

The Ambassador

HANSON'S LATIN AMERICAN LETTER

The authoritative Washington Letter on developments affecting trade and investment in Latin America

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AMERICAN EMBASSY
BRASILIA, BRAZIL

WASHINGTON
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from
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Dear Sir:

BRAZIL:
OBJECTIVE
OF THE
ATTACK

In Brazil, writes Marcio Moreira Alves, a Brazilian exile, student opposition to the repressive steps of the government is linked with their opposition to "American domination." In the United States there is growing apprehension that the concern over repressive conditions in Brazil is beginning to identify itself more clearly as a cover for the Left's familiar attack on foreign investments and for its unending efforts to undermine the U.S. relationship with Latin America. The stooge whom the Left seems to have selected to carry the ball for them in the Senate is Senator Church, chairman of the Senate Foreign Relations Subcommittee on Inter-American affairs.

No one will challenge McGraw-Hill's editorial warning to Brazil about the lesson of history, namely, that prosperity based on repression usually ends in political turmoil. But it is equally unchallengeable in the lessons of history that an attempt by the U.S. Senate to intervene in the internal affairs of a sovereign nation like Brazil must inevitably backfire to the great disadvantage of the United States.

"AMERICAN
FRIENDS OF
BRAZIL"

From Berkeley, a group calling itself "American Friends of Brazil," which is inviting contributions without adequately identifying itself, protests the reign of "terror and repression in Brazil," asks readers of its bulletin to send any material to Senator Church that he might find useful in his prospective attack on Brazil, and reminds them that Church's proposed intervention in the internal affairs of a sovereign nation is going beyond the matter of political repression and will examine into such matters as the maldistribution of income in Brazil and similar problems.

ATTACK ON
AMAZON
SCHEME

Then, "American Friends of Brazil" charges that the half-billion dollar transportation project for the Amazon basin is too closely linked with investment plans to develop the resources of the area, which shows how little comprehension the group has of the problem of financing development, or perhaps how excessively anxious it is to attack foreign investors. Specifically named are Shell Oil and U.S. Steel. Shell's subsidiary purportedly has in hand some of the world's richest deposits of tin whose development will profit from the greater availability of transport facilities. And U.S. Steel has a minority participation in iron ore development, which too would benefit from better transportation. (The Bolivian government has already protested the plan to develop Brazil's tin resources because it may make it more difficult for the inefficient socialistic venture in Bolivia to survive). Coupled with the unimpressive criticism of the proposed resource development in Brazil, is joined a recommendation that readers of the "American Friends" bulletin consult a nasty publication on the Hanna mining operation which was issued two years ago.

Criticized too is the World Bank for its willingness to cooperate in accelerated realization of the economic potential of Brazil. The group goes on to the shabby charge that the U.S. Government and Wall Street are the major beneficiaries of the World Bank. This is pretty crude stuff to try to put over.

CLASH WITH
SENATOR
CHURCH'S
VIEWS

Unfortunately, its economic views may well clash with those of Senator Church and thus lessen his usefulness in the attack on the Brazilian government. In his major policy presentation last year, Senator Church had urged precisely the use of international entities like the World Bank because this enabled the United States to shed its wealth without regard to the

national interest with which the Congress is apparently excessively concerned in the case of bilateral financing. He found it impossible to believe, for instance, that U.S. financing could continue in Latin America where expropriation occurs, but thought that it might be possible to deceive successfully the U.S. public if financing came through the Inter-American Bank and the World Bank. And noting that at least 42% of the AID program was destined for the worst dictatorships in Latin America, Church had not asked that such aid cease but rather that it be extended through the international agencies so that there might be even less effort to control the purposes of the expenditures and thereby even greater ease for the dictators to use the funds to retain office.

There are then some inconsistencies in the positions of the "American Friends in Brazil" and that of Senator Church which may require ironing out before the stooge for the attack on Brazil is really able to serve the purposes of the criticism of Brazil.

BACURI The "American Friends of Brazil" cite from a news source the story of the capture and death of "Bacuri" whose "contribution" to the well-being of Brazil is related by the same source in these terms: "Bacuri had been the coordinator of numerous armed actions and had participated in the kidnappings of the Japanese consul and the West German ambassador and he would undoubtedly have been among the first persons demanded in exchange for the Swiss Ambassador."

This leads the "American Friends of Brazil" into a detailed protest against U.S. efforts to assist the less-developed countries in the training of police to maintain domestic security, a program which is identified with President Kennedy. Apparently, if the United States is going to spend \$700 thousand per year to help the police of a friendly sovereign nation to train men to capture persons who "coordinate numerous armed actions and who participate in the kidnappings of diplomats", the "American Friends of Brazil" want Senator Church to do something about it. Presumably such men must be kept at large so as to make their "contribution" to the well-being of their countries in this fashion!

LATIN AMERICAN STUDIES ASSOCIATION Meanwhile, the Latin American Studies Association, an academic group, has announced the results of its poll into proposed political propaganda activity. (This is the organization that AID asked the Congress to subsidize as "an arm of AID"). Heavily infiltrated by the Left, the Association announced that its members had voted to have a report prepared on conditions in Brazil, but that they had balked at a resolution based on the assumption that there is here a structure for the exploitation of Latin America which must be investigated and which further declared that the "colonial" relationships of the U.S. with Latin America were such as to demand investigation, etc., etc.

The propriety of the lodging in a government building of any organization engaged in political propaganda is, we understand, being raised in appropriations committee hearings on the Library of Congress appropriation.

As the Association was announcing the findings of its poll of members, the American Assembly released its papers on "The United States and the Caribbean" which among others contains a paper on the Cuban experience which mentions the 20,000 political prisoners in Cuban jails and labor camps (Castro himself says the number is only 15,000) and the fact that the "Cuban police apparatus easily disposes of the most vociferous protesters." The Latin American Studies Association would, however, have no interest in an investigation of such a situation, since U.S. investors have already been ousted and the U.S. relationship destroyed.

BANK WARNING ON BRAZIL From the Philadelphia National Bank comes a curious warning regarding Brazil's financial condition. A speech from that Bank warns that Brazil and Mexico bear close watching because "their debt service ratios are reported to be in excess of 30% of their current income on their balance of

payments." And the Bank goes on to editorialize that "percentages like these flash warning signals regardless of how well such countries conduct their other affairs." The Bank goes on to find that "Cuba has a record as a good borrower from European lenders."

We would not presume to challenge the Philadelphia National Bank's knowledge of the Cuban balance of payments situation, nor even its assertion that the "payment experience has been excellent in Eastern Europe," although there has been considerable concern among nations exporting to Eastern Europe concerning the manner in which balances-due have been rising as European exports to East Europe mount.

BRAZILIAN
FINANCES

On the Brazilian matter, however, it might be noted that the International Monetary Fund has reported that Brazil's net exchange reserve position rose by \$1.3 billion in 24 months. For a nation whose total debt to the U.S. is only \$1.6 billion, (this is debt, and not debt service), of which only \$0.5 billion is at commercial interest rates (Exim Bank), the interpretation attaching to addition of such amounts to its exchange position might warrant a better handling in public speeches of a major bank than was the case in the Philadelphia National Bank's paper.

MEXICO
AND
BRAZIL

An orderly word of caution might better be addressed to Senator Church, also. When, during the Olympic Games in Mexico City, a demand arose in Washington for action against Mexico in protest against the government's steps to maintain law and order, wiser heads prevailed and senatorial intervention in the internal affairs of Mexico was averted, to the great benefit of the U.S. national interest and the U.S. relationship with Mexico. The Senate Foreign Relations Committee has become the focus of ignorance and malice in recent recent years that makes it a threat to any U.S. relationship with sovereign nations. Before the Committee succumbs to pressures from the far left to attack Brazil's handling of its internal affairs, it should weigh carefully the national interest.

REAL TASK
OF THE
SENATE
FOREIGN
RELATIONS
COMMITTEE

Meanwhile, of course, major decisions on the economic front impend. It would be immensely more healthy to investigate the full implications of the foreign aid programs as now constituted and recommended by the Nixon administration, the full implications of the continuance of the subsidies on sugar, the full implications of the continuance of U.S. participation in the coffee cartel, the real purposes of the cover-up of the Inter American Bank, than it is to strike out on a country by country relationship to destroy the U.S. relationship with Brazil. After the many decades of maximum good will and maximum benefit to the national interest from the relationship with Brazil, to destroy it at the very moment of greatest promise as Brazil reaches out for its unlimited economic potential would be tragic in the extreme.

FOREIGN
AGENTS AND
THE SUGAR
QUOTAS

Since we commented on the sugar legislation situation in our Letter 1355, we have had occasion to examine more fully the Justice Department files on the foreign agents who are registered to protect and defend the sugar quotas assigned individual countries. You will note in the table below an irregular relationship between what is being spent by some countries in the effort to defend and even expand quotas, and what the relative quotas currently have been. Some other findings may be of interest: (a) There has been a movement away from contingent fees. The Congress always reacted unfavorably to the idea that an agent by using his influence could gear his "take" to the additional tonnage he achieved for his principal. In some cases, the contingent fees have now been replaced by fixed payments.

(b) Where foreign agents list their political contributions, there appears to be a tendency to favor Democratic Party members of the Congress and some beneficiaries like Senator Humphrey appear more prominently than others. This is not surprising since the Congress is controlled by the Democratic Party, and since Humphrey is the titular head of that party.

(c) During previous Legislative sessions on sugar legislation, there were holdouts from the practice of hiring foreign agents to represent particular countries. For instance, in the last time around, Argentina attracted the interest and the sympathetic attention of some congressmen by its refusal to hire U.S. lawyers to handle its affairs and by its maintenance of proper diplomatic channels for the transaction of such business. Argentina has abandoned that stance.

(d) The fees cited are not limited to the year of the legislation but usually continue in the interim period as well. Reporting is not always on a calendar year basis, not all agents file their contracts, and it is difficult to be absolutely sure of the figures used here. Data below are typical, however.

(e) In the table below, we cite the annual payments to foreign agents to the extent they can be determined from our examination of the Justice Department files. The second column shows the basic quotas in existence, and the third column shows the "total quotas and prorations" that prevailed when hearings on sugar legislation got under way.

	<u>Annual Fees being paid to agents</u>	<u>Basic quotas in thousands of short tons</u>	<u>Quotas and prorations in thousands of short tons</u>
Brazil	\$180,000	225	466
Mexico	18,000	230	476
Peru	15,000	179	371
Venezuela	50,000	11	23
Ecuador	40,000	33	68
Colombia	30,000	24	49
Central America	65,000	93	195
Argentina	24,000	28	57
Australia	30,000	107	195
Swaziland	20,000	4	7
Malawi	15,000	-	-
Uganda	16,000	-	-
Taiwan	7,200	44	81
Madagascar	10,000	5	9
Guadaloupe & Martinique	25,000	28	52
West Indies (Br)	52,000	90	164
Belize	10,000	7	12

(f) If you are interested in specific arrangements governing the search for sugar quotas for a particular area or country, you are advised to consult the files of the Foreign Agents Registration Section of the U.S. Department of Justice. The files are open to the public. There are some omissions in the above table.

(g) The meaning of the quotas may be clearer if you will remember the statement of the spokesman for the Taiwan Sugar Company when he pointed out that Taiwan was raising its production 100,000 tons in 1971 and wanted higher U.S. quotas. What are the quotas worth? "The company will try to get a larger U.S. quota because the price of sugar sold to the U.S. is \$150 a ton compared with the international price of \$80." The relationship changes when the world market changes, of course. But the orders of magnitude are there.