

**WEEKLY
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COMMENTARY**

A SOUTH-AMERICAN
REVIEW FOR
ECONOMIC AFFAIRS

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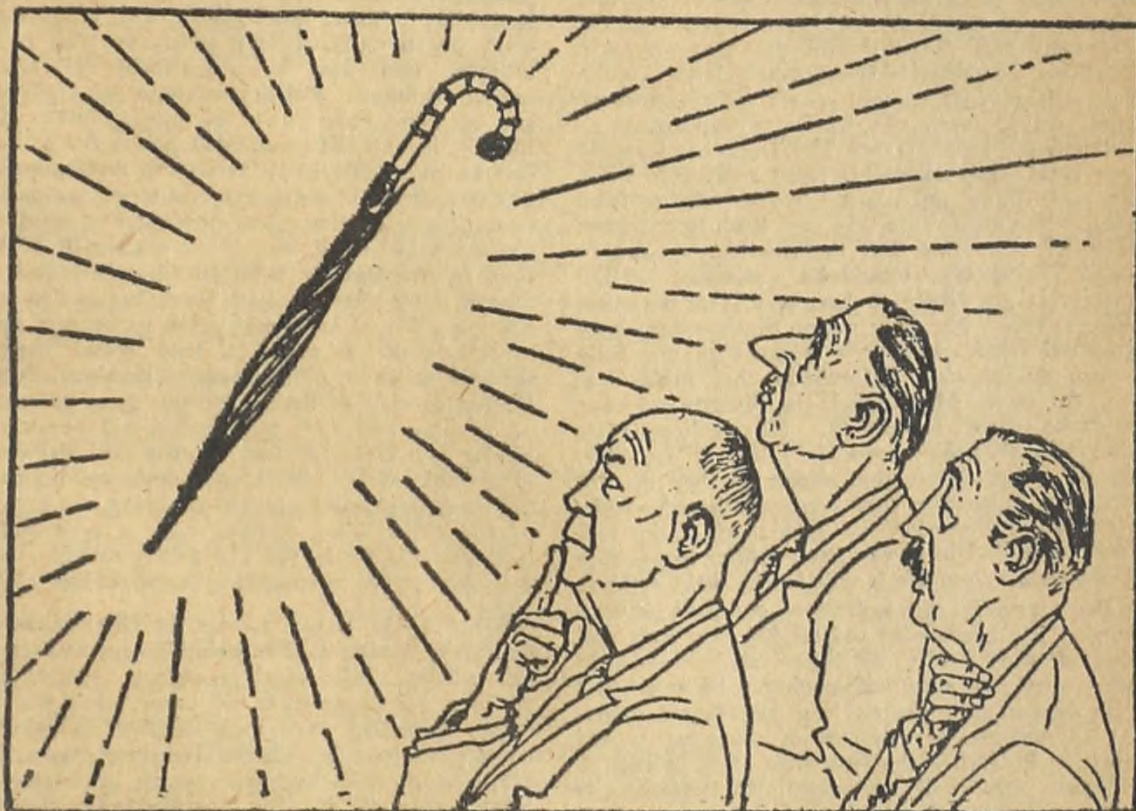
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From the Editor's desk:

ON THE EDGE OF THE ABYSS

SOMEONE SLIPS AND IT'S "ALL OVER"

The world political situation has become so tense and so incurably complicated that I am more than ever convinced it is no longer a question of whether there will be a new war, but of how soon. It almost appears as though men were groping in the darkness of intolerance and hatred to find some suitably convincing pretext for launching their world into a new welter of destruction. The Belgian Congo, Cuba, Berlin, Formosa — these are not in themselves causes of war; they merely contain within themselves the elements that seem to provide a potential vindication of an outbreak of hostilities which men have no longer the wit or the patience to circumvent. The First World War did not break out because a royal personage was assassinated in the streets of Sarajevo nor the Second because

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Uruguay, and then all of them together

(From page 1)

Hitler violated the sovereignty of Poland: those two events were, each in its turn, the match that lit a fuse leading to a powder keg to which more and more explosive had for long been added. (After all, Hitler had also trampled on Czechoslovakia and Austria but these incursions had not immediately resulted in war).

There are many naive people who console themselves with the thought that a new war will be so disastrous that neither side will be so foolish as to embark upon it. Sheer wishful thinking! One might as well hope that an alcoholic will not drink any more because the last time he got drunk the hangover he suffered the next day was dreadful and the next one will probably be worse! Since when have human beings been wise enough to do what is reasonable and to learn the lesson of experience — collectively, at any rate? The historian Leopold von Ranke expressed this truth succinctly when he said: "The only lesson we can learn from History is that nothing has ever been learnt from History". The fact that everyone knows that a third World War would be a disaster for humanity is not likely to have the least deterrent effect. Every war is a major disaster for those involved in it, and even when they are fully aware of the risks beforehand they make war just the same. Many think the disaster may not overtake them personally. (If soldiers were convinced that they would be killed in war, they would rather desert than fight: if they do not desert it is because they conceive that the risks involved in desertion are greater than the risk of being killed in battle: each soldier hopes that if someone has to die it will be the other fellow).

For many the atmosphere of constant nervous tension has become so unbearable that they and their leaders prefer to throw themselves into what they recognise will probably be a suicidal war than tolerate the strain of unrelieved agony. As an example of this sort of thing we would mention Poland — the Poland of 1939. Although Warsaw was well aware of Nazi Germany's military preparedness, it refused to knuckle under to Hitler's ultimatum, preferring to be extinguished as a sovereign State rather than go on suffering the tortures of German bullying. The principle was well expressed by Churchill when, after the catastrophic defeat of the British at Dunkirk, he would not conceal from his people the dreadful possibility of a total British eclipse, telling them that any "horrible end" was better than "endless horror".

The war in which we are already engaged is a war of nerves. It is a question of which side's nerves will stand up to it best. As the famous phrase of John Foster Dulles expressed it: diplomacy is the art of hovering on the brink

of war without toppling into it. It all depends, therefore, on how far the diplomats are skilful enough to keep their balance; but, as there are all manner of human beings involved (some of them far too human!), there is the danger that someone somewhere will lose his nerve and take us all plunging to destruction with him.

So you see, it is sheer imbecility to argue that there will not be another war because war is now too evil. To believe this is to presuppose that men are not evil, or that they are wise enough to keep their evil under control. But to postulate wisdom as an attribute of statesmen is a fallacy. There is no such thing. When there does, occasionally, arise a politician who is intelligent and wise it is generally his fate to remain isolated. Politicians who are popular and successful have power but not wisdom. Men like Stalin and Hitler wielded power for a time. Others, like Franklin D. Roosevelt were popular but committed blunders for which we are paying now. None of them was possessed of wisdom. On the other hand, the wisest statesman of our time is undoubtedly Winston Churchill, and his fate it was, after he had saved his nation and the Free World from extinction to be cast aside by his people as soon as they could express themselves in a parliamentary election. Foster Dulles, another of the all too few wise statesmen of this day and age, was reviled and persecuted by the foolish in his own country and elsewhere (they are always in a preponderant majority unfortunately), and accused of being the creator of the Cold War. Today, only a year and a half after his death, the world is nearer to a new war than at any time during his period of office.

What I am trying to say in this somewhat depressing article is that it is idle not to face up to realities. We must recognise, calmly and without any suggestion of panic, that we are being impelled constantly nearer to another conflagration. No doubt everyone hopes that everyone else will be wise enough or frightened enough to avoid it. The Kremlin hopes that the U.S.A. and Red China will neutralise each other; Red China trusts that the U.S.A. and Soviet Russia will do the same; the Free World dreams that Red China and the Soviet empire will become locked in an implacable struggle; the Eastern bloc believes that the West will collapse in disorder and that its component parts can subsequently be swallowed piecemeal. The realities may be different from any or all of these suppositions, and are totally unpredictable. But whatever is in store for us it will not do us any good to blind ourselves to it. I believe that *intelligent* people prefer to face the truth, however distasteful.

Alphonse May

SUCH MEN ARE DANGEROUS

◆ The continual intensification of Egypt's diplomatic 'offensive' throughout the Latin American sub-continent (the centre of which activity is Montevideo) has recently been very neatly and efficiently coordinated with the antics of the madhouse in Havana. What is behind it?

As for Castro's and Guevara's plans, ambitions and intentions, it is unnecessary to make any further comment at the moment. We have on many occasions emphasized the highly dangerous game Havana is playing, under Moscow's guidance and instigation. Nasser's interests, however, are hardly less ambitious and also bespeak a new peril for the West. By creating the Havana-Cairo axis, to which this paper alone drew attention before the Axis became an unmistakable reality and when many observers and commentators thought such an idea far-fetched (see WLC/45/11 Jul., '59), the power-crazed Colonel in Cairo hopes to bring pressure to bear on the United States. Thus, for example, it was discovered lately that in Panama Egyptian emissaries were actively instructing Panamanian ultra-nationalists and pro-communists in sedition and sabotage, disseminating anti-Yankee propaganda and preparing the ground among the more receptive of Panamanian hotheads for what they hoped would be a move soon towards expropriation of the Panama Canal. After all, it was a valuable weapon in the armoury of these Egyptian agit-

ators that the United States had scotched the Anglo-French military action against the seizure by Nasser of Suez, and it would seem a facile deduction that what the North Americans condemned then could hardly be resorted to now when their own Canal is at stake. It is not, at this point, a crucial consideration as to how far the Panama Canal is strategically vital: what is most appropriate is to bear in mind that Nasser's tactics nowadays are not confined to the Middle East but are strictly for export. Example is always better — or at least more practical — than precept. The danger inherent in such strategy can hardly be over-emphasized.

The tendency of some U. S. magazines (LIFE for instance) to present Nasser as harmless and impotent is manifestly absurd. Nasser, as we have reiterated in these columns so often, is nothing less than a venomous Caesaromaniac, and such men are dangerous at any time. At the present juncture in world politics it is impossible to over-estimate the potential harm of which they are capable. For Nasser, perhaps more than for any comparable figure in world politics today, the guiding principle is that "nothing succeeds like success". Only the degree and extent of his personal triumphs as a political pundit has any importance for him. For him, as for Castro in Cuba, external appearances count for everything. The fact that neither the fellaheen in the Egypt-

tian cotton fields nor the Cuban peasants in the sugar plantations have so far witnessed the slightest improvement is to Nasser and Castro a matter of merely academic significance. As a matter of fact, to the misery of lot of the fellaheen and sugar worker have been added new problems, additional hardships, greater hopelessness for the future, because any régime that is based on political and not on economic considerations can never provide anything but privation and insecurity for the masses.

The planned visit to Latin America of Gamal Abdel Nasser, which has been announced for March 1961, we can only earnestly hope will never take place — not only because we hope that before long someone else will occupy the seat of government in Cairo, but because we fervently pray that Castro too, and his gang, will be thrust into exile. When the twilight of these tin gods descends we shall be happy to think of them being gathered into their paradise in Moscow, or perhaps more accurately, to know that they have been respectively translated into their twin heavens of Moscow and Peiping!



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INCOME TAX DRIVES CAPITAL AWAY

◆ During these troubled times, in which investors are hastily withdrawing their capital from countries like Cuba and prospective investors are changing their minds about the advisability and soundness of investing in others such as the Republic of the Congo, Uruguay would stand an excellent chance of becoming the beneficiary of such changing tactics, as this country has always enjoyed a reputation of liberality, stability and friendliness towards foreign investors. Not the least attraction for foreign capital in the past has been the fact that in Uruguay profits were free of income tax. It has already been rumoured, in fact, that Uruguay would be the destination of such diversion of capitals.

Now, however, that the introduction of income tax is imminent, the prospective investors are reconsidering their choice and the capital which might have been assigned to Uruguay is being deflected towards other countries, especially Argentina, a country which is already well on the way towards economic recovery and where, although income tax does exist, many guarantees and privileges are granted to foreign capital.

That is not all, however. Capital already existing in this country may be moved by the investors if they decide that more guarantees and better prospects for profits exist elsewhere.

This course of events will hardly surprise our readers, as

it was foreseen by WEEKLY LETTER COMMENTARY a long time ago (see especially WLC/88/11 Jun., '60, p. 7; WLC/94/30 July, '60, p. 11)

There is still a chance, though to counteract this unfavourable tendency, as the National Budget, of which the plan to introduce income tax is a part, is still under consideration of the Senate's Budget Commission, which — so it has been announced — intends to make considerable amendments in the

NEW PLANS FOR SLAV RESIDENTS

◆ In recent months there has been a big increase in activity among communist emissaries in relation to local residents of Slavonic origin. The most interesting aspect of this intensified interest is the fact that the Soviet planners have divided the citizens of Slav origin into two main groups. One of these groups includes the younger generation, who are specially prepared from a Marxist point of view for a trip to their respective countries beyond the Iron Curtain. (Most of these young people were born in Uruguay). The other group embraces the older people, who were born in Eastern Europe; it is intended that their function shall be to serve as Soviet agents in trade unions or other syndical organizations, or simply to spread Soviet propaganda in the course of carrying out their ordinary duties in their own work places.

For both purposes various agents from the communist countries have arrived here to train the respective groups.

project. If the detrimental effects of income tax, which are becoming visible even before it has been implemented, are taken into due consideration, it may be possible to avert the outflow of foreign capital investments which are so important to the economy of a small country like Uruguay, and more than ever in the present situation of economic chaos.

CHAMELEON AD-MAN

◆ The heterogeneous assemblage of political crooks, cranks and crackpots who contributed their signatures to the recent "Declaration" of solidarity in favour of the current Cuban régime included a certain gentleman who runs a publicity agency that handles the advertising of the internationally famous oil company SHELL, whose Cuban interests have been illegally expropriated by Castro's totalitarian Government.

It is interesting to speculate as to what goes on in the mind of a man who signs, and therefore overtly associates himself with, a public declaration in support of a communistic régime which so gravely injures the commercial interests of a firm he is supposed to be assisting with the weight of his wholehearted publicity ideas! What sort of service will this advertising agency render its distinguished clients if SHELL decide to publish anti-Castro material in the Uruguayan press, for instance, and entrusts the job of doing so to the man who has made a frank avowal of his support for the régime which will have provoked the counter-measure?

CHAOS — AS PREDICTED — IN THE MEAT INDUSTRY

♦ As long ago as in November 1958 (WLC/14/8 Nov. '58 p. 3) we pointed out the absurdity of the then newly-created *Establecimientos Frigoríficos del Cerro*. Under the heading "Industry" we drew attention to the uneconomical farce of creating a new meat-packing organization, to be controlled by the workers themselves, at the very moment when old and experienced firms like SWIFT and ARMOUR were obliged to close down because they could no longer function on a sound commercial basis. Even the *Frigorífico Nacional*, we emphasized, was hard put to it to keep its workers busy; yet at a moment of acute shortage of cattle for slaughter and when prospects looked gloomy, it had occurred to the authorities to bring a new and entirely experimental meat packing concern into being.

Well, what was foreseen in these columns has now come to pass. (It is only surprising that it has not happened earlier!) EFCSA (*Establecimientos Frigoríficos del Cerro Sociedad Anónima*) have had to close down owing to lack of animals for slaughter. The decision was taken unanimously by the Board of Directors, on which the workers are fully represented. Following the resolution of the Board, the eight hundred suspended workers decided to occupy the plant. In other words: the limit of senselessness was reached by the action of the workers in occupying, as a protest, their own plant after the workers themselves, through their own representatives, were forced to the conclusion that it

was impossible to carry on in present circumstances.

Now, it is axiomatic that the kind of conflict which syndical organizations were created to deal with (and the occupation of a place of work by the employees is a modern tactic in trade union strategy) is the traditional struggle between those who are in possession of the means of production (viz. the capitalists) and those who offer them their labour for remuneration (namely, the workers). In the majority of civilized countries capital and labour have been tending in recent years to become more and more cooperative, but such inevitable clashes as still occur, discounting for the purpose of our argument disputes of nuisance value and those provoked by obvious political instigation, arise from the desire on either side to obtain the maximum benefit from the other. But the case of the EFCSA is different: in this case workers

and bosses are on the same side.

If the Management decides to close down because there is no work left for the workers to do, for the time being at least, the decision, it must be supposed, comes from the workers themselves because they elected the Management. This is a unique example in business of a house divided against itself. It is an interesting manifestation of syndical schizophrenia.

The EFCSA incident shows that labour troubles in these days are frequently not motivated by the genuine interests of the working masses but by professional trouble-makers whose only interest has nothing to do with whether the outcome of their move turns out to be favourable or unfavourable to those in whose name they profess to act. It is chaos purely and simply that they are concerned with perpetuating in our midst.

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USIS AGAIN: SOME CORRECTIVE ACTION AT LAST

♦ We have on all too many occasions in the recent past drawn attention to the lamentable state of affairs in Montevideo's USIS (United States Information Service), revealing that this organization which, one would suppose, should be eloquently and vehemently countering anti-Yankeeism in a spirited and imaginative way is actually helping to play the communist game by a series of dubious practices. The chief instigator of this policy of hunting with the hounds and running with the hare is, we believe, the local director, a man of Rumanian-Russian origin whose political orientation is certainly not as sound as it should be in the case of the holder of such a vital office. We are glad to report that this gentleman has now been recalled to the U.S.A.

During the period of his sojourn in Montevideo as the head of this U.S. propaganda office he has committed, or allowed to take place, a number of serious blunders, which, in our view, have contributed to the diminution of North American prestige in Uruguay, especially in intellectual and cultural circles. He seems to have failed to win one single new friend for the United States, but in a succession of suspicious manoeuvres has added to no small degree to the number of that country's antagonists. He has allowed his office to be penetrated by anti-U.S. elements and by at least one who does private business at USIS' ex-

pense, or by people who demoralise USIS staff by organising trade union action against their employers (the U.S. Government) or who are communist sympathisers. The journalistic friends of the USIS, under this man's direction, have flattered and upheld in their press organs every kind of anti-U.S. initiative, and these same propagandists have been invited to visit the U.S.A. at the U.S., taxpayer's expense, professedly in the idiotic belief that they will become converted as a result of their hosts' benevolence.

Even so, this catalogue of strange behaviour would not necessarily exclude all possibility that some useful constructive work for the North American cause may have been achieved during the present chief's period of administration, but frankly we find it difficult to recall one single such act which is worth mentioning. Instead of doing anything militantly constructive and original the chief tactic seems to have been to try to turn any and every anti-U.S. demonstration into insignificance by pouring on troubled waters the oil of kindness and benevolence. We suggest that it is of fundamental importance that when the USIS Head Office in Washington are looking for a successor to this odd character who at present heads the Uruguayan branch they should appoint a man who is perspicacious, incorruptible, intelligent well-educated, balanced, pleasant-mannered, militantly democratic and anti-to-

talitarian, and emotionally normal. We do not want here a person who will indulge the weaknesses and connive at the trickery of his local staff, or one who will become a caricature of ineffectualness for the delight of the anti-Yankee tacticians and the despair of the sincere friends of North America, but one who will be firmly determined and well able to defend the ideals which inspired the American nation to greatness.

We need hardly say that although there may be room for complaint in some respects, our criticisms do not apply to USIS in general: we are concerned with the office of that organization here in Montevideo and we are against the incompetent official who in the past thirty months or so, since we have been observing him at close quarters, has given the impression of being more anti than pro-Yankee and has failed miserably in the fulfilment of the task which he was appointed to accomplish. During his period of management the Uruguayan press has been growing more and more critical of North America and less and less cordial towards it. Whoever is appointed can hardly be worse than the present Public Relations Officer, as far as vital U.S. interests are concerned, which have been so sorely damaged of late in Uruguay.

As a further instance of how harmful USIS tactics are in Montevideo we need only refer to the latest issue (August) of the organization's expensively

produced monthly "Comentario". Of the magazine's photograph of (Lord Russell, mathematician, philosopher). For "Comentario" only thing of grand Russell's views, and that, at least, bizarre. ed the com other war we for mankind, at all costs, would be adv World to give munism and to the Russian sure survival generation, Lord, who is cannot have to worry about our freedom, terity may. We he says, if we down now, sure — almost back again in terms of history individuals. Now either people do not grand Russell's tions are (im are lamentably eral knowledge do know and motive in considering octog readers' notice certain: the holds, and the USIS tacitly in keeping w White House, the North Am But as if that for one issue, publishes in



an article in which the following persons are mentioned with apparent approbation: Dr. Alberto Palacios (a former Argentine Ambassador to Uruguay), who is one of the most virulent, vehement and prejudiced socialist disciples of anti-Yankeeism in the whole of Latin America; Rafael Alberti, a Spanish communist from Buenos Aires; Nicolás Guillén, a Cuban communist, whose comments are frequently publicised in the Uruguayan communist daily "El Popular". The mere fact, mentioned by "Comentario", that the article in question, in which this trio figures, had already appeared in the United States is a most unconvincing plea and by no means proves its innocuousness. In the U.S.A. many communist books and periodicals are published, but that does not seem to us to be a good reason why dubious material should be disseminated in a foreign country by an agency of the U.S. Government itself at U.S. Government expense.

It must be brought home at once to those who are responsible for these matters that the United States Information Service in Montevideo is paid and maintained to render a service to the cause of the United States and the Free World and their unambiguously democratic policies. It is nothing less than monstrous that the Service should be misused by the making of subtle and insidious anti-U.S. propaganda within the very media with which USIS is provided. It is also shocking and disturbing that counter-measures so long overdue are taking place so belatedly.

CRAZY IMPORT POLICY

◆ When it was announced, many months ago, that import reform was about to be introduced, many hoped that the restrictions which had been in force since September 1957 would be lifted and the import trade would be freed from all prohibitions and restrictions. Nominally, it is true, imports were liberalised: any quantity desired may now be imported. But many articles are prohibited completely from being imported while for others importers have to pay up to 300% of the value of the goods as a guarantee deposit at the time of placing the order, part of which is not returned until more than six months later, making such importation extremely difficult because of the large capital required to finance it.

According to the new import laws the prohibition of importation of certain articles may be extended by the Government every six months, and, taking advantage of this privilege, the Executive has recently decreed such a six-month extension.

Bearing in mind that the new import regulations were meant to stabilize the country's economy by means of the natural flow of supply and demand, if imports continue to be subject to such heavy restrictions, this natural way of levelling off the economy will be impossible of fulfilment.

It is true that the country is at present in no position to pay for heavy imports, but the solution does not lie in restricting imports indefinitely but rather in stepping up production to such an extent that on the one hand many imports become unnecessary and on the other exports are increased sufficiently to allow a gradual increase in imports.

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THE DRAFT BUDGET: GENERAL DISCONTENT

◆ The proposed National Budget, as approved by the Chamber of Deputies, has met with frank criticism and disapproval in nearly all circles. The Senate has therefore announced that the special commission in charge of the Budget intends to effect important changes in the whole project in order to make it more acceptable to all, by cutting Government expenses and lowering the planned new taxes.

In voicing this intention and publicizing the fact that the studies are being undertaken in good time and will not be postponed until the last moment (we wonder whether the most important parts of the project will not be left for the last few days after all!), the Senate's commission seems to be trying to placate the people's displeasure and to obtain the conformity of public opinion when the Budget is finally put into effect.

However, it is our opinion that vast improvements will not be made (the Government organ, "El Debate", has, in fact, sounded the warning not to "touch" the Budget) and that fundamentally the project will not emerge very different from Minister Azzini's original conception.

DEVIATIONS AND INCONSISTENCIES IN URUGUAYAN FOREIGN POLICY

♦ On a number of occasions lately we have referred in these columns to the complete change — one may say reversal — of the traditional Uruguayan foreign policy. For our many readers outside of this country who may not know what we mean when we use the term "traditional Uruguayan policy", we would explain that Uruguay has steadily maintained an anti-totalitarian attitude and has always opposed dictatorship in any form in all countries whether near or far away and whether or not they could or did harm Uruguayan economic interests.

But the present Uruguayan Foreign Office maintains very friendly relations with Nasser and Castro and is fostering commercial interchange with the countries behind the Iron Curtain. Recently — and this is one of the most glaring instances of the change we refer to — high Government officials have visited Dictator Stroessner in Paraguay, who received them with an unusually fervent demonstration of friendship and bestowed honours and decorations upon them. The Paraguayan attitude towards the delegation from this country is easily understandable for, in these days, nobody of any great political importance visits the potentate in Asunción, whose days incidentally are numbered.

In a way this interest in Stroessner is not altogether surprising. The reasons for it may be mainly psychological, but in

any event it is unwise. The conference of Latin American Foreign Secretaries is going to condemn the tyrannical régimes in Santo Domingo, Managua and Asunción. What will the attitude of Uruguay's Foreign Secretary be? Can Martínez Montero condemn Trujillo, yet remain silent about Stroessner, because he was visited by his boss, Councillor Haedo, who was decorated by him? And in view of the tense atmosphere that clouds relations between Paraguay and Argentina, can the pro-Stroessner behaviour of the Uruguayan Government be said to be in keeping with the time-honoured amity between these two sister Republics Uruguay and Argentina?

We have said that the present tendencies in Government circles in Montevideo mark the end of this country's "traditional" policy. What are the prospects, in fact? We see no evasion of the certainty that Uruguay is backing a loser. There are no prospects, either from a moral or political-utilitarian point of view, that any good will come of this incongruous flirtation. Everybody must surely realise that in these days of mass movements towards leftish nationalism throughout Latin America dictators of the Stroessner pattern cannot hope to survive. Neither Stroessner nor Castro can last much longer. That is the meagre consolation of these troublous times.

But is the demonstration of cordiality towards Stroessner

a hint that Uruguay's foreign policy will seek closer ties with Brazil, on account of that country's worsening relations with Argentina? The President of the National Council of Government, Benito Nardone, failed to attend the inauguration of the new Brazilian capital, Brasilia, but he did go to Buenos Aires on 25th May for the one hundred and fiftieth anniversary celebration of Argentine independence. Does that mean that in the bosom of the National Council of Government itself there are two rival tendencies — one in favour of Argentina (Nardone) and one supporting Brazil and Paraguay (Haedo)?

Nardone's interest in Frondizi is of long standing. Before he became a member of the National Council Nardone frequently visited the Argentine President in the Casa Rosada and discussed the general situation of the River Plate area. After all, both Frondizi and Nardone are sons of Italian immigrants and have other qualifications that equip them to be intimate friends, which perhaps it would be more discreet not to draw attention to for the moment. Besides, Nardone, as a leader of the rural elements of his country and an ex-Colorado has little patience with the Peronists, who claim to be the spiritual leaders of the industrial proletariat.

On the other hand, Haedo's sympathies with Perón, well known in the past, can scarcely have evaporated entirely. Councillor Haedo, in fact, seems to have a weakness for "strong-

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RE-ORIENTATION OF PARAGUAYAN RELATIONS WITH ARGENTINA AND BRAZIL

men", and the unprepossessing lawyer at present in the Casa Rosada fails to impress him. He is much more attracted to General Lott Teixeira and General Stroessner.

We must confess that, on the whole, our Lobby Correspondent's reports have not made us much the wiser. He has made it clear that he is convinced that something is going on behind the scenes but nothing concrete enough to be called unequivocal has yet emerged from his observations. Here in Uruguay foreign policy is very much a matter of personalities and depends upon personal approaches to problems and individuals. For foreign policy, as such, is never a major issue in the political life of a Latin American nation, perhaps especially this one. But whatever may be the trend of political developments on this Continent, it seems to us unquestionable that Uruguay's present escapades are ill-advised and ill-timed. It may involve this country in continental antagonism and struggles for power in which Brazil and Argentina can hope to play an important part but in which Uruguay can hardly hope to be more than a pawn in a complicated chess game. It may one day soon be brought home to the juggling politicians in Montevideo that foreign policy consists in more than merely maintaining an inflated staff of bureaucratic diplomats and involves the duty of preserving the nation's vital interests and of saving it from being crushed between two giant neighbours.

◆ In previous comments about relations between Paraguay and Brazil we have pointed out that an international incident is in course of preparation. We published a lengthy note about the Paraguayan situation in January and made a tentative analysis of the facts (see WLC/70/16 Jan., '60, p. 8). Our notes have been amply confirmed by the subsequent events. The well-known international bi-monthly magazine "Visão" reprinted some of our remarks in Portuguese in its edition of 27th May, after discovering many factors which supported our statements. Meanwhile, as is well known, Stroessner may leave his country peacefully, being now convinced, for one thing, that the Army is no longer wholeheartedly on his side.

Argentina, which, for many decades, has exercised, quite naturally, a decisive influence over Paraguay, has recently denied the right of Paraguayan vessels to navigate the Paraná River through Argentine territory — and this is the only waterway which affords Paraguay an outlet to the sea, through the port of Buenos Aires. Control over the Paraná River enables Argentina to inflict a serious blow to Paraguay's economy, and that control can be exercised not only through regulating river traffic itself but also by the implementation of Customs restrictions. In other words, Paraguay's

economy, as far as overseas exports are concerned, is entirely dependent upon good relations between Asunción and Buenos Aires.

These relations were cordial during Perón's time. Since the downfall of the Argentine strongman relations have steadily worsened, not only for ideological reasons, in which Stroessner's collaboration in assisting Perón to escape from his country (the notorious Paraguayan gunboat affair), but equally because Argentina's economy, on which Paraguay's was so intimately dependent, has experienced a series of metamorphoses during the Frondizi-Alsogaray era to the extent that its convulsions have had a negative effect on the Paraguayan economy too.

For that reason, and others, including, for example, support within Argentina of anti-Stroessner movements, Paraguay has turned more and more towards Brazil for support. Kubitschek quickly seized his opportunity to convert Paraguay's economic dependence upon Argentina into dependence upon Brazil. He promptly ordered the construction of roads along which Paraguayan products could be transported to Brazil for subsequent

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re-export, and *vice-versa*. Simultaneously, Brazil saw in this changed situation a chance of solving its vexed coffee problem. Brazil is a member of the International Coffee Agreement and as such has a pre-determined quota to conform to in regard to its exports of that commodity. Brazil was therefore worried about the question of how to dispose of its mounting coffee surplus. Paraguay provides a useful outlet by enabling Brazil to pass on its coffee surplus through Paraguayan channels while avoiding the risk of being accused of exceeding the export quota fixed by the International Coffee Agreement.

It now seems that, after all, these manoeuvres of Stroessner's may prove to be beneficial to his country's economy, even though, looked at from the political point of view, his policy cannot be sustained much longer, to judge by the growing resistance to his dictatorship in Asunción and elsewhere. Argentina is giving more and more support to the anti-Stroessner forces, and, as we predicted seven months ago, Stroessner's régime is crumbling and may collapse at any moment.

CUSTOMS SHEDS CRAMMED WITH CONFISCATED CONTRABAND — NOW WORTHLESS

♦ Every now and then public attention is called to the goods, once worth many millions of Pesos, which are slowly but surely deteriorating in the Customs yards. These goods, which were confiscated by the Customs authorities because they had been smuggled into the country, have been accumulating there for over thirty years, because the perpetrators of the offences have never been brought to trial or because such trials are still running.

But although everybody knows that these goods are stored at the Customs — without any protection against weather or climate — nothing has been done about it, either by the previous Governments or, up to now, by this one. The only reason we can see that these objects are not submitted to public auction is that they have deteriorated so much (and whatever there still was of value has long since been stolen) as to be practically worthless. But in that case, it is obvious that everything possible should be done in

order to salvage what there may be of value and to destroy the rest.

But, what is more important, it seems to us — apart from the obvious measure of endeavouring to make smuggling through the Port of Montevideo practically impossible in future — is that if smuggled goods are discovered and confiscated, they should be stored only for a definite period of time, after which — and before they depreciate in value — they should be auctioned, as the law expressly requires, regardless whether the guilty parties have been apprehended and regardless whether a trial is still in progress.

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Common Market and Free Trading Zone:

New Forms of Economic Cooperation in Latin America

(Continued from our last issue)

To the inevitable insecurity caused by fluctuations in world demand for Latin American raw materials, must be added the fact that today it is practically impossible for such demand ever again to be as high as in the first ten post-war years. It is to be expected that the rate of expansion of raw material production during the next 15 years will be only slightly higher than the corresponding rate of population growth. This rate of increase amounted to 2.5% in 1959 and will probably reach 2.7% by 1975. On the basis of these figures and in view of the probability of lower income from exports, prospects of a more rapid rise in the per-capita income in the Latin American republics than that predicted by Dr. Prebisch must be considered gloomy. The only possibility of achieving higher per-capita income would lie in replacing imports still more intensively by local production than during the period immediately following the war. This change has already made advances in the field of consumer goods, especially in countries with a big local market. However, an expansion of other branches of manufacture is more difficult to attain as there is no country in Latin America which offers a market sufficiently extensive to take full advantage of mo-

dern methods of mass production. Only three countries have a purchasing power of over 7.2 billion (7,200,000,000) dollars, an amount which in the United States applies to the private car market alone. The problem which is facing the Latin American States with ever-increasing urgency is to attain a rate of expansion of industrial production which is slightly higher than the rate of population growth and which at the same time raises the standard of living. In recent years it has become evident that the only solution to this problem is the creation of bigger markets inside Latin America itself. Only in this way can a broader basis for economic progress become feasible.

IV

THE SEARCH FOR WAYS OF COOPERATION

To sum up: the outer pressure — loosening of the old Latin American foreign trade structure, caused by wars and economic crises, as well as the resultant dependence of Latin America on the United States — together with the inner pressure — on one hand the animosity of Latin America towards its northern neighbour and on the other the necessity of increasing production in order to keep pace with the growth of population — acted in concert to form the current

impulse in the direction of economic cooperation of one or the other kind. Among the different impulses, however, there was lacking that of historical tradition. In contrast to Europe, in Latin America trade between the various states has not a long history. Quite the reverse: in the centuries before the achievement of independence the Spanish and Portuguese colonies were held in a straitjacket. All trade, with the exception of that with the Iberian Peninsula, was prohibited. Until the beginning of the 18th Century trade between Europe and the Spanish American colonies was restricted to one single port in Spain and four ports in the West Indies. Not until 1774, were Peru, New Spain, New Granada and Guatemala allowed to trade among themselves through certain ports, permission which two years later was extended also to Buenos Aires. The restrictions placed upon Brazil by Portugal were not as severe but hardly less of an obstacle. Therefore, when independence came, there practically existed no real commercial exchange among the former colonies and the trading policy of the newly-founded Republics was consequently directed more to oversea nations than towards each other.

First Plans for a Customs Union

Although at the first pan-American Conference in the year 1890 the establishment of a pan-

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American Customs Union was discussed, no noteworthy trade relations among Latin American Republics developed until the outbreak of the Second World War when a number of Republics were forced, through the cessation of traditional imports, to search for replacements in Latin America itself. Inside Latin America, new commercial treaties were signed, Customs barriers were lowered in favour of Latin American products, and by the year 1941 Latin American inland trade amounted to 10% of the total foreign trade of the region. The prospects thus opened were not forgotten and for the year 1956 the value of inter-American trade amounted to 730 million dollars.

The Organization of Central American States (ODECA)

On these firm though narrow bases the Economic Commission for Latin America of the United Nations began, shortly after its creation in the year 1948, to elaborate plans for tighter economic cooperation, two of which have been put into action. Paradoxically, the more elaborate of

the two projects was planned for Central America — paradoxically because the recent history of this region hardly seemed to constitute a promising background for such a daring initiative. However, in 1951, the five Central American states: Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica, met under the auspices of ECLA in order to found the *Organización de Estados Centroamericanos (ODECA)*. This organization undertook to study the establishment of a regional Common Market. The projects prepared consisted of the draft of a plan for investments by the five Republics among themselves on

the basis of reciprocity, as well as plans for the introduction, at a later date, of a new Central American peso in parity with the United States dollar. With the election of a General Secretary by the five Republics (after the rivalries of the different candidates from the member States had been settled), the approval of a budget and the beginning of preparations for a Customs Union, coordination for a better educational system and the codification of the legislation of the region, ODECA assumed definite shape in August 1955.

(To be continued)

ONLY DRASTIC ACTION CAN HALT COST-OF-LIVING RISE

♦ There seems to be little doubt (in spite of Government protestations to the contrary) that the cost of living is climbing at an undiminished rate and that the salary or wage of the average worker is not keeping pace.

The soaring prices of food, clothes, medicines, electric power, telephone, gas and water are leaving the people dazed, as the purchasing power of their earnings is dwindling more and more.

Curiously, the unhalted inflation through which the country is passing is accompanied by deflation, or absolute scarcity of cash. The new import regulations, which for many goods require a 300%

deposit of the value of the merchandise to be imported to be deposited in advance, the restrictions on discounts by the State Bank, the tightening of credits, are in part responsible for this situation.

Not only are the prices of all consumer goods exorbitant in Uruguay at present but also the price asked for money. The law limits the annual interest on loans and mortgages to 14%. However, usury is currently at its height and interest rates of 3 and even 4 per cent monthly are being asked for and paid.

Until this doubly anomalous situation of inflation-deflation is corrected, there is no doubt that prices will go on soaring and earnings will lag behind.

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