil, Chile, Mexico, Argentina, and Uruguay generally contribute the largest number of persons for the Soviet Bloc exchange programs. In 1958, of the approximate 145 Latin American delegations of varying sizes visiting the Soviet Bloc, 15 were strictly "cultural" (artistic, musical, theatrical, literary); there were, however, a larger number of youth, sports, and women's delegations. Moreover, a sizeable number of Latin Americans traveled to Communist China in 1958; all but two of the 20 Latin American Communist parties are known to have had one or more representatives at the 21st Congress of the Communist Party of the Soviet Union in early 1959, and representatives of 12 of the parties subsequently traveled to Peiping. More Latin Americans visited Communist China in the first 6 months of 1959 than during all of 1958.

Economic Developments with the Bloc

Throughout the period between 1953 and the end of 1957, the Soviet Bloc's economic relations with Latin America were confined primarily to commerce. Some technical assistance was extended to

the purchase of capital goods. Nevertheless, trade remained the only important evidence of Bloc efforts to strengthen economic ties with the Latin American countries. Furthermore, trade followed a divergent trend in the 1953-1957 period. From the insignificant level of \$70 million in 1953, Latin American trade with the Bloc rose to a peak of \$334 million in 1955. After this, trade declined and totaled only \$195 million in 1957.

This general pattern underwent an important change in 1958. The year brought the first major credit agreement with any Latin American country when the USSR extended a \$100 million line of credit to Argentina. The downward trend in Bloc trade was also reversed. Total Bloc trade increased by 38 percent over the 1957 level to \$268 million. In spite of this substantial increase, however, the Bloc still accounts for less than 2 percent of Latin America's total world trade.

ARGENTINA

The changing trend in economic relations with the Bloc outlined above is most evident in the case of Argentina both because she is the first South American recipient of an important amount of economic assistance from the Bloc but also because her trade with the Iron Curtain countries more than doubled during 1958.

Credits -- On October 27th, Argentina signed an agreement with

the Soviet Union which granted her a \$100 million line of credit for the purchase of equipment to develop the petroleum industry. The terms provide that the credit must be utilized within three years after the entry into force of the agreement, that repayment may begin three years after the delivery of the goods, that amortization will be spread over seven equal annual installments, and that interest will be at 2½ percent per year. It further provides that individual contracts must be negotiated between the Argentine State Petroleum Monopoly (YPF) and the Soviet foreign trade organizations for the specific items of equipment to be delivered, for the prices to be charged, and for the dates and terms of delivery.

The origin of this agreement was an offer made by the Soviet Union in July of 1958. Argentina responded by sending a delegation to Moscow in the fall to negotiate the terms of the credit. In addition to the agreement establishing the general line of credit, the delegation signed contracts for the delivery of about \$30 million worth of equipment under the terms of the loan.

At the time the credit was extended, the Communist press in Argentina charged that the government did not intend to utilize the full amount. It now appears that there was a good foundation for this claim. The Argentine Deputy Director for Foreign Commerce has stated that YPF has not given final approval to the purchase contracts signed under the credit and therefore no equipment has so far been delivered.

draw upon the credit and he felt that the matter would remain in an inactive status.

The Deputies' statements are probably accurate. YFF has never been impressed with Soviet petroleum equipment and was not enthusiastic about the possibility of purchasing much of it, even on liberal credit terms. Furthermore, relations with the Bloc have cooled in recent months with the expulsion from Argentina of five Soviet Bloc diplomats accused of interfering in Argentine internal affairs.

Trade -- Trade with the Soviet Bloc increased during the last year from a level of \$45 million in 1957 to over \$119 million in 1958. In terms of the proportion of total trade absorbed by the Bloc, this is an increase from slightly over 2 percent of 1957 to about 5 percent for 1958. The expanded trade resulted partly because imports of Soviet crude oil were resumed for the first time in several years as Argentina attempted to economize on hard currency oil imports. Coal imports from Poland were also substantially increased during 1958. Still further, Argentina signed contracts with various Bloc countries early in 1958 for the purchase of hardware and capital equipment totaling about \$27 million. These purchases represented an effort on Argentina's part to reduce the credit balances that it had accumulated over the last few years in its clearing accounts with nearly all Soviet Bloc countries.

tance of the Satellites in Bloc-Argentine trade. In 1957, the USSR took a little less than half of Argentine exports to the Bloc. In 1958, the USSR share was much smaller, probably less than one quarter. This trend was also noticeable in the case of imports.

The commodity composition of exports to the Bloc probably did not change much in 1958 with hides and skins remaining the dominant item (one-third to one-half of the total). Import composition did change some with petroleum and coal becoming more important.

Preliminary data for the first five months of 1959 indicate that the upward trend in trade continued during the first part of this year. For the January-May 1959 period, Argentina's trade with the USSR, Czechoslovakia, and Poland was slightly higher than the level achieved during the same period last year. However, there are a number of indications that this trend will not continue and that trade may even decline later in the year.

First, there is evidence that the heavy Bloc purchases of hides and skins early in 1959 were designed to build up inventories in anticipation of a shortage of hides later in the year, and this may indicate a lower level of purchases in the last half of 1959. Second, Argentine imports from the Bloc during the first five months of 1959, in contrast with total trade, were running below last year's level by a significant amount. This was true in spite of the fact that

deliveries of Bloc petroleum contracted for last year were still being made. As these deliveries have probably been completed, imports should fall off unless new contracts are negotiated. At this point, we have no evidence that such contracts have been or will be signed. Finally, the Argentine government appears to be in the process of reassessing its commercial policies toward the Bloc and to be adopting a more reserved attitude toward this trade.

The credit and trade relations described above are by far the most significant aspects of Argentine-Bloc economic relations. A few other points may be mentioned.

Technicians -- There are something less than 50 Bloc technicians in Argentina. About 40 Hungarian rail technicians are in permanent residence maintaining Ganz railway equipment purchased from Hungary. There are a few Czech engineers supervising the installation of a Czech coal washing plant and generator units at the Rio Turbio coal mines in Southern Argentina.

Other Developments -- Argentina has had trade agreements with most Bloc countries for several years. In 1958, new agreements were signed with Rumania and Bulgaria and an interbank payments agreement was reached with East Germany. However, an interbank payments agreement signed with the Bank of China last fall has not been ratified by Argentina and there appears to be no prospect that it will ever

rejected a protocol calling for expanded trade between Argentina and Hungary.

BRAZIL

Trade -- Brazil maintains formal diplomatic and trade relations with only Poland and Czechoslovakia among the Bloc countries. Formal commercial relations only are maintained with Hungary. Interest in expanded trade with the Soviet Union and in the conclusion of a formal trade agreement with the USSR and other Bloc countries manifested itself in Brazil at several times during 1958. In the first month or two of the year and again during the late summer and fall, there was a great deal of discussion in the press, among government officials, and within commercial circles of the possibility of greater trade with East European countries, primarily the USSR. Interest centered principally around the need to find new outlets for Brazil's growing surplus of coffee.

Brazil's interest in expanded trade has been encouraged by the Bloc in a number of ways. Early in October 1958, Khrushchev granted an interview to a Brazilian newsmen in which he called for greater trade between the two countries and pointed out that this was handicapped by the lack of formal diplomatic relations. This was followed by an invitation to Vice President Goulart and other prominent Brazilians to visit the Soviet Union. The Brazilian ambassadors to

possible increases in trade between the two countries. The Ambassador to London, Chateaubriand, then returned for a second and third trip.

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In spite of all of this, very little business actually resulted. In fact, total trade for 1958 between Brazil and the Bloc remained at about the \$75 million level reached in 1957. The USSR seems to be willing to encourage discussions and to hold out hopes for greater trade, but the evidence does not indicate that there is much prospect for a significant expansion of trade. The USSR is not an important consumer of coffee, the export Brazil is most interested in selling-- the USSR imports only about 70,000 bags per year, while Brazil has a 25,000,000 bag surplus. Furthermore, the Brazilians are concerned about the possible re-export of any coffee the Soviets may decide to buy, and the USSR has never been willing to guarantee that this would not take place. Finally, the USSR is using the prospect of increased trade as a gambit to reestablish diplomatic relations and may not be willing to expand trade significantly until this has been accomplished. Up to this point, opposition in Brazil to the restoration of diplomatic relations has remained strong. However, the recent deterioration in Brazil's relations with the International Monetary Fund and the financial

expanded relations with the USSR and the rest of the Soviet Bloc. How strong this tendency will be probably depends upon the possibility of a rapprochement between Brazil and the IMF or, failing that, upon the willingness of the U.S. to grant assistance even though Brazil fails to reach an agreement with the fund.

During 1958, 3 percent of Brazil's world trade was conducted with Bloc countries. Trade during the first quarter of 1959 was substantially above the corresponding period of last year, but it probably will not grow to a significant portion of Brazil's total trade. In the spring of 1958, Brazil and Poland concluded an agreement by which Poland will deliver about \$25 million worth of ships over a three year period beginning in 1959 in exchange for Brazilian products, mainly coffee. A small barter transaction was also concluded with the USSR calling for the exchange of about \$1 million worth of crude oil for an equivalent amount of cocoa. This transaction came in response to a Soviet offer made in the spring of 1958. After long and careful study, the Brazilians decided to accept only a portion of the original offer as a trial to determine if further transactions would be worthwhile.

URUGUAY

Trade -- Like Argentina, Uruguay experienced a substantial increase in its direct trade with the Bloc during 1958. From a level of \$15 million in 1957, it increased to \$37 million in 1958. In proportional

about 14 percent of 1958 trade. The increase was partly the result of expanded Uruguayan purchases of Soviet POL products and Soviet cotton. But by far the most important factor was the large increase in direct Bloc purchases of Uruguayan wool.

Wool from Uruguay -- Wool accounts for the major part of Uruguay's exports to the Bloc. The Bloc was the single most important purchaser of the 1957-58 wool clip, taking 26 percent of the amount exported.

However, the importance of this increase is more apparent than real. Before 1958, the USSR purchased most of its Uruguayan wool indirectly through the Netherlands. The expansion of trade in 1958 merely reflects the fact that, for political reasons, the USSR made its wool purchases directly from Uruguay. The quantity of wool purchased was evidently greater in 1958 than in 1957 or 1956, but since prices were generally lower it appears that the dollar value of sales changed relatively little. If indirect purchases in 1957 are taken into consideration, Uruguay's total Bloc trade in that year was close to \$30 million, rather than the \$15 million cited above, and the increase during 1958 was only about \$7 million.

When the 1958-59 (September 30-October 1) wool clip went on sale, the Bloc entered the market with renewed vigor and by February 15 when its purchases stopped it had bought \$24.6 million or 41 percent of all wool sold. However, it is impossible to tell at this point

direct purchases of Uruguayan wool since February 15. It is not clear whether this withdrawal from the market is an effort to pressure Uruguay into increasing its imports of Bloc products, particularly petroleum, or if it reflects the fact that the early heavy purchases have temporarily filled Bloc requirements. The Bloc intentions are still further obscured by the fact that, for the first time in over a year, it has made a few small indirect purchases of Uruguayan wool through the Netherlands. Thus any forecast of total wool sales to the Bloc for all of 1959 would be premature at this time.

During the last year, Uruguay has made important purchases of petroleum and petroleum products from the USSR. During 1958, orders were placed amounting to almost \$4.0 million and, in January of 1959, contracts for \$10.0 million more were signed. These purchases were probably made in response to Soviet pressure to expand imports from the Bloc to help balance the wool purchases being made by the communist countries. It now appears, however, that Uruguay is seriously considering the abandonment of its petroleum purchases from the USSR. If this new policy is adopted the Bloc may respond by reducing its future wool purchases, and Uruguay's total Bloc trade could then be expected to decline from the 1958 level.

One interesting aspect of the Uruguayan-USSR trade is the fact that it is conducted in sterling. Since Uruguay has regularly exported more

a source of hard currency for Uruguay.

CUBA

Cuba has shipped important amounts of sugar to the Bloc, primarily to the USSR, during the last several years. The year 1957 was the peak for this trade when \$42.0 million was exported. In 1958, this amount was more than cut in half. Because of lower sugar prices as well as a smaller volume of sugar sold, total Cuban trade with the Bloc was about \$20 million.

This downward trend in Cuban trade with the Bloc appears to have continued into 1959. In fact, as of the present no sugar sales have been reported. Since the Bloc usually makes its purchases in the first half of the year, this may mean that Cuban-Bloc trade will drop in 1959 to a small fraction of its former size. However, there is the possibility that sales have been made but not as yet reported because of delays on the part of the new Cuban government.

Other Countries -- Economic relations between the Latin American countries other than the four discussed above have been limited and of little importance. In 1958, the total direct trade of all of these countries with the Bloc was no more than \$16 million.

CHILE

Chile was the only country in this group that experienced a substantial increase in its Bloc trade. About \$10 million in copper wire

the first six months of 1958, some low grade iron ore was sold to

Czechoslovakia.

From time to time over the past few years there have been reports of possible Chilean sales of nitrate to Communist China. Negotiations are again under way for the sale of 10,000 tons of sodium nitrate to Communist China in exchange for sterling. In contrast to some of the earlier negotiations, the Chinese appear to be in earnest in this case. However, it is still not certain that the transaction will be completed.

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COLOMBIA

Colombia's trade with the Bloc amounted to about \$3.0 million in 1958. Two Bloc trade missions visited the country during the last 18 months in an effort to promote increased trade. A delegation from the Soviet Embassy in Mexico City was present during January and February of 1958 and a Czech delegation made a visit early in 1959. New trade agreements have recently been signed with Rumania and Hungary. However, there is no evidence to suggest any substantial increase in trade will result from these visits.

MEXICO AND VENEZUELA

During 1957, Mexico and Venezuela both had about the same level of trade with the Bloc, roughly \$4 million for each country. There is no indication that an increase in trade can be expected.

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<p>The attached is an unclassified piece relating to Communist Bloc economic activities in Latin America. It has been prepared as a result of the visit last week of Prof. Dyer. You will recall he is a member of the staff of the Interstate and Foreign Commerce Committee of the Senate, working under the direction of Senator Smathers.</p>			
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