

#227

SOVIET-LATIN AMERICAN ECONOMIC RELATIONS

Ruben Berrios
Professor of Economics
University of Pittsburgh

This paper was originally presented at the Soviet Policy in the Third World Conference held at the University of Arizona from January 7-10, 1987, and was revised during the summer of 1987, when the author was a short-term scholar at the Kennan Institute for Advanced Russian Studies of the Woodrow Wilson International Center for Scholars in Washington, D.C.

Copyright 1988 by the Wilson Center

**Kennan Institute for Advanced Russian Studies
Woodrow Wilson International Center for Scholars**

The following essay was prepared and distributed by the Kennan Institute for Advanced Russian Studies as part of its Occasional Paper series. The series aims to extend Kennan Institute Occasional Papers to all those interested in Russian and Soviet studies and to help authors obtain timely feedback on their work. Occasional Papers are written by Kennan Institute scholars and visiting speakers. They are working papers presented at, or resulting from, seminars, colloquia, and conferences held under the auspices of the Kennan Institute. Copies of Occasional Papers and a list of Occasional Papers currently available can be obtained free of charge by writing to:

**Occasional Papers
Kennan Institute for Advanced Russian Studies
Woodrow Wilson International Center for Scholars
Smithsonian Institution
955 L'Enfant Plaza, Suite 7400
Washington, D.C. 20560**

The Kennan Institute for Advanced Russian Studies was established in 1975 as a program of the Woodrow Wilson International Center for Scholars. The Kennan Institute was created to provide a center in Washington, D.C., where advanced research on Russia and the USSR could be pursued by qualified U.S. and foreign scholars, where encouragement and support could be given to the cultivation of Russian and Soviet studies throughout the United States, and where contact could be maintained with similar institutions abroad. The Kennan Institute also seeks to provide a meeting place for scholars, government officials and analysts, and other specialists on Russia and the Soviet Union. This effort to bridge the gap between academic and public affairs has resulted in novel and stimulating approaches to a wide range of topics. The Kennan Institute is supported by contributions from foundations, corporations, individuals, and the United States government.

The Kennan Institute is a nonpartisan institution committed to the exploration of a broad range of scholarship. It does not necessarily endorse the ideas presented in its Occasional Papers.

Prior to the Cuban revolution in 1959, Latin America was an area of little concern to the Soviet Union. In 1960, aside from Cuba, the USSR had relations with only three Latin American nations: Argentina, Uruguay, and Mexico. Cuba, a socialist country and a member of the Council for Mutual Economic Assistance (CMEA) since 1972, maintains a unique trade and economic relationship with the USSR and thus is treated separately in this study. Argentina, Uruguay, and Mexico perceived definite advantages in maintaining relations with the Soviet Union, but other Latin American states remained openly aligned with the United States. Although Cuba generated a degree of Soviet interest in Latin America, the Soviets still viewed the continent as an area of almost exclusive American influence. The Soviet capacity to project its power over the region was limited, given Latin America's great distance from the USSR, and its strategic interest to the nearby United States. Other political considerations obstructed Soviet diplomacy in the region as well. For example, in the early 1960s, developments in Cuba and the attempt on the part of the United States to convince its conservative Latin American allies to break diplomatic and economic ties with that island nation caused a wave of anti-Soviet sentiment. In 1965, the Johnson administration feared a communist takeover in the Dominican Republic and authorized an invasion of the Caribbean nation in order to prevent a popular nationalist movement from gaining power.¹

In the late 1960s and early 1970s, when widespread socioeconomic and political changes were occurring in much of Latin America, many of these nations diversified their diplomatic and commercial ties. The easing of East-West tensions; growing Latin American nationalism, self-confidence, and global assertiveness; and rapid Latin American economic growth and expanded industrial capacity, facilitated efforts on the part of these Latin American

countries to diversify their dependence on foreign nations by expanding their international contacts.

Although these attempts at diversification have produced less rapid and less far-reaching changes than originally anticipated, they have caused a number of nations in the region to re-evaluate their relations with the United States. The dominance of the United States in the region had gone unchallenged until the 1960s, when American hegemony began to erode. Still, while the terms and degree of Latin American dependence may have changed somewhat, American economic and political influence remain important. At the same time, the role of the United States is diminishing as Japan, the European Economic Community (EEC) and CMEA countries become more involved in the region.²

As it became apparent that the Cuban revolution was failing to reach beyond Cuban borders, the Soviet Union increased its diplomatic efforts to woo Latin American leaders. During détente, when East-West tensions lessened and a climate of moderation and low-profile diplomacy prevailed, the USSR sought a more active role in Latin America and developed a more pragmatic policy toward the region by cultivating relations with a number of states, regardless of their political orientation. The USSR took advantage of the more independent position of many Latin American countries and succeeded in expanding diplomatic and commercial relations with most countries in the region. By 1975, the number of countries with whom the Soviet Union had diplomatic and trade relations had increased to 20.

The Soviets still accord low priority to Latin America relative to other regions, but, prompted by events of the early 1980s in Central America and the Caribbean, Moscow has begun to attach added importance to the region. The

recent visits of Soviet Foreign Minister Eduard Shevardnadze to Mexico in October 1985, and to Brazil and Argentina in September 1987, as well as the visit of Argentina's President Raul Alfonsin to Moscow in October 1986, mark the significance of increased contact. These visits also indicate a new emphasis in Soviet foreign policy on establishing closer ties with key countries in Latin America. General Secretary Mikhail Gorbachev is expected to make a reciprocal visit to Mexico, Brazil and Argentina at the end of 1988.³

In a bipolar world dominated by two superpowers, the expansion of diplomatic and commercial relations with the USSR and Eastern Europe is economically and politically profitable for Latin America. By diversifying economic ties, these nations hope to achieve greater economic independence within the world economy. The protectionist trend in the United States has also led many Latin American governments to seek markets elsewhere. These moves by Latin Americans have generally been accompanied by the pursuit of a more vigorous and independent foreign policy, as well as by demonstrations of growing autonomy vis-à-vis the United States. Thus during the early 1970s, a number of Latin American countries nationalized American-owned firms, demanded the reform of the Organization of American States (OAS), joined the nonaligned movement, united behind Panama in its claim for the Panama Canal, spurned the Inter-American Treaty of Reciprocal Assistance concerning military cooperation with the United States, and lifted the trade embargo against Cuba imposed by the OAS membership in 1964.

The decline in the preponderance of the United States in the Western Hemisphere is evident in the decrease in Latin America's share of American trade and investment flows over the past two decades. In 1961, 18.5 percent

of the total value of United States exports were to Latin America and 23 percent of its imports came from Latin America. By 1973, these figures had declined to 14.3 percent and 14.7 percent, respectively.⁴ Similarly, direct investment flows from the United States to Latin America fell from 26 percent in 1960 to 18 percent in 1980. These changes offered the USSR opportunities for economic and political breakthroughs in Latin America. While the capacity of the United States to control events in Latin America has been undercut over the past 20 years, Soviet efforts to broaden economic ties have been successful in terms of the number of countries involved, but not in terms of trade volume. By the mid-1980s, if Cuba is excluded, Soviet-Latin American trade, as a percentage of the total volume of Soviet trade, was still small.

The improvement in Soviet-Latin American relations has triggered controversy and confusion within the United States government.⁵ In general, the expanded Soviet economic presence in the region is not viewed by Latin American leaders as a direct threat to their interests. Indeed, governments across the political spectrum have traded with the USSR, including rightist authoritarian regimes.

Since the early 1970s, the Soviets have revised their views regarding international economic relations. They have acknowledged the existence of a single world market, rather than two opposing systems; interdependence; and the diversity of the Third World. Soviet general secretaries from Leonid Brezhnev to Mikhail Gorbachev have emphasized the expansion of cooperation with developing countries within the existing world system, rather than promotion of the "economic liberation" of Third World nations.⁶ Recently, Soviet representatives have participated in Latin American trade fairs in order to market Soviet machinery. Since 1979, the USSR has joined in

Tripartite Industrial Cooperation (TIC) agreements in the region, and has also shown considerable interest in setting up joint ventures with state or private firms in Latin America, particularly with those involved in hydroelectric power projects, irrigation projects, as well as in the mining and fishing sectors of the economy.⁷ The East Europeans, by contrast, have been engaged in a number of TIC agreements and joint ventures since the early 1970s (see Table 1).

Soviet-Latin American Trade

Trade is an aspect of the growing Soviet presence in developing countries. Although Soviet trade with Latin America, relative to other regions of the world, has by and large been insignificant, it contributes in important ways to the larger goal of solidifying Soviet-Latin American ties. Prior to 1960, trade with Latin America was sporadic, unstable and confined to a few countries.⁸ However, by 1985, the total volume of Soviet-Latin American trade reached about 2.2 billion rubles (see Table 2). Latin American exports to the USSR were nearly four-and-a-half times Soviet exports to Latin America. The Soviets are uncomfortable with the trade imbalance, but they are willing to incur large trade deficits in order to establish a presence in a potentially promising market.⁹

The volume of trade between Latin America and the USSR considered with its six East European CMEA partners has increased more than fifteenfold since 1960. However, if Cuba is excluded, only 3 percent of Latin American exports were to CMEA nations, and only about 1 percent of the region's imports were from CMEA nations in 1985 (see Table 3). However, these figures could be deceiving because they do not take into account the value of countertrade, which is significant for nations such as Peru and Bolivia. Within the CMEA,

Table 1

JOINT VENTURES WITH EAST EUROPEAN CMEA PARTICIPATION IN LATIN AMERICA

| Latin American Countries | East European CMEA Countries | | | | | | Total |
|--------------------------------|------------------------------|----------------|-----|--------|---------|---------|-------|
| | Bulgaria | Czechoslovakia | GDR | Poland | Rumania | Hungary | |
| Argentina | -- | 2 | -- | -- | -- | -- | 2 |
| Bolivia | -- | 1 | -- | -- | -- | -- | 1 |
| Brazil | -- | 2 | -- | -- | 1 | 1 | 3 |
| Chile | -- | 1 | -- | -- | -- | -- | 2 |
| Ecuador | -- | 1 | -- | -- | -- | -- | 1 |
| Guatemala | -- | 1 | -- | -- | -- | -- | 1 |
| Mexico | -- | 4 | 1 | -- | 1 | 1 | 7 |
| Nicaragua | 1 | -- | -- | -- | -- | -- | 1 |
| Panama | -- | -- | -- | 1 | -- | -- | 1 |
| Peru | -- | 1 | -- | -- | 2 | 2 | 5 |
| Venezuela | -- | 4 | -- | 1 | -- | -- | 5 |
| TOTAL | 1 | 18 | 1 | 2 | 4 | 4 | 30 |

Source: CEPAL, "Perspectivas de la cooperación industrial entre los países miembros del CAME y los países de América Latina," E/CEPAL/SEM.17/R.3, 16 de mayo, 1984.

Table 2

SOVIET-LATIN AMERICAN TRADE
(millions of rubles)

| | 1960 | 1970 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|--------------------|------|------|-------|-------|-------|-------|-------|---------|---------|---------|---------|---------|---------|
| EXPORTS | | | | | | | | | | | | | |
| Argentina | 12.6 | 1.7 | 10.7 | 8.5 | 13.4 | 22.4 | 28.4 | 30.4 | 30.6 | 27.5 | 25.9 | 25.6 | 62.4 |
| Bolivia | - | 0 | 3.0 | 4.2 | 3.6 | 5.3 | 5.2 | 5.5 | 9.8 | 2.8 | 0.7 | 1.0 | 0.2 |
| Brazil | 14.2 | 2.4 | 93.3 | 76.1 | 104.4 | 34.9 | 19.9 | 22.1 | 16.3 | 179.9 | 106.8 | 95.3 | 70.3 |
| Chile | - | 0.5 | - | - | - | - | - | - | - | - | - | - | - |
| Colombia | 0 | 1.5 | 1.9 | 1.7 | 1.8 | 5.5 | 8.2 | 9.1 | 3.3 | 6.8 | 3.3 | 3.7 | 5.2 |
| Costa Rica | - | - | 0.5 | 0.6 | 0.2 | 0.1 | 0.3 | 0.9 | - | - | - | NA | NA |
| Dominican Republic | - | - | - | - | - | - | - | - | - | - | - | NA | NA |
| El Salvador | - | - | 0.1 | 0 | 1.1 | 0 | NA | NA | - | - | - | NA | NA |
| Ecuador | - | 0.1 | 0.6 | 0.4 | 0.5 | 0.6 | 0.8 | - | - | - | - | NA | NA |
| Guatemala | - | - | - | - | - | - | NA | NA | - | - | - | NA | NA |
| Guayana | - | - | 0 | 0 | - | - | - | - | - | - | - | NA | NA |
| Jamaica | - | - | 0 | 0 | - | - | - | - | - | - | - | NA | NA |
| Mexico | 0.7 | 0.7 | 4.4 | 6.9 | 1.2 | 2.4 | 0.7 | 11.9 | 4.0 | 7.8 | 2.9 | 1.7 | 4.2 |
| Nicaragua | - | - | - | - | - | - | - | - | NA | 21.7 | 42.4 | 137.6 | 212.3 |
| Panama | - | 0.1 | - | 3.8 | 5.7 | 5.2 | 10.3 | 15.1 | 21.6 | 8.2 | 8.8 | 12.0 | 10.4 |
| Peru | - | 0.1 | 28.3 | 13.9 | 26.4 | 16.8 | 2.8 | 3.1 | 13.0 | 14.5 | 4.7 | 25.0 | 11.3 |
| Uruguay | 1.2 | 0.8 | 1.0 | 1.3 | 1.2 | 0.9 | 1.6 | 2.4 | 1.8 | 1.0 | 1.6 | 22.7 | 33.5 |
| Venezuela | - | - | 0.2 | 0.3 | 2.7 | 0.7 | NA | - | - | - | - | - | - |
| IMPORTS | | | | | | | | | | | | | |
| Argentina | 19.5 | 28.2 | 293.7 | 225.4 | 191.6 | 308.8 | 288.7 | 1,162.1 | 2,372.3 | 1,265.4 | 1,299.6 | 1,104.3 | 1,229.9 |
| Bolivia | - | 3.1 | 9.6 | 12.3 | 27.7 | 34.3 | 32.4 | 20.0 | 11.3 | 19.1 | 13.1 | 2.6 | 0.7 |
| Brazil | 8.4 | 20.8 | 302.8 | 369.4 | 209.6 | 130.2 | 160.0 | 252.9 | 533.9 | 415.5 | 590.6 | 372.5 | 380.0 |
| Chile | - | 0.7 | - | - | - | - | - | - | - | - | - | - | - |
| Colombia | 0.2 | 9.4 | 7.1 | 3.3 | 7.4 | 0.1 | 3.0 | 12.0 | 12.1 | 13.4 | 13.3 | 14.5 | 21.2 |
| Costa Rica | - | 6.2 | - | 2.2 | 3.6 | 5.6 | 8.4 | 3.0 | - | - | - | - | - |
| Dominican Republic | - | - | - | - | - | - | NA | - | - | - | - | - | - |
| El Salvador | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Ecuador | - | 0.7 | 12.9 | 7.4 | 9.8 | 3.3 | 2.1 | - | - | - | - | - | - |
| Guatemala | - | - | - | - | - | - | - | - | - | - | - | NA | NA |
| Guayana | - | - | 24.5 | - | 1.6 | 3.5 | NA | - | - | - | - | NA | NA |
| Jamaica | - | 0.7 | 11.2 | - | - | - | - | - | - | - | - | - | - |
| Mexico | 3.0 | 0.3 | 1.7 | 11.1 | 1.7 | 11.0 | 4.1 | 1.9 | 18.7 | 21.0 | 8.7 | 14.4 | 16.1 |
| Nicaragua | - | - | - | - | - | - | - | - | - | 5.8 | 9.5 | 0.5 | 0.3 |
| Panama | - | 0 | - | 0 | - | - | 0.2 | 0 | - | - | - | 0.1 | - |
| Peru | - | 0.2 | 90.2 | 18.1 | 20.4 | 15.7 | 9.9 | 10.2 | 22.2 | 10.7 | 16.2 | 42.6 | 108.5 |
| Uruguay | 1.2 | 1.0 | 14.0 | 4.1 | 8.6 | 12.4 | 11.7 | 21.4 | 49.9 | 52.2 | 52.6 | 46.8 | 32.4 |
| Venezuela | - | - | - | NA | NA | NA | NA | NA | NA | - | - | - | - |

Source: Ministerstvo Vneshnei Torgovli, Vneshniaia Torgovlia SSSR, 1922-1981, Moscow, Financy; Statistika, 1985; various editions of the journal Vneshniaia Torgovlia SSSR from 1975 to 1987.

Table 3

LATIN AMERICAN EXPORTS AND IMPORTS TO SELECTED COUNTRIES AND REGIONS
1960-1985

(Millions of dollars)

| YEAR | WORLD | USA | EEC | JAPAN | CMEA | % OF CMEA |
|----------------|---------|--------|--------|-------|-------|--------------|
| <u>EXPORTS</u> | | | | | | |
| 1960 | 8,499 | 3,417 | 1,515 | 196 | 144 | 1.7 |
| 1965 | 11,263 | 3,768 | 2,220 | 429 | 303 | 2.7 |
| 1970 | 15,253 | 4,893 | 3,256 | 814 | 317 | 2.1 |
| 1971 | 15,005 | 4,822 | 3,004 | 796 | 324 | 2.1 |
| 1972 | 17,293 | 5,431 | 3,619 | 896 | 414 | 2.4 |
| 1973 | 24,971 | 7,726 | 6,223 | 1,341 | 710 | 2.8 |
| 1974 | 39,842 | 13,684 | 7,906 | 1,773 | 1,005 | 2.5 |
| 1975 | 36,332 | 11,440 | 7,340 | 1,516 | 1,452 | 4.0 |
| 1976 | 41,670 | 13,353 | 8,798 | 1,796 | 1,399 | 3.4 |
| 1977 | 49,164 | 15,724 | 10,679 | 2,021 | 1,560 | 3.2 |
| 1978 | 52,845 | 17,643 | 11,486 | 2,156 | 1,521 | 2.9 |
| 1979 | 70,470 | 23,416 | 15,039 | 3,070 | 1,905 | 2.7 |
| 1980 | 88,249 | 29,119 | 17,618 | 4,462 | 2,997 | 3.4 |
| 1981 | 91,519 | 36,610 | 20,939 | 6,390 | 5,099 | 4.8 |
| 1982 | 84,484 | 36,197 | 19,900 | 6,018 | 3,310 | 3.4 |
| 1983 | 85,915 | 39,302 | 19,361 | 6,238 | 3,639 | 3.7 |
| 1984 | 95,553 | 46,566 | 20,715 | 6,970 | 3,339 | 3.2 |
| 1985 | 93,112 | 47,412 | 19,884 | 6,026 | 3,085 | 3.0 |
| <u>IMPORTS</u> | | | | | | |
| 1960 | 8,107 | 3,507 | 1,576 | 217 | 157 | 1.9 |
| 1965 | 9,605 | 3,923 | 1,671 | 394 | 126 | 1.3 |
| 1970 | 15,031 | 5,906 | 2,767 | 845 | 145 | 1.0 |
| 1971 | 16,676 | 5,891 | 3,205 | 1,195 | 187 | 1.1 |
| 1972 | 18,869 | 6,434 | 3,982 | 1,319 | 174 | 0.9 |
| 1973 | 24,460 | 8,493 | 5,948 | 1,811 | 240 | 1.0 |
| 1974 | 42,309 | 13,857 | 9,107 | 3,174 | 376 | 0.9 |
| 1975 | 45,161 | 15,820 | 9,842 | 3,602 | 371 | 0.8 |
| 1976 | 45,172 | 15,210 | 8,763 | 3,383 | 387 | 0.9 |
| 1977 | 49,990 | 16,357 | 9,868 | 4,290 | 426 | 0.8 |
| 1978 | 58,462 | 19,369 | 11,463 | 5,042 | 517 | 0.9 |
| 1979 | 73,917 | 25,234 | 14,089 | 5,234 | 577 | 0.8 |
| 1980 | 100,417 | 36,072 | 17,382 | 7,378 | 704 | 0.7 |
| 1981 | 111,135 | 40,510 | 19,484 | 9,747 | 792 | (0.7) |
| 1982 | 90,259 | 31,885 | 15,752 | 8,524 | 941 | (1.0) |
| 1983 | 66,964 | 24,146 | 11,439 | 5,669 | 974 | (1.3) |
| 1984 | 69,175 | 27,787 | 11,498 | 7,476 | 879 | (1.0) |
| 1985 | 75,308 | 29,173 | 13,160 | 7,450 | 717 | (0.9) |

Source: IMF, Direction of Trade, Annual from 1960-1977 and Yearbook 1981 and 1986. Based on calculations done by the author.

the USSR is by far the main trade partner; during the first half of the 1980s, the USSR accounted for over 50 percent of the CMEA's total imports and over 30 percent of total exports.¹⁰

Although attempts have been made to expand Soviet-Latin American trade over the past two decades, problems still need to be resolved.¹¹ While Latin American exports to the USSR have increased substantially, Soviet sales to Latin America have not grown proportionately. Political and business prejudices on the part of Latin American representatives have impeded the effort to expand Soviet exports. The widespread assumption that Soviet goods are of inferior quality hinders sales, even when Soviet prices are lower and their credits are better. The Soviets' ability to expand their exports also suffers from problems stemming from Soviet centralized planning and from occasional mistakes in judgment. On the other hand, CMEA nations sometimes complain about the price and quality of Latin American goods. Moreover, high transport costs due to the great distances goods must travel, the unreliability of deliveries from Latin American nations, and Latin America's inability to provide credit facilities have also posed problems in the Soviet-Latin American trade relationship.

Thus far Latin America has consistently run a trade surplus with the USSR. By contrast, the Soviet Union maintains trade surpluses with nations in Asia and the Middle East. Moreover, Soviet trade with Latin America has been irregular and uneven; it is still concentrated in only a few countries: Argentina, Brazil, Peru, Nicaragua and Uruguay. The remaining Latin American nations exchange only a few million dollars annually with the USSR.

There is a remarkable similarity between the structure of Soviet-Latin American trade and the general structure of North-South trade.¹² Over 80

percent of Soviet purchases from Latin America consist of agricultural or primary products (see Table 4). More than half of all Soviet exports to Latin America are manufactured goods, and the proportion is growing. Such exports include machine tools and equipment for hydroelectric and thermal power generation, mining, construction, and transportation.

Geographic Distribution

Despite low levels of trade, economic contacts among Latin American and CMEA countries have been increasing; this is evident in the signing of more than 300 accords and treaties on trade, and economic and technical-scientific cooperation (see Table 5). Most of these are bilateral agreements worked out by government commissions representing both sides. By 1983, the Latin American nations that had signed the largest number of accords and agreements with CMEA countries were: Mexico, with 48; Peru, with 45; Argentina, with 41; and Nicaragua, with 34. In addition, about 230 projects with CMEA participation had been completed or were under construction, and others were being planned.¹³

A negative aspect of Latin American exports to CMEA countries has been the high degree of geographic concentration among certain Latin American nations. In 1960, 50 percent of all Latin American exports to CMEA nations were from Brazil, and 30 percent were from Argentina. In 1970, Brazil's share of exports declined to 37 percent, and Argentina's portion fell to 23 percent, while Colombia comprised 11 percent of all Latin American exports and Peru accounted for 10 percent. Together these four countries represented 83 percent of all exports to CMEA nations. By 1980, Argentina had become the region's leading exporter to the CMEA, comprising 47 percent of total exports.

Table 4
ALADI^a: EXPORTS TO CMEA COUNTRIES OF EASTERN EUROPE^b BY PRODUCTS
(FOB value - millions of dollars)

| YEAR | SITC 0 - 9 | | SITC 0 & 1 | | SITC 2 & 4 | | SITC 3 | | SITC 5 | | SITC 7 | | SITC 6 & 8 | | SITC 68 | | TOTAL 5, 6, 7, 8 Excluding 68 = (E + F + G - H) | |
|------|---------------|-------|---------------|-------|---------------|------|-----------|------|-----------|------|-----------|------|---------------|------|------------|------|---|------|
| | EE | USSR | EE | USSR | EE | USSR | EE | USSR | EE | USSR | EE | USSR | EE | USSR | EE | USSR | EE | USSR |
| 1970 | 310 | 67 | 193 | 31 | 99 | 30 | -- | -- | 5 | -- | -- | -- | 12 | 5 | 2 | 2 | 15 | 3 |
| 1975 | 1,447 | 856 | 1,041 | 663 | 277 | 155 | 4 | -- | 2 | 1 | 1 | 118 | 35 | 45 | 15 | 79 | 23 | |
| 1976 | 1,564 | 712 | 929 | 342 | 455 | 312 | 5 | -- | 6 | 1 | 1 | -- | 169 | 57 | 78 | 24 | 98 | 34 |
| 1977 | 1,760 | 580 | 1,057 | 198 | 447 | 268 | 2 | -- | 23 | 3 | 1 | -- | 241 | 111 | 104 | 55 | 150 | 59 |
| 1978 | 1,675 | 668 | 1,125 | 414 | 305 | 158 | 14 | -- | 9 | 3 | 1 | -- | 221 | 93 | 95 | 57 | 136 | 39 |
| 1979 | 2,027 | 737 | 1,298 | 453 | 406 | 162 | 34 | 14 | 25 | 6 | 3 | 1 | 268 | 100 | 94 | 47 | 202 | 60 |
| 1980 | 3,585 | 2,112 | 2,480 | 1,582 | 756 | 432 | 20 | 12 | 32 | 10 | 2 | 1 | 295 | 76 | 58 | 33 | 271 | 54 |
| 1981 | 5,174 | 3,713 | 3,830 | 2,936 | 994 | 647 | 29 | 22 | 45 | 17 | 1 | 1 | 274 | 81 | 57 | 17 | 263 | 82 |
| 1982 | 3,250 | 2,227 | 2,284 | 1,649 | 687 | 483 | 41 | 4 | 29 | 14 | 2 | 0 | 207 | 76 | 38 | 16 | 200 | 74 |

a/ ALADI (Asociación Latinoamericana de Integración) includes Argentina, Brazil, Bolivia, Colombia, Ecuador, Mexico, Perú, Uruguay and Venezuela.

b/ Includes Bulgaria, Czechoslovakia, Hungary, Poland, GDR, Rumania and the USSR.

Source: United Nations, Monthly Bulletin of Statistics, May 1981 and 1984.

Table 5

ECONOMIC, INDUSTRIAL AND TECHNO-SCIENTIFIC COOPERATION
AGREEMENTS ESTABLISHED BETWEEN LATIN AMERICA AND THE CMEA COUNTRIES*

| Latin America | Bulgaria | Czechoslovakia | Hungary | Poland | GDR | Rumania | USSR | Total |
|-------------------|----------|----------------|---------|--------|-----|---------|------|-------|
| Argentina | 2 | 4 | 3 | 10 | 2 | 8 | 8 | 37 |
| Bolivia | 2 | 2 | 2 | 3 | 1 | 2 | 4 | 16 |
| Brazil | 3 | 1 | 2 | 4 | 2 | 7 | 5 | 24 |
| Colombia | 4 | 4 | 2 | 3 | 4 | 3 | 4 | 24 |
| Costa Rica | 1 | 3 | 1 | 1 | 1 | 3 | 1 | 11 |
| Chile | - | - | - | - | - | 3 | - | 3 |
| Ecuador | 2 | 2 | 4 | 2 | 1 | 4 | 1 | 16 |
| El Salvador | 1 | - | 1 | 1 | - | 2 | 1 | 6 |
| Guyana | - | - | 3 | - | 2 | 2 | 4 | 11 |
| Guatemala | - | 1 | - | - | - | - | - | 1 |
| Jamaica | - | - | 3 | - | - | - | 6 | 9 |
| Mexico | 6 | 4 | 5 | 3 | 9 | 11 | 5 | 43 |
| Nicaragua | 9 | 5 | - | 1 | 4 | 2 | 11 | 32 |
| Panama | 2 | 2 | 2 | - | 1 | - | - | 7 |
| Peru | 3 | 4 | 9 | 8 | 3 | 8 | 9 | 44 |
| Trinidad & Tobago | - | - | - | - | - | 1 | - | 1 |
| Uruguay | 2 | 2 | 2 | - | - | 1 | 3 | 10 |
| Venezuela | - | - | 1 | - | - | 4 | 1 | 6 |
| TOTAL | 37 | 34 | 40 | 36 | 30 | 61 | 62 | 301 |

*This takes into account agreements signed between 1961-83 which until then were still valid.

Source: Bases contractuales de las relaciones económicas entre los países de América Latina y los países miembros de CAME. Recopilación de convenios, acuerdos y protocolos vigentes. E/CEPAL/Proy. 4/R.14, Noviembre 1979, Vol. I E II; Ministerio de Relaciones Exteriores de la URSS, Recopilación de acuerdos y convenios vigentes concertados por la URSS con otros países, 1972-1982; Relaciones entre los países de América Latina y los países miembros del consejo de Asistencia Mútua Económica (CAME), E/CEPAL/Proy. 4/R.16, Noviembre de 1979; Perspectivas de la cooperación industrial entre los países miembros del CAME y los países de América Latina, E/CEPAL/Sem. 17/R.3, Mayo 16, 1984, anexo I.

Argentina

In fact, the USSR has become the single most important trade partner of Argentina, purchasing 20.1 percent of all Argentine exports. In 1981, the USSR absorbed 33.7 percent of Argentina's total exports--an exceptionally sharp rise caused by increased Soviet purchases of Argentine grain to compensate for the embargo on American grain exports to the USSR imposed in protest of the Soviet occupation of Afghanistan. In 1981, the USSR absorbed 80 percent of Argentina's grain exports, while Argentina purchased only about 30 million rubles worth of Soviet goods, much of it in machinery and equipment.¹⁴ By 1982, the lifting of the American grain embargo and an improved Soviet harvest meant that the USSR and other CMEA nations needed to import less grain. Although Soviet purchases of grain began to fall during subsequent years, in January 1986 the USSR signed a five-year commitment to buy 4.5 million tons of grains annually from Argentina.¹⁵

Argentina's export of manufactured goods to CMEA nations during the 1970s grew at a relatively steady pace; in 1975, manufactured goods comprised 8.8 percent of all Argentine exports to Eastern Europe, and in 1979, this figure increased to 18.4 percent.¹⁶ The relative importance of exports of manufactured goods in the overall Argentine economy during the 1980s has decreased because of a significant increase in its grain sales to the USSR. Export of manufactured goods has been concentrated in a small number of items such as leather, vegetable extracts, hoses, clothing and some machinery. Argentina has imported Soviet technological assistance under a bilateral nuclear energy agreement, and the Soviets have recently been given greater participation in Argentine hydroelectric power projects and rural electrification projects, for example. During Alfonsin's October 1986 visit

to Moscow, fishing agreements with the Soviet Union and Bulgaria were renewed and broadened.

Among all Latin American nations, the complementarity of productive sectors and import and export needs is greatest between the Soviet and Argentine economies. But thus far complementarity has favored Argentina, given Argentina's current trade surplus with the USSR. The export of Argentine goods has not been matched by the import of less desirable Soviet products. While the Soviets are keen to increase their exports to Argentina, they are willing to make short-term sacrifices of scarce hard currency in order to cement a relationship with Argentina. This can be seen in the degree of flexibility Moscow has shown toward various right-wing military governments in Latin America, and toward the new Alfonsin administration.

Brazil

Another major Soviet trading partner in Latin America is Brazil, which is viewed as important because of its size, population and influence in the region. Brazil's economic success prior to the 1973 oil crisis had convinced the USSR of the importance of maintaining ties with that country. The Soviet Union has become a stable supplier of oil to Brazil, and Brazil in turn produces a number of goods that are in demand in the USSR, including consumer items such as coffee, soya, cocoa, rice and wool, as well as some manufactured products. Trade between the two nations increased rapidly from 40 million rubles in 1971 to 550 million rubles in 1981.¹⁷ Brazilian trade with CMEA nations of Eastern Europe also rose from 171 million rubles in 1970, to 1,030 million rubles in 1976. In the early 1980s, Brazil refused to abide by the terms of the grain embargo declared by the Carter administration and instead opted to negotiate to increase its export of soybeans and sugar to the USSR.

Until recently, Brazil had been importing more from the USSR than any other Latin American nation, but these imports have consisted mainly of oil and oil products. Other imports have included hydroelectric power equipment, earth movers, tractors, trucks, steel casting equipment and machine tools. Brazilian imports of machinery and equipment were below Argentine purchases. Although the Brazilians have had to cut imports from the USSR because of debt obligations, the Soviets are determined to increase exchanges in order to establish a durable relationship.

The USSR has also participated in a number of infrastructural projects in Brazil. The Soviets have provided technical assistance and hydroelectric power equipment for the Capivara generating station and the Ilha Grande project, and they have been negotiating for participation in a hydroelectric power and mining project in the Carajas region of Para state.¹⁸ In the early 1980s, Brazilian and Soviet enterprises began tripartite cooperation for joint work in other Third World nations, such as Peru, Angola, and Ethiopia. The Soviets are now also participating in joint ventures with private Brazilian firms.¹⁹

Peru

During the mid-1970s, Peru was the USSR's third most important trade partner in Latin America. Soviet exports to Peru consisted mainly of machinery and equipment, cargo ships, helicopters, oil tanks and medicines. Peru's leading exports to the USSR included nonferrous metals, fishmeal, wool and coffee. Peru's broad relations with the USSR fostered extensive economic cooperation. Under the government of Velasco Alvarado, the newly created Ministry of Foreign Trade sought to redirect the bulk of Peru's trade away from American markets. Important agreements with the USSR followed, and the

Soviets began providing equipment for Peruvian development projects. Since 1974, Lima has been the only South American capital to be linked by Aeroflot flights to Moscow. Although Soviet-Peruvian trade declined in the early 1980s, recent countertrade agreements have significantly expanded the size and variety of Peruvian exports.

Nicaragua

The Nicaraguan Sandinista National Liberation Front (FSLN) seized power in July 1979, but significant contact with the USSR was not made until March 1980, when a Sandinista delegation travelled to Moscow seeking an agreement on credits. In order to win support for the revolution, the Sandinistas began to broaden their relations with Third World nations as well as with CMEA countries of Eastern Europe. In 1981, the Reagan administration suspended aid to Nicaragua, and as a result, the Sandinistas began to request greater assistance from the USSR. American economic assistance to Nicaragua had been reduced to \$6 million in fiscal year 1982, while aid to El Salvador had doubled from the previous year to \$186 million. Nevertheless, the Soviets have been reluctant to make substantial economic commitments to Nicaragua--a stance similar to their position toward Chile under Allende from 1970 to 1973.²⁰ In September 1983, Nicaragua established a special relationship with the CMEA, obtaining observer status. But that did not bring substantial benefits. Aid and commercial relations between the USSR and Nicaragua increased significantly following the imposition of a trade embargo against Nicaragua by the United States in May 1985. From 1980 to 1986, the CMEA share of Nicaraguan imports grew from zero to 51 percent, and its share of Nicaraguan exports grew from 3 percent to 14 percent. By the end of 1985, trade with the USSR and Eastern Europe represented 39 percent of Nicaragua's

total trade. Also in 1985, a new economic cooperation agreement between the Soviet Union and Nicaragua valued at \$250 million was signed, and the USSR then supplied Nicaragua with most of its oil needs.²¹

Much of the export economy of Nicaragua is still in the hands of the private sector, but increased relations with the USSR have brought certain advantages. In particular, the expansion of trade and economic ties with the USSR and other socialist countries has allowed Nicaragua to diversify its export markets and supply sources at a time when the country is under enormous economic and military pressure from the civil war with rebel insurgents, known as *contras*. While Nicaragua has been incurring large trade deficits, conditions governing trade have on the whole been favorable. Trade credits have been generous in terms of grace periods, payment periods of up to 12 years, and low interest rates. Transactions often have been based on barter, rather than on payments in scarce convertible currency. The commodity structure of trade flows, however, has remained traditional and the list of items traded relatively short.²²

Mexico

Mexico has maintained the longest amicable diplomatic relationship with the Soviet Union of all the Latin American nations. Mexican-Soviet relations have been based primarily on complementary political interests. Because of its proximity to the United States, Mexico has asserted its independence by reaffirming its diplomatic ties with the Soviet Union and Cuba. Ironically, Mexico's trade with the USSR has been below the level of certain South American nations.²³ In 1975, Mexico became an observer to the CMEA, but in economic terms, this has had little significance. Two Mexican presidents have visited the USSR--Luis Echevarria in 1973, and Lopez Portillo in 1978--and

both signed a number of economic, cultural, and scientific agreements. Gorbachev's planned visit to Mexico in 1988 is likely to increase the present level of trade between the two nations.

Cuban-Soviet Economic Relations

Since 1960, Cuba has been the Soviet Union's most important trade partner and political ally in the Western Hemisphere. But the political benefits of this relationship for the USSR have come at great economic cost. Moscow has provided several billion dollars in economic and military aid each year in order to ensure the survival of the Castro regime. Cuba's drastic shift in economic relations away from the United States and toward the Soviet Union resulted from Castro's break with the United States following his declaration of adherence to Marxism-Leninism. This shift was reinforced by the 1962 missile crisis.²⁴

For the first 10 years, Moscow and Havana maintained an uneasy friendship. From Moscow's viewpoint, Castro was too adventurous in his efforts to foment revolution in Latin America, and he was perceived as squandering Soviet resources in his grandiose economic schemes. Above all, Soviet leaders objected to Castro's criticism of Moscow's policy of peaceful coexistence with the United States. In the late 1960s, the Soviets pressured Cuba to change its policies by applying economic sanctions and led Castro to conform to Soviet interests. In addition, demoralizing defeats of guerrilla movements in Latin America persuaded the Cubans to take a more sober view of revolutionary prospects abroad.

Cuba's failure in 1970 to achieve the goal of a 10 million-ton sugar harvest marked the end of its efforts to become more politically autonomous of the Soviet Union. Because of economic difficulties, Castro was forced to

accept Soviet recommendations regarding economic policies and planning. In return, Cuba received large-scale economic assistance from the USSR. In 1972, Cuba became the first country outside the Warsaw Pact to join the CMEA. A few months later, Castro travelled to Moscow and signed five important economic agreements. In 1974, Brezhnev made the first trip by a Soviet leader to Latin America.

During the second half of the 1970s, the Soviet economic model became firmly established in Cuba.²⁵ Since 1976, trade between the two countries has increased substantially, bolstered by the signing of three five-year bilateral economic agreements covering the years 1976-80, 1981-85, and 1986-90, and a long-term economic cooperation treaty from 1986 to 2000. Moreover, Soviet subsidies to promote Cuban exports have increased significantly, as have Soviet trade credits and development aid to Havana. On the whole, Cuba has become more dependent on Soviet imports, particularly fuel. Cuba's three most pressing economic problems--export concentration on the single commodity sugar, trade dependency on the USSR, and trade deficits--remain unsolved. In fact, they have worsened in the past decade.²⁶

Because of Cuba's persistent economic problems and the way in which Cuba's economic planning is tied to the Soviet bloc, Moscow has been able to increase its leverage over Havana. The USSR is the major provider of Cuba's imports, particularly in terms of fuel, machinery, foodstuffs and transportation needs. However, Cuba has benefited from Soviet concessionary prices, especially oil prices. The Soviet share of Cuban trade has been increasing and can be expected to rise further.

Soviet Arms Transfers to Latin America

Soviet economic policy toward the Third World has largely shifted from

one of seeking strictly political gains to seeking mutual economic advantage. Soviet military aid is an aspect of this policy shift that has been particularly successful. Although the USSR does not account for a large part of foreign trade worldwide, arms sales comprise a large part of Soviet exports. In this arena, the Soviets compete on an equal footing with Western powers.²⁷

Compared to the Middle East and Africa, Latin America is a small arms importing region, although since the early 1970s this has been changing significantly. Soviet arms shipments to Latin America have grown from \$0.6 billion during the 1973-76 period to \$3.6 billion during the 1981-84 period. Thus far the Soviet Union's military presence in Latin America has been limited largely to Peru, Nicaragua, and Cuba. Because of its proximity to the United States, Cuba is by far the most important Latin American country to the USSR, militarily and strategically. Since 1960, Cuba has provided the Soviets with ready access to the Caribbean. Although the United States has insisted that no Soviet bases be established on the island, Soviet submarines, ships and aircraft have used Cuba as a place to refuel, unload cargo, and make repairs.

Soviet arms transfers and military contacts have been an important instrument of Soviet diplomacy in developing countries. The Soviet Union has conducted exchanges of military attachés in Latin America, and made frequent reciprocal official military visits to Argentina, Peru, Mexico and Cuba. In addition, the Soviet Union has sent military advisors to Cuba, Peru, Nicaragua and Guyana. Because of problems defining and quantifying Soviet military advisors in Latin America, a reliable figure cannot be determined. The most recent reports estimate that there are 2,800 advisors in Cuba, 100 advisors in

Peru, and 50 advisors in Nicaragua.²⁸

The Soviets have also transferred large quantities of arms to Cuba, Peru and Nicaragua. Cuba is by far the major arms importer and is also the only Latin American nation that is supplied wholly with Soviet arms. The Cubans have a credible air defense as well as a strike aircraft capability, a large naval fleet, and one of the best equipped armies in Latin America. Soviet arms sales to Peru include a large number of tanks, Sukhoi-22 supersonic fighter bombers, radar, helicopters, transport planes, missiles, and artillery. Nicaragua has received tanks, helicopters, artillery, and armored vehicles.²⁹

Soviet arms transfers to Latin America have been more useful in providing a Soviet presence than influence in the region. The USSR has transferred more arms to Peru than to Nicaragua, but this has not gained the Soviets significant influence over Peruvian domestic or foreign policies. Lima has not aligned itself politically or ideologically with the USSR, and, in fact, purchases arms from several Western nations.

On the other hand, Cuba, which has close political and ideological relations with Moscow, has received large amounts of Soviet weapons on generous terms. According to the U. S. Department of State, the Soviet Union has supplied all of Cuba's military equipment free of charge,³⁰ but reliable economic data are not available on arms flows to Cuba, and much is left to speculation. Unlike Cuba, Peru and to a lesser extent Nicaragua are committed to paying hundreds of millions of dollars for Soviet military equipment, but on what are believed to be easy terms.³¹ Since 1978, Peru has rescheduled part of its debt with the Soviet Union, with a portion of repayments to be made through Peruvian exports of raw materials and manufactured goods to the

USSR.³²

Soviet arms deliveries are often linked with agreements regarding the training of military personnel in the USSR or in an allied country. According to the Central Intelligence Agency, 910 Peruvians received military training in the USSR through 1984. In 1984 alone, 1,050 Nicaraguans received military training in the USSR and Eastern Europe.³³

Data on the scale and cost of arms sales to Nicaragua and on the strength of the country's armed forces vary widely. Soon after the Sandinistas seized power, they approached the United States government for military aid but were refused because of their close ties to Cuba. As a result, the Sandinistas turned to other sources for arms. In 1980, Nicaragua's arms purchases from socialist countries totaled \$6 to \$7 million. In December 1981, Nicaragua signed a \$15.8 million arms deal with France that included 2 helicopters, 45 trucks, 2 patrol boats and 100 helicopter rocket launchers. According to various official American sources, arms transfers to Nicaragua in 1981 were valued at between \$39 and \$45 million. In 1983, the U.S. Department of State claimed that Nicaragua received \$100 million worth of military equipment from the Soviet bloc. In 1984, such military aid was estimated at \$250 million, but in 1985 it declined sharply to \$75 million.³⁴

Soviet Aid to Latin America

Soviet aid--or "economic cooperation"--to Latin America is basically concentrated in five countries: Mexico, Peru, Nicaragua, Brazil and Argentina. It is mainly intended for developing natural resources or a physical infrastructure, and is provided either on a contractual basis or through bilateral agreements, particularly for industrial projects in the public sector. Industrial productive cooperation is sometimes done through

subcontracting or through joint ventures or tripartite cooperation.³⁵

Soviet aid has varied from country to country. The USSR has granted more economic assistance to Cuba than to any other socialist or nonsocialist developing nation. Economic aid from the Soviet Union to Cuba has come mainly in the form of loans, price subsidies and technical assistance. Although there are no officially published statistics on the total value or amount of aid, it is quite clear that the volume of aid has steadily increased; but in recent years, this has been only a small increase.

An important part of Soviet aid to Cuba comes in the form of trade credits and direct assistance for development projects. Trade credits are used to purchase Soviet imports, particularly machinery and equipment, spare parts and oil. Grants are few in number, and are usually extended only to assist in recoveries from national disasters. Technical assistance has been channeled to a number of development projects, particularly in the sugar, fishing, nickel and steel industries. A Soviet source estimates that by 1980 the USSR had provided technical assistance to more than 180 Cuban enterprises.³⁶

Soviet aid to Cuba has been generous, especially in terms of subsidies for Cuban exports, particularly sugar. Cuba also receives subsidies for oil and other imports from the Soviet Union. Trade subsidies and trade deficit aid have to some extent alleviated Cuba's persistent trade deficits. In terms of development loans and other credit lines to Cuba, the USSR has rescheduled Cuban repayment on both the principal and interest. Development loans to Cuba generally carry an amortization period of 25 years at a 2 percent interest rate; but the terms of Soviet loans have hardened significantly in recent years compared to the 1970s. One study calculates that the total value of

loans to Cuba for the 1960-1985 period was \$14 billion.³⁷ However, this estimate does not account for the amount that Cuba has already paid back.

Nicaragua has also received material and financial assistance from the USSR. Economic aid from the Soviet Union to Nicaragua has been in the form of trade credits, aid for development projects, and technical assistance. The USSR has provided lines of credit as a way of promoting Soviet exports of machinery and equipment at concessionary rates. Technical assistance has been channeled to the fishing sector of the Cuban economy, for dock repairs and telecommunications, as well as for the construction of hydroelectric power plants. Interestingly enough, of all the socialist countries, Cuba has contributed most significantly to Nicaragua; this has been in the fishing, poultry, and livestock sectors of the economy, as well as in road construction and public health. In terms of donations to Nicaragua, socialist countries have provided large quantities of material emergency assistance, such as food, medical supplies and hospital equipment.

Credits to Nicaragua from the USSR and Eastern Europe have been on the increase as the Nicaraguan economy has become more reliant on foreign aid. Although these credits amount to approximately 20 percent of the total contracted by Nicaragua until 1984, the 1987 figure is expected to amount to more than \$425 million in grants and credits.³⁸ In 1986, China also began to extend credits to Nicaragua.³⁹ The Soviet Union, on the other hand, has recently been reluctant to increase its aid to Nicaragua.

During the first half of the 1970s, Peru received generous credits and technical assistance from the Soviet Union. From 1970 to 1972, Peru was offered \$30 million from the USSR and \$180 million from East European nations for construction and development projects. The Soviets have also offered

lines of credit to purchase Soviet machinery, but most has gone unused. Moscow has signed agreements with Lima to finance and cooperate with Peruvian industries involved in power generation, and irrigation, as well as in the mining, oil, and fishing sectors of the economy. Peruvian ports provide support to more than 200 Soviet fishing vessels in the Pacific Ocean. Renegotiation of Peru's increasing debt to the USSR, valued at \$957 million--which was due mainly to the purchase of a large amount of military hardware--began in 1979. In 1983, Lima and Moscow worked out the repayment of most of Peru's debt through a comprehensive countertrade arrangement. The most recent debt pact paves the way for an expected \$600 million deal under which Peru will build 80 ships and tugs for the Soviet fishing fleet over the next five years. The USSR will also finance and build a \$65 million dry dock in the port of Callao.

Agreements concerning technical cooperation, particularly in developing hydroelectric energy, have had positive results. The Soviet Union has provided technical assistance and partial financing in such projects as Rio Parana Medio, Salto Grande, Costanella, Bahia and Yacireta in Argentina; Sobradinho and Itaipu in Brazil; Urrea I and II in Colombia, and Olmos in Peru. The United Nations estimates that nearly a fifth of the installed capacity generated during the 1970s was generated with assistance of CMEA countries.⁴⁰

Another form of aid can be measured by the total number of students from Latin America and the Caribbean studying annually in the USSR. The number more than doubled in five years, increasing from 2,900 in 1979, to 7,600 by the end of 1983.⁴¹ In 1982, the number of Latin American students receiving training in USSR and Eastern Europe was over 9,000, while only about one-fifth of that number of Latin American students were being sponsored through

Table 6

LATIN AMERICAN STUDENTS BEING TRAINED IN THE UNITED STATES IN 1982
AND IN THE USSR AND EASTERN EUROPE IN 1972, 1977, AND 1982

| | <u>SOVIET UNION & EASTERN EUROPE</u> | | | <u>UNITED STATES (1982)</u> | | | | |
|------------------------------|--|-------------|-------------|-----------------------------|-----------------|------------|-------------|--------------|
| | <u>ACADEMIC STUDENTS ONLY</u> | | | <u>USIA^a</u> | | | | 1982 |
| | <u>1982</u> | <u>1977</u> | <u>1972</u> | <u>AID</u> | <u>ACADEMIC</u> | <u>IV</u> | <u>IMET</u> | <u>TOTAL</u> |
| Central America ^a | | | | <u>373</u> | <u>64</u> | <u>91</u> | <u>135</u> | <u>663</u> |
| Belize | b | - | - | 5 | - | 6 | - | 11 |
| Costa Rica | 695 | 485 | 230 | 37 | 13 | 10 | - | 60 |
| El Salvador | 70 | 120 | 90 | 27 | 1 | 6 | 28 | 62 |
| Guatemala | 100 | 25 | 10 | 33 | 3 | 7 | - | 43 |
| Honduras | b | b | - | 53 | 2 | 8 | 80 | 143 |
| Mexico | 195 | 110 | 175 | 54 | 39 | 40 | 20 | 153 |
| Nicaragua | 1,260 | 130 | 145 | 67 | 4 | 8 | - | 79 |
| Panama | b | b | - | 97 | 2 | 6 | 7 | 112 |
| South America ^b | | | | <u>387</u> | <u>269</u> | <u>168</u> | <u>327</u> | <u>1,151</u> |
| Argentina | - | - | - | 14 | 12 | 10 | - | 36 |
| Bolivia | 105 | 205 | 205 | 36 | 4 | 6 | - | 46 |
| Brazil | 45 | 95 | 215 | 89 | 59 | 53 | - | 201 |
| Chile | b | b | - | 15 | 11 | 9 | - | 35 |
| Colombia | 2,390 | 910 | 395 | 37 | 72 | 19 | 192 | 320 |
| Ecuador | 825 | 755 | 320 | 36 | 30 | 8 | 37 | 111 |
| Guyana | 110 | 70 | 15 | 27 | - | 2 | - | 29 |
| Paraguay | - | - | - | 8 | 2 | 11 | - | 21 |
| Peru | 825 | 525 | 260 | 97 | 28 | 14 | 97 | 236 |
| Surinam | - | - | - | 1 | 4 | 6 | - | 11 |
| Uruguay | - | - | - | 9 | 2 | 9 | 1 | 21 |
| Venezuela | 20 | 85 | 110 | 17 | 3 | 21 | - | 41 |
| Other | - | - | - | 1 | 42 | - | - | 43 |
| Unspecified ^b | | | | | | | | |
| Countries | 2,440 | 915 | 835 | - | - | - | - | - |
| TOTAL | 9,080 | 4,430 | 3,005 | 1,021 | 344 | 315 | 517 | 2,197 |

^a USIA - United States Information Agency; AID - Agency for International Development; IV - International Visitors Program; IMET - International Military Education and Training.

^b Specific country-by-country breakdown not always possible. Includes Caribbean countries.

Source: USGAO, U.S. and Soviet Bloc Training of Latin American and Caribbean Students: Considerations in Developing Future Programs, GAO/NSIAD-84-109, August 16, 1984.

scholarship programs offered by the United States government (see Table 6). According to another report, at the end of 1984, the number of Latin American and Caribbean students in CMEA countries had increased to 11,300.⁴² Scholarships to Latin American students have been made possible through cultural cooperation agreements. The broadening of cultural relations between the USSR and Latin America has strengthened economic ties with the region.

Soviet economic aid to Latin America reflects Soviet political interest in the region. Soviet credits have been extended to most countries with which the USSR has bilateral economic agreements. Much of this aid has been to promote CMEA exports, but sometimes these credits have remained unused. For the 1958-1984 period, Soviet credits and grants to Latin America and the Caribbean amounted to \$2.1 billion and from Eastern Europe, \$2.8 billion.⁴³ Nevertheless, while total Soviet and East European credits to Latin America have substantially increased, they remain modest compared with U.S. aid and investment in the region. Despite its growing economic involvement and efforts, the Soviet Union is unlikely to become a major source of finance for Latin America.

Conclusion

From the Latin American point of view, the consolidation of economic relations with the Soviet Union and Eastern Europe constitutes a milestone in the evolution of linkages between the two regions. Linkages can be assessed in terms of the number of countries involved, the size of the market, and the diversification of exports. For Latin America, the Soviet Union has become not only another possible source of trade, but also a source of credits and political support.

Latin American dependence on or concentration of their exports to

advanced Western nations has decreased from three-quarters to two-thirds of total Latin American trade from 1970 to the 1975-1981 period.⁴⁴ One drawback is that the trade structure is still asymmetrical; Latin America remains predominantly an exporter of primary products to the East. However, since the mid-1970s, some of the more developed Latin American countries, such as Argentina, Brazil, and Mexico, have exported a growing range and scale of manufactured goods.⁴⁵

The USSR has helped to bail out certain industries in some Latin American countries, particularly those facing worsening economic crises. In 1985, Soviet purchases of textiles and other goods that could not compete in other markets because of growing protectionism, was critical to Peruvian industrialists. Likewise, in 1986, Soviet purchases of large amounts of grain was crucial to Argentine farmers. Thus the Soviets have scored political points and secured their position in the region without giving up too much in the commercial sphere.

During the early 1960s, the Soviet Union narrowly restricted its scope of operations in Latin America, but by the 1980s, it had already become a significant actor in the Western Hemisphere. It had developed a substantial network of diplomatic and trade relations. Through more active diplomacy and the forging of new economic links, the USSR has consolidated its presence in the region. However, there are limitations and constraints on an increased Soviet presence in Latin America. The USSR lacks the capacity to spend a great deal of its resources in a region that is geopolitically distant and remains the "strategic rear" of the United States. Although the USSR might welcome revolutionary victories whenever and however they might be achieved, the Soviets are not keen to provide much material aid.⁴⁶ The Soviet

leadership also realizes that nationalism in Latin America continues to be a powerful obstacle to significant Soviet advances.⁴⁷

The Soviet Union can no longer afford to use trade to achieve political gains, but it will continue to do so, in the absence of a viable alternative policy. The export of revolution is not high on the list of Soviet priorities, and establishment of commercial relations with governments of different ideological orientation is a priority. By maintaining trade and cordial diplomatic relations with the more important countries, the Soviets are less likely to jeopardize these ties even if they support subversion in places like Chile or El Salvador.

Soviet economic policy toward Latin America has placed emphasis on economic exchange and cooperation. Thus far, Soviet economic activity in Latin America has differed from Soviet approaches in other regions. In Latin America, the Soviets have accepted constant trade deficits, and they have permitted loan repayments in the form of manufactured goods and semi-finished products. In certain cases, Moscow has also guaranteed stable prices for commodity imports from Latin America under long-range commercial agreements. Soviet economic policy has relieved, if only slightly, pressure on the weakening Latin American economies.

Under the Gorbachev regime's drive to reinvigorate the Soviet economy, the Soviets are eager to sell licenses and technical services rather than give them away. Their recent active involvement with the private sector in Latin America may be at odds with bilateral agreements, and Soviet behavior might resemble that of private Western firms. The Soviets are no longer interested in adventurism and do not seek direct challenges with the United States in the region. They will continue to cultivate strong ties with the major Latin

American countries; to support and protect Cuba; and to exploit opportunities to weaken American influence, for example, in Nicaragua.

Economic relations between the Soviet Union and Latin America are limited to a narrow range of options. First, the Soviets are incapable of providing large-scale assistance because of foreign exchange constraints and geographical distance, and, more importantly, because Soviet strategic and security priorities lie elsewhere. Whether the Soviet Union can increase its exports to Latin America will depend on how the region emerges from its debt crisis. The Soviets would like to see the debt crisis resolved, but there is little they can do to help. Declining oil prices coupled with declining Soviet industrial productivity further restrict the Soviets' ability to engage in foreign trade. However, for the time being, limited economic contacts have proved to be useful to both sides.

Although Soviet-Latin American relations can be understood in terms of reciprocal interests, they are also conditioned by U.S.-Soviet relations and by American approaches to the interamerican system.⁴⁸ For this reason, Soviet objectives in Latin America are still a low priority and a Soviet dominated Latin America is an unlikely scenario. American policymakers find the Soviet presence in Latin America disruptive to regional security and economic order because it hinders American interests.⁴⁹ For Latin Americans, the Soviet presence means greater autonomy and sovereignty in international affairs and greater leverage in settling disputes with the United States. Soviet-Latin American economic relations are likely to remain limited until the USSR increases its capacity to sell what Latin Americans need. Furthermore, the course of economic relations will depend on how Soviet economic resources are used to promote the USSR's political aims in Latin America, given the degree

of suspicion and distrust the Soviets have yet to overcome in the region.

Notes

1. See Gleijeses, *The Dominican Crisis: the 1965 Constitutional Revolt and American Intervention* (Baltimore: Johns Hopkins University Press, 1978).

2. For a good overview of declining American hegemony and changes in U.S.-Latin American relations, see Kevin J. Middlebrook and Carlos Rico (eds.), *The United States and Latin America in the 1980s* (Pittsburgh: Pittsburgh University Press, 1986); Abraham Lowenthal, *Partners in Conflict: The United States and Latin America* (Baltimore: Johns Hopkins University Press, 1987).

3. Alan Robinson, "Soviets Courting in Latin America," *USA Today*, October 31, 1986, p. 14; William Stockton, "Mexico and Soviets Form Closer Ties," *New York Times*, Nov. 9, 1986; Tim Coone, "Trade, Disarmament Top Agenda of Soviet-Argentine Talks," *Christian Science Monitor*, October 15, 1986; Bradley Graham, "Argentina Leads Latin America in Courting Ties with Soviets," *Washington Post*, November 4, 1986.

4. Economic Commission for Latin America (CEPAL), *Comercio y cooperacion entre paises de America Latina y los paises miembros del CAME* (Santiago: Naciones Unidas, 1985).

5. Much of the literature on Soviet-Latin American relations lacks a balanced assessment. The "alarmist" approach is evident in Robert Leiken, "Soviet Strategy in Latin America," *Washington Papers* 93, vol. 10, 1982. A more serious approach can be found in Cole Blasier, *The Giant's Rival: The USSR and Latin America* (Pittsburgh: Pittsburgh University Press, 1984).

6. See Elizabeth Valkenier, "East-West Economic Cooperation in the Third World," in Marshall Shulman (ed.), *East-West Tensions in the Third World* (New York: Norton, 1986).

7. United Nations Conference on Trade and Development (UNCTAD), *Recent Developments in East-West Cooperation in Third World Countries and in Tripartite Cooperation* (New York: United Nations, 1984); CEPAL, 1985.

8. Gerard Fichet, "Tres decenios de las relaciones entre America Latina y la Union Sovietica," *Comercio Exterior* (Mexico) (February 1981); Nikki Miller and Lawrence Whitehead, "Soviet Interest in Latin America: An Economic Perspective," in Robert Cassen (ed.), *Soviet Interests in the Third World* (London: Sage Publications, 1985).

9. See Anita Tirapolski, "La strategie commerciale du CAEM en Amerique Latine," *Le courrier des pays de l'est*, no. 299 (October 1985). For the Soviet view, see Nikolai Zinoviev and Lev Klochkovski, "Hacia nuevas metas en el intercambio comercial," *America Latina*, no. 7 (July 1985); Romuald Tomberg, "Trade and Economic Ties between the USSR and Latin American Countries: Problems and Prospects," *Soviet Panorama* 39, no. 1, 1984.

10. A. Olshany, "Perspectivas de la cooperacion industrial entre los paises miembros del CAME y los paises de America Latina," a publication of

CEPAL, vol. 17, no. 3 (May 1984).

11. For a more detailed analysis of these problems, see CEPAL, *Relaciones economicas de America Latina con los paises miembros del "Consejo de Asistencia Mutua Economica,"* (Santiago: Naciones Unidas, 1982); and Romuald G. Tomberg, "Relaciones economicas de la Union Sovietica con paises de America Latina," a publication of CEPAL, vol. 4, no. 12 (November 1979).

12. For more on this issue, see Ruben Berrios, "The Political Economy of East-South Relations," *Journal of Peace Research* 20, no. 3, 1983.

13. Olshany, "Perspectivas de la cooperacion industrial."

14. See Aldo Cesar Vacs, *Discreet Partners: Argentina and the USSR since 1917* (Pittsburgh, Pittsburgh University Press, 1984).

15. *Washington Post*, November 4, 1986; *Christian Science Monitor*, October 15, 1986.

16. Aldo Cesar Vacs, "Pragmatism and Rapprochement: Soviet Relations with Argentina and Brazil," paper presented at the conference on Soviet-Latin American relations, held at Princeton University from October 31, 1986 to November 1, 1986.

17. *Vneshniaia torgovlia SSSR* (Moscow, 1983).

18. Romuald Tomberg, "Trade and Economic Ties between the USSR and Latin American Countries: Problems and Prospects," *Soviet Panorama* 39, no. 1, 1984.

19. See Sergio Danilo, "Soviets Increase Participation in Provale to 60 Percent," *Gazeta Mercantil*, April 28, 1987, p. 20.

20. Miller and Whitehead, "Soviet Interest in Latin America." See also Cole Blasier, "The Soviet Union," in M. Blachman, W. Leogrande and K. Sharpe (eds.), *Confronting Revolutions: Security through Diplomacy in Central America* (New York, Pantheon Books, 1986).

21. *New York Times*, May 21, 1985, and June 20, 1987.

22. For more on Nicaragua, see Ruben Berrios and Marc Edelman, "Hacia la diversificacion de la dependencia: los vinculos economicos de Nicaragua con los paises socialistas," *Comercio Exterior* 35, no. 10, (October 1985).

23. On Mexico, see CEPAL, "Relaciones economicas de Mexico con los paises miembros del Consejo de Asistencia Mutua Economica (CAME)," vol. 4, no. 1 (November 1979); Ricardo Zapata, "Relaciones economicas de Mexico con los paises del CAME," *Comercio Exterior* 36, no. 2 (February 1986); and Edme Dominguez, "Relaciones Mexico-paises socialistas: 1970-1984 (aspectos politicos, economicos e ideologicos)," *Cuadernos de Politica Exterior Mexicana* 2, no. 2, 1986.

24. For an overview of Cuba during this time, see J. Levesque, *The USSR*

and the Cuban Revolution: Soviet Ideological and Strategic Perspectives, 1959-1977 (New York: Praeger, 1978).

25. For a thorough study of Cuba, see Carmelo Mesa-Lago, *The Economy of Socialist Cuba* (Albuquerque: University of New Mexico Press, 1981). See also Cole Blasier and Carmelo Mesa-Lago (eds.), *Cuba in the World* (Pittsburgh: Pittsburgh University Press, 1979).

26. Carmelo Mesa-Lago and Fernando J. Gil, "Cuba's Economic Relations with the USSR," paper presented at the conference on Soviet-Latin American relations, held at Princeton University from October 31, 1986 to November 1, 1986.

27. See Rajan Menon, *Soviet Power and the Third World* (New Haven: Yale University Press, 1986).

28. See International Institute for Strategic Studies, *The Military Balance 1985-1986* (London, 1985), p. 30, 147. The presence of Soviet advisors in Peru was flatly denied in recent interviews with key military officers of the Peruvian army, such as the former minister of foreign relations, retired general Mercado Jarrin, who served from 1968 to 1972 under the Velasco administration.

29. Robin F. Laird, "The Latin American Arms Market: Soviet Perceptions and Arms Transfers, 1972-82," *Soviet Union/Union Sovietique* 12, no. 3, 1985.

30. U. S. Department of State, *Cuban Armed Forces and Soviet Military Presence*, special report no. 103 (August 1982).

31. Arms transfers to Nicaragua, at least in the early years of the Sandinista revolution, have not been entirely free of charge; occasionally they were paid for in hard currency. See Theodore Schwab and Harold Sims, "Relations with the Communist States," in Thomas Walker (ed.), *Nicaragua: The First Five Years* (New York: Praeger, 1985); and Boris Yopo, "La Union Sovietica y la crisis centroamericana: la asistencia militar a Cuba y Nicaragua," CERC, documento de trabajo PROSPER No. 6, July 1986, p. 12.

32. See Ruben Berrios, "The Search for Independence," *NACLA Report on the Americas* (July 1986).

33. *USSR: Facts and Figures*, vol. 11 (London: Academic International Press, 1987).

34. On arms transfers to Nicaragua, see Jozef Golblat and Victor Millan, "The Honduras-Nicaraguan Conflict and Prospects for Arms Control in Central America," in *World Armaments and Disarmaments, SIPRI Yearbook, 1984*, p. 531; Colin Danbi, *The Military Balance in Central America* (Washington, D.C.: Council on Hemispheric Affairs, 1985); U.S. Department of State and Department of Defense, *Nicaragua's Military Build-Up and Support for Central American Subversion*, July 18, 1984; Center for Defense Information, "Country Studies of Soviet Influence: Nicaragua," *The Defense Monitor* (Washington) 15, no. 5, 1986; and Rita Tullberg and Victor Millan, "Security Assistance: The Case of

Central America," in *SIPRI Yearbook, 1986* (Oxford: Oxford University Press, 1987).

35. CEPAL, "Antecedentes y perspectivas de la cooperacion industrial entre los paises latinoamericanos y los paises del CAME" 17, no. 4 (May 1984).

36. V. G. Kolodkov, "SSSR-Kuba: 20 let torgovo-ekonomicheskogo sotrudnichestva," *Latinskaia Amerika*, 1980, no. 5.

37. Carmelo Mesa-Lago and Fernando J. Gil, "Cuba's Economic Relations with the USSR."

38. *New York Times*, August 20, 1987.

39. *New York Times*, September 18, 1986.

40. CEPAL, "Algunos aspectos sobre las relaciones economicas entre los paises de America Latina y los paises miembros del CAME" 17, no. 2 (June 1984).

41. "U.S. and Soviet Bloc Training of Latin American Students: Considerations in Developing Future U.S. Programs," a report to the United States Congress by the Comptroller General, August 16, 1985 (GAO/NSIAD-84-109).

42. U. S. Department of State, *Warsaw Pact Economic Aid to Non-Communist LDCs* (March 1986).

43. U. S. Department of State, *Warsaw Pact Economic Aid to Non-Communist LDCs*.

44. CEPAL, "El comercio de manufacturas entre paises de America Latina y paises de Europa Oriental Miembros del CAME" 17, no. 5 (May 1984).

45. According to the United Nations Economic Commission for Latin America, between 1970 and 1981, the Latin American countries, particularly the members of ALADI, significantly increased their exports of manufactured products to different regions. Exports of manufactured products to CMEA countries have been relatively slow, despite a growth in absolute terms from \$15 million in 1970 to \$263 million in 1981.

46. See Peter Shearman, "Soviet Foreign Policy in Africa and Latin America: A Comparative Case Study," *Millennium: Journal of International Studies* 15, no. 3 (Winter, 1986).

47. Raymond Duncan, "Soviet Interests in Latin America: New Opportunities and Old Constraints," *Journal of Interamerican Studies and World Affairs* 27, no. 2 (Summer, 1985).

48. For a more detailed analysis of this view, see Augusto Varas, "Soviet-Latin American Relations under United States Regional Hegemony," Latin American Program of the Woodrow Wilson International Center for Scholars

Working Papers, no. 140, 1984.

49. This is best exemplified in the final report of the National Bipartisan Commission on Central America, which was led by Henry S. Kissinger.