AMERICAN ECONOMIC IMPERIALISM

A SURVEY OF THE LITERATURE

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CAVEAT: This compilation is in no way intended to reflect on the editor's views either pro or con. It is merely an effort to faithfully reproduce the view of others and make available more of their thinking to the reader. Should any of this material be cited, it should be attributed to the original author (as quoted in this collection), not to this editor.

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It is the widely accepted view that if the underdeveloped countries are to make much economic progress they need much more capital input from US foreign aid and US private overseas investors. A small, but growing, school of writers and political figures, however, is pressing the thesis that US aid and foreign investment have actually done more harm than good. To increase this aid and investment, these critics say, would only be to increase the harm done.

This thesis is unfamiliar to most Americans, and of those who do come into contact with it, most will not find it very palatable. We Americans have always looked with disgust on French and British colonialism in Africa and Asia. We pride ourselves on never having joined this ugly scramble for the domination of other peoples. We point out that in the one case of genuine US colonial domination - the Philippines - we voluntarily gave the country its freedom after careful preparation for self-government. After this meritorious record we greet an accusation of imperialism with disbelief, if not resentment.

The thesis of US economic imperialism does not, of course, accuse the US of the old form of outright colonial domination. It suggests that in much more subtle ways the US penetrates and dominates the economy and politics of underdeveloped countries. Because this is a subtle process, most of the component activities take place below the threshhold of perception of the ordinary newspaper reading public. This collection of excerpts is designed to present to the reader an array of the events, mechanisms, processes, etc., that are said to compose US economic imperialism. A compilation of this sort was felt to be necessary because the sources are widely scattered and difficult to locate and obtain. An exhaustive coverage was attempted (though it cannot be achieved) in the hopes that the sheer bulk of evidence will make the reader take seriously a thesis which he would tend to dismiss.*

This is not to say that this paper is devoted to selling the 'neo-imperialism' thesis. The goal is that it be given serious consideration. The only reason that opposing views and evidence are not also included here is the sheer magnitude of time and effort required.

It seems appropriate, therefore, at this point to enter the following

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Those who wish to consider some opposing viewpoints might begin by consulting the following three works. Each of them is of high scholarly merit and disputes some points in this outline.

John Powelson, Latin America: Today's Social and Economic Revolution. 1964. Takes the form of a dialogue between the author, who was a visiting economics professor in Bolivia, and his Latin American students, from whose papers he quotes.

Bryce Wood, The Making of the Good Neighbor Policy. Detailed diplomatic history of policy toward intervention worked out under Roosevelt. The culmination of this was the assertion by the State Department of national goals against the interest of US companies in the Venezuelan oil dispute of the '40s.

Raymond A. Bauer, et al, American Business and Public Policy. 1962. Probably the most intensive data collection on business lobbying on Congress ever made. Evaluates limitations on business capacity to pressure government.

The economic imperialism thesis rests essentially on two basic propositions:

1. Foreign business entering a country does not simply result in the addition of new facilities and economic activities. The foreign firms compete with existing or potential domestic ones. Given the much greater power of firms from economically advanced countries like the US, this often results in the local firms being driven out of business. Thus foreign capital may harm rather than help the development of indigenous economic activity.

2. As is clear and well known, the profits of a domestic firm are likely to be consumed or reinvested in the local economy, while the foreign firm takes these profits back to the home country.

These two themes are elaborated at great length in the excerpts that follow and many concrete examples are given.

But what about foreign aid? It should not have the damaging effects attributed above to foreign private capital. Is it not invested in basic infra-structure projects and planned to stimulate rapid development? If these are the professed ideals of foreign aid, its actual practice is very different, say the critics of economic imperialism. It ends up being the handmaiden of private capital, breaking down those barriers to exploitation that even the great strength of the private corporations cannot breach. This thesis, which will certainly come as a great surprise to some, is also treated in detail in what follows.

Another aspect of imperialism concerns not activities within the underdeveloped country, but competition for markets inside the metropolitan power and in the world at large.

Finally, the imperialism thesis is concerned with political as well as economic activity. It argues that the metropolitan power will intervene politically or even with military force in order to preserve opportunities for economic exploitation.

The organizing principle of the outline in which the excerpts are grouped is as follows. It is assumed, simply, that a policy of economic imperialism is devoted to bringing as much money into the metropolis as possible and permitting as little as possible to go out. This generates the following major topics for consideration:

A. Maximize returns from enterprises in the underdeveloped country
   1. Gain monopolies by driving local firms out of business
   2. On earnings from these enterprises, pay as little tax as possible and repatriate as much as possible to the metropolis
B. Increase the export of goods from the metropolis to the underdeveloped country
C. Minimize competition from firms in the underdeveloped country against firms within the metropolis
D. Minimize the prices paid for imports from the underdeveloped country
E. Minimize foreign aid spending
F. Intervene politically and militarily when necessary to achieve the other objectives

This outline is concerned entirely with the 'mechanisms'of imperialism'. A second part - which remains to be undertaken - would deal with consequences. This would involve an assessment of
- the amount of net capital outflow to the US
- the extent of US business control of various sectors of the economy
- the extent to which political independence from the US is possible.

Information on some of these points is given here in passing. For assessments of this type, see especially Frank (1963, 1964, 1967) and Gerassi (1963).

Note: In fairness to the authors, it must be pointed out that many from whom we have quoted may not be advocates of the economic imperialism thesis, even though they report particular phenomena consistent with that overall view.

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I.A. Maximize returns by gaining monopolies

1. Intrinsic advantages of US firms in competition with local ones: 'The foreign firms are almost always very large ones which are vertically and horizontally integrated on a multi-national basis...' (Frank, 1966, pp. 209-210; see also Wythe, p. 130) This has a number of consequences:

   a. Market power: '...Therefore (they) have substantial market power even on the world market. Little wonder that they quickly come to absorb smaller Brazilian rivals and convert Brazilian competition, supplier, and customer firms into their economic satellites.' (Frank, 1966, p. 210, continuation of passage just quoted)

   When Iran nationalized its oil industries in 1953 all of its former markets were closed to it by the international petroleum cartel. (Engler, 1961)

   b. Ability to weather setbacks: In a large diversified firm, substantial losses can be tolerated in one branch since other branches will not be affected by the same adverse conditions. Also the very fact of huge assets enables the company to accumulate large losses without driving it out of business. During the Cuban crash of 1920 it was the large US firms that survived, with the result that US control in sugar went up from 35% (in 1914) to 63% (in 1926). (Huberman and Sweezy, 1960, p. 21)

   c. Cutthroat competition: A firm that is strong enough to withstand losses is also strong enough to sell below cost in order to drive compeitors out of business. No allegations that this is being done have been located so far but we would not be surprised to find some.

   d. Credit: The firm that has the best access to capital for expansion is in a position to bid advantageously on key contracts, convert to new low cost production techniques, penetrate new markets, etc. Aside from the capital of the parent corporation (Wyther, p. 130) and access to US banks, the American owned firm has advantages over local firms in competing for local sources of loan capital.

   'The Brazilian economist Aristoteles Moura, who has studied this question, cited the data for 1960 published by the US Department of Commerce, showing that 36% of the capital of US controlled undertakings in Latin America was of local origin.' (Gorender, 1964, p. 329)

   'The bulk of the working capital of foreign concerns (in Pakistan) is raised from local borrowing.' (Alavi, p. 48)

   'Large parts of this (foreign capital) was Brazilian to begin with and is foreign only in ownership, control, and earnings.' (Frank, 1963)

   There are several ways in which the US firms obtain preferential treatment in local borrowing:
   i. First of all, they are simply better risks, given the established credit of the parent firm. But their advantage go beyond this.
   ii. US interests, in addition, have been getting control of local banking.
      - In Cuba before Castro: 'The Cuban branches of US banks (were entrusted with almost one-fourth of all bank deposits.' (US Dept. of Commerce, 1956, cited in Huberman and Sweezy, 1960, p. 22)
      - The same phenomenon, reportedly, has been occurring in Brazil (source?)
      - '43% of all (bank) deposits (in Mexico) are in US-owned banks.' (Gerassi, 1963, p. 357)
   iii. US interests have access to counterpart funds accumulated from the agriculture aid program (see I.A.2.)
   iv. If foreign firms have an advantage in the capital market it would seem the duty of the country's government to provide its own community with privileged access to funds from the central bank. But US interests have even been reported to have the advantage in gaining government credit. (see detailed account in I.A.4.e., below) This results from their ability to influence the government either by their own efforts or with the assistance of the US government. (on the former, see directly below; on the latter, see I.A.3.)

   e. Influence with the government: 'Private enterprise and especially the huge trusts coming into Latin America with millions or billions of dollars are perhaps not to blame for profiting from conditions that favor them. Of course, they perpetuate such conditions through bribes, boycotts, and the financing of political parties, coups d'etat, and even revolutions. Their aim is always the "cornering of a market".' (Gerassi, 1963, p. 360)

i. Bribes: '...the great gifts, the enormous tips handed out, for example, by the United Fruit Company to the Caribbean Presidents.' (Arevalo, 1963, p. 41)

ii. Business ties with political leaders: 'Frondizi's Minister of Services and Public Works was connected to Republic Steel Corporation and to Thyssen Corporation, which handled the costliest of government projects.' (Gerassi, 1963, p. 366)

iii. Capacity to affect the economy: Chile, for example, is dependent on the US-owned copper companies for the bulk of its export earnings, as is Venezuela on US oil firms. Thus any decision by these companies to reduce investment or cut production will affect the whole country's economy. It is an ever present implied, if not explicit, threat. Gerassi mentions 'boycotts' but gives no details. (see introduction to point e. directly above) The boycott of nationalized Iranian oil is a relevant case. (see I.A.1.a. above)

iv. Military force: In some of the small Caribbean nations it is alleged that United Fruit Company has, in the past, held not only the economic balance of power but the military as well. That is, it has maintained its own private army of sufficient magnitude to affect political outcomes. (source?)

v. Campaign financing: It is alleged that one-third of Brazilian legislators in a recent election were elected with the help of funds from an organization of US firms. (private conversation with R.W.)

vi. Finally, when all these devices fail, the US firm can often call upon the assistance of the US government. On this point, see I.A.3. and I.A.4., below.

f. Assembly and packaging plants: Any well-established American firm with its know-how, supply contracts, etc., has a competitive advantage over a nascent local firm. To protect such infant industries, the government of the underdeveloped country builds a tariff wall to keep out manufactured goods from the US. To evade these barriers, American firms build assembly plants in the underdeveloped country. This enables them to import the parts - which are duty-free - and avoid the tariff. The result is to kill off domestic firms and at the same time do nothing for economic development since all of the major purchasing and paying of wages is done in the US. (Alavi, p. 47; see also Gerassi, 1963, p. 356; Frank, 1964, p. 292)

g. Patents and licensing: Because of its long-time lead and its great investment in research and development, US industry has control over the use of key processes and formulas. If not using them exclusively themselves, US firms obtain influences over and royalities from the local firms that are permitted to use them.

'The production and in many ways even the financing and merchandising of industrial consumer goods in Chile and other underdeveloped countries are also increasingly dominated by and dependent on the metropolis. The mechanics and organization of this trend receive particular attention in my analysis of Brazil below and in my "Brazil: Exploitation or Aid?" (The Nation, 16 November 1963) and in my "Notes on the Mechanisms of Imperialism: The Case of Brazil" (Monthly Review, September 1964). Here it must suffice to suggest that through affiliates of metropolitan corporations, through joint metropolitan-Chilean enterprise, through licensing arrangements, through trademarks and patents, through metropolitan-owned or -controlled advertising agencies, and through a host of other institutional arrangements, much of the Chilean consumer goods industry is also coming to have an ever-increasing satellite dependency on the metropolis.' (Frank, 1967, pp. 104-105)

h. Advertising: see quote just above, and further discussion under II.C.

2. Advantages gained from US government support. (This section covers direct effects of US policies. The next two sections treat US assistance to firms by intervening with the host government.)

a. Manipulation of tariffs and quotas: This can be used in the same way as the market power of the private firms to deprive competitors of markets.

Wagenheim suggests that the US has kept the Dominican Republic sugar quota low in order to drive the state-owned Dominican mills out of business. 'Ahora! has suggested that such bankrupted companies could then pass into private American hands, whereupon the US quote would be jacked up, allowing them to prosper.' (Wagenheim, 1966, p. 543) (The other side of this story is US pressure on the Dominican regime to adopt regulations threatening to the mills. See I.A.4.a.ii., below.)

Quotas and tariffs have the other purpose of protecting US concerns back at home. On this, see III, below.

b. The use of foreign aid to create advantages for US firms.

i. The 'Cooley Amendment': '...a substantial part of the 'foreign aid' is earmarked for providing loans to American concerns operating in Pakistan and to Pakistani firms engaged in marketing American goods.' (Alavi, p. 48; see also p. 41)

'The Cooley Amendment to PL 480 Food for Peace (passed in 1957) assigned to the Export-Import Bank the full responsibility for loans (up to 25% of the total) to US firms for expansion abroad or to other firms for expanding markets for US agricultural products. All agencies were enjoined from making loans for the manufacture of products that would be in competition with US commodities.' (Montgomery, 1962, p. 155, footnote 4; see also Wythe, p. 144)

ii. Firms loan technical advisors to AID for use overseas. These advisors have access to government officials and project data which gives them an informational advantage over local competitors. (Alavi, p. 37)

iii. AID conducts investment survey and industrial feasibility and economic surveys. (AID, Sept 1966, pp. 4-14)

iv. AID constructs infra-structure facilities to aid US firms. 'That private enterprise comes first in our AID-thinking is most obvious in the banana republics. New AID-financed roads inevitably lead to United Fruit or Standard Fruit or some other major private plantation...' (Gerassi, p. 273)

v. Investment guarantee: US firms can afford to take risks that local firms cannot

c. Foreign aid refused to local firms that would compete with US-owned ones. (see also III.A.)

'The Chilean nation, wanting to exploit - for Chile! - the deposits (of petroleum) in their extreme South (Spring Hill) applied to the Eximbank for a loan that would allow them to finance the formidable undertaking. In May, 1946, the Yankee bank rejected the applications on the grounds that law prohibits the bank from financing projects which private enterprises are willing to undertake.' (Arevalo, 1961, p. 239)

Until Castro forced its hand (producing the Alliance for Progress), the US consistently resisted giving substantial economic aid to Latin America. US private enterprise, it was argued, would supply the need for outside sources of capital if only conditions were made attractive enough: 'US delegations to numerous inter-American conferences have returned over and over again to argue the superior merits of private enterprise and the dangers of 'socialistic' state enterprises. The statements made by Secretary G. Humphrey at Quintandinha in November 1954, and by Secretary Robert Anderson at the Economic Conference of Buenos Aires in August 1957, were essentially the same as those made by General Marshall and Secretary Averill Harriman at the ill-fated Bogota Conference in April 1948.' (Wythe, p. 124)

Policy toward Latin America in 1948 'was directed by minor officials in the State Department... acting under the advice of the National Foreign Trade Council of New York and other reactionary business groups... (that) US private capital would come to the rescue.' (Inman, 1949, p. 157)

According to Hanson, the Eisenhower administration set out to emasculate Export-Import Bank lending for Latin American development: 'The debate among Administrative policy men was limited to choice of the alternative for carrying out this disaster (wrecking Export-Import Bank)... Could the interest rate structure of the bank for such trade-financing as was left to it be raised so much that the whole pattern of foreign-trade might be made more costly, with subsequent larger profits for private financing institutions, and could the rate structure be so increased that the economic development of Latin America (among other areas) would be slowed down.' (Hansen, 1953, p. 21)

d. US puts pressure on host country to adopt policies biased in favor of US concerns. This is covered under the next topics, I.A.3. and I.A.4.

e. Dumping of surplus commodities forces down raw materials prices for US firms. (on other effects of dumping, see III.C.)

see III.C.): 'Pakistan has been made to take commodities under this program (PL 480, Food for Peace)which we ourselves have surpluses to dispose of... Tobacco imports have served only to force down prices of domestic tobacco and have greatly profited the manufacturers -- one foreign manufacturer has a virtual monopoly in this field.' (Alavi)

3. Means by which the United States government intervenes on behalf of US firms. (for some of the consequences of such intervention, see the following point in the outline, I.A.4.)

   a. The International Monetary Fund: The IMF is an international institution loosely connected with the UN, but its decisions are dominated by the US, which has subscribed most of its capital. Its job is supporting the currency of a country with major loans when monetary stability is threatened. In turn for such support it demands 'sound' economic policies so that the loan will have the desired effect and not be dissipated. These policies, it is claimed by critics, have the effect (and perhaps the motivation) of assisting US domination of the economy of the recipient nation. (see, for example, Gerassi, 1963, p. 255) This point in the outline is concerned with the leverage the IMF can exert. For the nature of the policies it obtains and their consequences, see I.A.4.a., below.

   b. Aid as a bribe. Examples:

      i. 'A wheat shortage in Pakistan was built up into a crisis of the first order. A package deal for wheat provided the new US Administration with an opportunity to install as Prime Minister Mr. Mohammed Ali Bogra, erstwhile Pakistani ambassador to Washington. Since then the US has been dominant in the affairs of Pakistan.' (Alavi, p. 23) 'The United States avoided for many months any commitment on the wheat aid for which Pakistan had been appealing. Meanwhile, frantic intrigues went on behind the scene. The Nazimuddin government fell in May 1953 and Mohammed Ali Bogra, the protege of the US, took office. Almost immediately following the change in Government, the US announced its offer of 700,000 tons of wheat...' (Alavi, p. 25) Alavi even goes further and says, 'One wonders whether the fact of scarcity was not magnified out of all proportion by foreign experts and the domestic press, always ready to believe the worst.' (p. 24)

      ii. It is claimed that the US withheld aid loans until Argentina agreed to give contracts for oil exploration and development to US firms. (private conversation with D.P., a foreign student)

      iii. With respect to Argentina, Gerassi writes: 'Guido reappointed Alsogaray (pro-US Minister of Economics), the symbol of the giveaways, and we announed (6 June 1962) a new $50,000,000 loan for Argentina, then $200,000,000 more in credit. (Gerassi, 1963, p. 256)

      iv. 'When Mexico asked for a credit of $400 million for refining and drilling equipment, it was made known to them that they would receive the credit if they would change their petroleum laws to permit the participation of United States capital. Since the Mexican government resisted the blackmail, the National Petroleum Council of the United States opposed the credit.' (Aravelo, 1961, p. 239)

   c. Aid as a means of gaining control over the planning process.

      i. Projects: 'It is a special feature of United States project aid that, instead of the US financing the whole of a few selected projects, the aid is distributed over a large number of projects which are being undertaken by the Government of Pakistan. Thus, most of our projects come to have an aid component which automatically under the terms of the aid agreement brings them under the control of the US Aid Mission. The proportion of the US contribution to the cost of the projects is indicated by the fact that 18.6% of the total development expenditure was financed by aid funds, according to the latest annual report of the Colombo Plan. By providing less than a fifth of the expenditure, the US Aid Mission acquires control over Pakistan Government funds being expended on the projects.' (Alavi, p. 39)

      ii. Financial policy: 'The agreement providing for commodity assistance grants that the American government has an interest in the monetary stability of Pakistan, thus enabling it formally to have its say in our financial policy. This control is possible through a series of measures - formal and informal - which have developed since the beginning of the aid programs. The aid agreements between the United States and

Pakistan government to foster and maintain the stability of its currency and to promote development on a 'sound basis'. To ensure that these conditions of aid are complied with, the United States has the right to send observers as described in section II. Thus, US experts are associated at all levels of policy-making. This means in effect that the US interpretation of what is 'sound policy' prevails.' (Alavi, p. 44)

iii. Counterpart funds: Often a country's budget deficit is made up out of counterpart funds. The US must approve any expenditure of such funds. Thus it gains means of influence on the country's regular budget in addition to the development projects. 'In 1952 the US withdrew from supporting the budget and investment program and pressed on the Greek government a policy of budgetary stability, cutback in development plans and progressive withdrawal of aid.' (Munkman, quoted in Alavi, p. 43) 'A sufficiently large deposit account in a country allows the US to influence more than the credit situation and the amount of money that is to be spent on various government projects. Any large dependence upon this source of finance by the government enables the US also to have a great deal of say in the overall pattern of development policy.' (Alavi, p. 44)

iv. Personnel: Aside from having people advising or coercing the host country's decision-makers, the US attempts to manipulate personnel choices so that pro-US men will fill key posts. For example, see I.A.3.b.i above, concerning the installation of Bogra as Pakistan's Prime Minister; and I.A.3.b.iii.

Furthermore, Alavi hints that two other Pakistani officials may have lost their jobs due to US influence. These are: Mr. G. Faruke, 'who was head of the Pakistan Industrial Development Corporation until he was removed by the present regime' (p. 47), and 'Zahid Hussain, (who) was removed from the planning board, (whereupon) it abandoned the independent national approach to planning.' (p. 45)

Preferential treatment by host government for US firms: 'If their greater competitive power does not suffice, (American firms) are able to bring much pressure, through their aid-giving government, to obtain preferential treatment in Pakistan vis-a-vis Pakistani concerns.' (Alavi, p. 47) 'Finance Minister Shoaib... has not hesitated to introduce in his budgets measures which discriminate blatantly against small businessmen in favor of foreign investors.' (Alavi, p. 19)

Examples of various kinds of preferential treatment:

a. Stabilization programs: The stabilization programs urged by the IMF upon a number of Latin American countries were mentioned above (I.A.3.a.). It was pointed out that critics charge these plans with furthering US domination of the local economy. This requires some explanation, as follows. (for an understanding of the economic theory and terminology, see Powelson, 1964, chapter 7)

Stabilization programs have these ostensible goals:
- stop inflation which results in mislocation of resources
- free the market mechanism from various controls which distort resource allocation; these include price control, exchange controls, and tariffs
- bring in foreign capital to stimulate development.

To achieve these, the following measures are applied:
- tightening of credit
- balancing of the government budget
- pledge not to incur deficits in state-owned enterprises
- removal of price and exchange controls and tariffs
- removal of controls on profit remittance

For example: 'The IMF advanced Bolivia a credit of $7.5 million. The US treasury provided a stabilization loan of the same amount... For its part, the government of Bolivia replaced a complex system of multiple exchange rates with a single free rate, abolished all controls on foreign trade and on internal prices, restricted government expenditures and private credit, and froze wages at a higher level in anticipation of a rise in prices.' (Patch 1960, p. 154)

But - at least according to the theory - the temporary recession will be followed by new stable growth.* In the meantime, there are some secondary consequences which are relevant to this study:

i. Many of the weaker businesses go bankrupt and are bought up by American interests:

'This trend (of declining growth) and this policy (stabilization program under Campos, p. 188) has also brought with it the wholesale handing over of the Brazilian economy, not merely mining, to the U.S...' (Frank, 1967, p. 189)

'The press of Sao Paulo reports on February 4 that much ill feeling has been caused by the news that the national firm, Mineracao Geral do Brasil, is to be liquidated, following the steps of other Brazilian industrial firms which are being sold to foreigners... The owner... (pleaded necessity) in view of the crisis that the firm had to face because of the weakening of the internal market. The sale, which will be to the Continental Company (a Bethlehem Steel affiliate in Cleveland), will be for 70 million dollars.' (Commercio Exterior, February 1965, cited by Frank, 1967, p. 190)

'The so-called industrialization program launched by Minister of Economy Alavaro Alogaray (in connection with a US stability loan, p. 255),... brought US investment to its highest point... and caused more small businesses to file bankruptcy in 1958-1962 than in any other four-year period in Argentine history.' (Gerassi, 1963, p. 256)

ii. The government abandons state-owned enterprises:

'The so-called industrialization program included the denationalization of numerous government-owned corporations, from steel mills to transportation lines, to hydroelectric power plants.' (Gerassi, 1963, p. 256)

Wagenheim cites a recent case in the Dominican Republic: 'The new law states that if any of (the twelve government-owned mills) operates at a loss for two consecutive years it may be closed. Ahora! has suggested that such bankrupted companies could then pass into private American hands whereupon the US quota would be jacked up, allowing them to prosper.' (Wagenheim, 1966, p. 542-3)

iii. A third consequence, increased remittance of profits out of the country, follows from the withdrawal of controls on exchange and on percentages of profits allowed to be repatriated. (This topic belongs properly in the outline under I.B. and is more fully treated there.)

B. Concessions. By concessions we mean exclusive rights to a certain aspect or enterprise. Typically this is for mineral exploration and extraction in a certain area. It may, however, be for building a railroad, or for a monopoly in car manufacturing (e.g. Kaiser Automobile Co. concession of monopoly position in Argentinian market under Peron regime, cf. John Walsh, Harvard Business School Cases (?); oil exploration and production concessions as in Argentina, Venezuela, etc., as well as the Middle East - Engler, Politics of Oil, passim).

'...The military government (of Brazil) granted the American Hanna Mining Company the authorization, which they had long been seeking, to build a private port to export iron ore from the high-grade ore deposits, said to be the world's largest, which the company had acquired in Minas Gerais. Commercio Exterior (December, 1964) notes the significance: "The government has authorized the construction of a private seaport by the American mining company, Hanna... This constitutes a privilege which will transform the Hanna Company into absolute master of the internal mineral market of the country, and which will moreover end by eliminating the firm Vale do Rio Doce, a public enterprise of mineral production which occupies the seventh rank in the world in terms of export volume."' (Frank, 1967, pp. 188-189)

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* This 'monetarist' theory is disputed by the 'structuralist' school. See for example articles by Felix and Campos in Hirschman, 1961. See also Powerlson, 1964, chapter 7.

'In the public utility sector especially, the ownership and earnings of so-called American capital are based, not on original investment of capital, but on concession, exorbitant use rates, and other privileges... Through political influence and bribery, the company managed to delay the construction of competing facilities for fifteen years at one site.' (Frank, 1964, p. 288)

C. Tax incentives for foreign capital. This tax relief leaves extra funds available for investment that the local firms don't get.

D. General lack of support for industrialization:

'The large share of the government's income which depends on revenues from copper exports renders the government budget, and therewith the government's ability to finance capital and current expenditures, highly vulnerable to the metropolitan-controlled production of copper in Chile, the sale of copper abroad, and metropolitan monopolistic manipulation of both.... As the political price of this dependency, the metropolis (i.e. the US) obliges Chile to keep following and even to initiate new domestic political and economic policies which hinder Chile's development capacity, and deepen its structural underdevelopment and dependence still further.' (Frank, 1967, p. 103)

'In Pakistan there has been a steady move away from a policy of industrialization. The First Five-Year Plan stepped down industrial investment under the excuse of "consolidating" the development which had already taken place. The Second Five-Year Plan has carried the anti-industrialization policy still further. The proportion of resources devoted to industry has been reduced even further. In this change of policy local feudal interests as well as the monopoly interests of a few big businessmen are involved. But the most important influence in this direction has been the "advice" of the "experts" and the directions that the ICA Mission has been able to give the Planning Board.' (Alavi, p. 47)

E. Favoring US firms in distribution of government credit:

'According to the Brazilian Congressman Jacob Frantz (1963),... two (American) firms, (Anderson and Clayton, and SANBRA) received 54 billion cruzieros of the total of 114 billion which the Banco do Brasil (the national central bank) loaned out for all agricultural and livestock activities combined.' (Frank, 1967, p. 253)

INSA, 'a single huge assembling plant, has received... (a loan of) $534,000 from the Venezuelan government, itself too poor to increase CVP's funds (the state-owned oil company).' (Gerassi, 1963, pp. 356-7)

F. US firms favored in administration of agricultural price support legislation:

'... outright gifts that the great monopolies, mostly American-owned, receive from the Brazilian government's price support program and from the American government's Alliance for Progress. These monopolies turn around and lend the same money out again, at higher rates of interest of course, and pocket the difference. And that is the least of it. More important is the effective control they thus obtain and maintain over the supply of agricultural products for the foreign and Brazilian national markets alike. The same money, in chains of varying length, is lent out again to big commercial houses or subsidiaries, then by these to wholesalers, and on to retailers, suppliers, large landowners, small owners, down to the lowliest tenant.' (Frank, 1967, p. 275)

G. Biases in import restrictions in favor of US firms:

'Cafe Filho's government of Brazil after the death of Vargas is best remembered for and characterized by the Monetary and Credit Authority's Instruction 113, on which the President of the Federation of Industries of Sao Paulo commented, "Foreign firms can bring their entire equipment in at the free market price... National firms, however, have to do so through exchange licenses established in import categories. In this way, there was created v table discrimination against national industry."' (Frank, 1967, p. 182)

'Moreover, foreign firms were permitted to import used equioment (often depreciated for tax purposes at home), while Brazilians could import only new machinery. As a result, Brazilians, who on this basis were unable to compete with foreign firms and/or who were unable to get assignments of foreign exchange from the Central

Bank, were forced to combine with non-Brazilians who, though they might not contribute much of any capital to the common enterprise, could contribute and capitalize on special privileges as foreigners.' (Frank, 1964, pp. 289-90)

Purchase of obsolete US equipment:

'To placate American business interests and their government, the military government now purchased - for US$135 million, plus US$17.7 million of compensation for not doing so earlier, plus interest, or an estimated total of about US$300 million - the almost worthless, antiquated Brazilian installation of the American and Foreign Power Company.' (Frank, 1967, p. 188)

'Alliance for Progress dollars are destined to serve as the source of the foreign exchange needed by Brazil to buy out American-owned (but as we saw, not supplied) capital in Brazilian public utilities, as Simon Hanson has repeatedly pointed out in his Latin American Letter (for American businessmen) and in Inter-American Economic Affairs (Summer 1962).' (Frank, 1964, pp. 293-294)

I.B. Maximize profit remittance by escaping or removing exchange controls and taxes

1. Have exchange controls and profit remittance laws removed. These measures limit the amount of dollars the US can obtain in exchange for local currency at the central bank. Thus they limit the amount of profits the firms can take out of the country. The stabilization policies of the IMF and the US (see above) call for free movement of capital. Thus IMF loans become bribes in return for freeing American firms to send profits home. (Frank, 1963)

'The Brazilian military government (under Castelo Branco)... removed the legal though very weak restrictions on the transfer of profits abroad.' (Frank, 1967, p. 188)

'Foreign capital, which is rapidly growing, will siphon out of the economy bigger and bigger profits.... hence the persistence displayed by imperialism through its organizations like the IMF to get Brazil to accept the policy of "free exchange", so essential to unhampered import-export of foreign capital.' (Gorender, in Horowitz, p. 332)

If not directly, this effect can be achieved through loopholes: 'One such law in Peru, was to permit companies to forego reserves (depreciation). This law was passed in 1955 by Dictator Adria. What were the results? Until 1955 our Cerro de Pasco Corporation in Peru listed its reserves thus: $53,910,359.07 in 1951, and $56,538,812.30 from 1952 to 1955. Then, in 1956, its reserves disappeared. Were $56,538,812.30 taken out of Peru tax-free?' (Gerassi's answer, of course, is yes. He shows that Cerro's worldwide assets increased by just that amount through purchase of various US firms.) (Gerassi, 1963, pp. 339-40)

2. Repatriate profits under some other guise

a. Loans to parent company: 'Many of our companies send back money as loans which, when "defaulted", are considered losses. We saw how Rio Grande do Sul's IT&T subsidiary did just that. ('ITT is its biggest debtor, with arrears to the subsidiary of... about $3,000,000 -- a proof, say state auditors, that though CTN claims to be constantly losing money, all actual capital has long been sucked out of Rio Grade and shipped home.' - p. 80) And since 99.9 percent of our operations here at home the loan-loss claim is very widespread. The "loan" never shows up as profit on the books; yet as far as Latin America is concerned, it has not only lost currency (the loan amount taken out) but taxes on the loan (remitted) itself.' (Gerassi, 1963, pp. 336-37)

b. Interest payments to parent company: Cerro de Pasco Corporation in Peru borrows money from the parent firm, 'on which it pays interest -- to the United States, not to Peru. This interest is a profit loss, naturally, even if it is paid to Cerro in the United States.' (Gerassi, 1963, p. 340)

c. 'Juggling profits':

'The big oil corporations can juggle profits quite easily because they own the oil tankers, refineries, and

distribution systems. The simplest method of bringing down profits in Venezuela is to hike tanker costs charged to the Venezuelan subsidiaries but paid to shipping lines registered in Panama, Liberia, or wherever shipping taxes are lowest. This is the main reason why so many private United States ships fly non-United States flags.' (Gerassi, 1963, p. 352)

A similar device is to buy raw materials from suppliers outside the country also owned by the parent firm at exorbitant rates. A US-owned Brazilian utility company is alleged to have paid inflated prices for copper under such an arrangement. (source?)

3. Misrepresent amount of investment: Since amount of profit repatriation permitted is usually set as a percentage of investment, there is a temptation to inflate the investment figures.

a. Borrow from parent company:

'The parent corporation in the United States "lends" the subsidiary money -- on paper. The money is never brought into the country, but the local "capital" includes it, thus making it appear that the profits in relation to the investment are not so disproportionate.' (Gerassi, 1963, p. 337)

'Guggenheim's Southern Peru Copper Corporation... claimed an official 1961 investment of $283,465,237.56.' Of this more than two-thirds ('more than $198 million') consisted of loans. 'Part comes from the Export-Import Bank, part from the parent organization, American Smelting. Paper loans?' (Gerassi, 1963, p. 339)

b. Another kind of 'paper loan':

'In every Latin American country I came across this kind of operation: United States companies, hailed for "investing millions of dollars in Latin America", actually deposited their "investment" in United States banks in the United States, then took out the equivalent in local currencies from the bank's Latin American branches. Such "investments" are perfectly normal, but they add nothing to Latin American economies except for small interest charges if the local currencies are taken out as loans.' (Gerassi, 1963, p. 350)

'Generally the facts are not printed, just the news. It is news, for example, that a United States oil company, given the right to exploit 1,000,000 Argentine acres, is investing $200 million. It is fact that the money is deposited in New York and is taken out as a loan in local currency in Argentina, resulting in no benefit to the local economy.' (Gerassi, 1963, p. 30)

'To an increasing extent (foreign loans) are deposited in New York banks to cover the dollar needs of Americans in Brazil.' (Frank, 1964, p. 293)

c. Misrepresent local soft currency borrowing as capital imported: This includes both funds borrowed from local banks for 'Cooley Amendment' (see I.A.2.a. above) loans. (Wythe, p. 141)

d. Issue of stock dividends to owners: 'To avoid showing exorbitant profits, the company (Sao Paulo Light Co.) increased its registered capital base by issuing stock dividends to its owners.' (Frank, 1964, p. 289)

4. Misrepresent profits by write-offs for depreciation and depletion. (If money cannot be gotten out of the country this way, it can at least be spared from taxation.) This depends on a liberal allowance by the government.

'In 1950, another giveaway law (Number 11357, Article 54) passed by Peru's "democratic" regime, allowed 50% (later 33.3%) for depletion; that is to say that half, then one-third of profits could escape... as "depletion" tax-free!' (Gerassi, 1963, p. 340)

Frank adds that such profits as do not manage to evade repatriation restrictions are 'reinvested in Brazil, often not by building new productive facilities but by buying up or into existing Brazilian installations and thus transferring their direction into American hands also.' (Frank, 1963)

II. INCREASE THEIR IMPORTS OF U S GOODS*

II.A. Promote weapons sales

The US government is 'the world's leading supplier of arms.' (NY Times, 19 July 1967) 'As of 30 June 1966,... arms worth $1,220,000,000 were sold to the sensitive underdeveloped regions in the five-year period. About $998,000,000 of this $1,220,000,000 has gone to the most explosive areas -- the Middle East, India and Pakistan.' (NY Times, ca. 21 July 1967; reprinted in St. Louis Post-Dispatch, 26 July 1967) Furthermore, 'there is much suspicion... that only a small part of the story has been told... For example, some US weapons obtained by Britain are thought to have helped arm the Middle East.' (St. Louis Post-Dispatch, dateline 25 July 1967)

1. Standardization: 'The United States encourages the exclusive use of US equipment, largely in order to simplify maintenance and to avoid the shortages of spare parts that rendered so much of Latin America's European equipment useless after the outbreak of World War II. For this reason the United States opposes the sale of British and French as well as Soviet armaments to Latin America.' (Lieuwen, 1961, p. 205) Alavi comments that 'Dr. Lieuwen might have added that this pressure on the aid recipients to "buy American" is not exerted solely for this reason; much of this pressure comes from US arms manufacturers. If Pakistan is not yet wholly restricted to US suppliers, the pressure is nevertheless in that direction.' (Alavi, p. 34)

2. Arms races: It is claimed that US military aid - whether deliberately or not - has led to arms races in Latin America, the Middle East, and between India and Pakistan. Thus a small initial grant creates a large market for arms sales. (See, for example, Congressional opposition to this aspect of military aid, cited in Francis, p. 402) 'The Arab-Israeli war has been seized upon by critics as evidence that the United States, with the Soviet Union and the other arms-exporting nations, has promoted arms races in the Middle East, Asia and Africa, fostering regional instability and encouraging local wars... "If nothing else," said Senator Eugene J. McCarthy, Democrat of Minnesota and a persistent critic of arms shipments, "the Arab-Israeli war should convince us to re-examine our entire arms sales and military assistance programs."' (NY Times, 19 July 1967)

   'The inescapable conclusion would be that Pakistan, which was already spending too much of her resources on military purposes, was encouraged by the US military aid programs to spend even more for military purposes -- obviously, this makes the problem of economic development much harder.' (Bell, quoted by Alavi, p. 35)

3. Aggressive salesmanship backed by liberal credit (the following quotation refers to arms sales in the developed as well as the underdeveloped countries):

   'American military assistance groups function to some extent as on-the-spot salesmen. Kuss's six sales teams are organized along national and regional lines for Europe, the Middle East, Asia, Africa and Latin America, and attempt to remain familiar with the characteristics of their areas.
   'Where the NATO countries and Japan and Australia are concerned, Secretary of Defense Robert S. McNamara has reinforced Kuss's efforts through the five-year plan. He has exerted continuous pressure on these nations to modernize their forces and meet their treaty commitments.
   'The combination has been so potent that after Britain lost out to Kuss in a $37,000,000 tank sale to Italy in the spring of 1965, Prime Minister Harold Wilson complained that the "high-pressure salesmanship of the Americans" had "unbalanced the situation" in the Atlantic alliance.
   'The ability of Kuss to extend large and very liberal credit terms to his customers has been another important factor in his sales.
   'With a revolving arms sales credit fund of $383,000,000, established by Congress in 1957 and expanded over the years, the Department of Defense is able to extend $1,532,000,000 in credits. The law requires that only 25% of the credits be covered by the fund. Kuss can thus guarantee loans from private banks at commercial interest rates or extend direct United States Government credits at interest charges varying from nothing to commercial levels.
   'The Export-Import Bank has been another important source of credit for Kuss. Senior Administration officials have testified in congressional hearings that the bank, at the request of the Department of Defense, has lent or committed itself to lend $2.6 billion to foreign countries for arms since 1963. In the fiscal years 1966 and 1967, arms loans constituted more than 25% of the bank's lending business.' (NY Times, ca. 22 July 1967, reprinted in St. Louis Post-Dispatch, dateline 25 July 1967)

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* It has often been pointed out that the best long-run strategy for increasing markets for US goods would be to encourage development in the underdeveloped world. Imperialist policies, however, seem to be attuned to short-run profits.

II.B. Capital Goods: economic aid as an entering wedge. (Here we are speaking of sales of goods produced in the US as opposed to sales by US-controlled firms in the underdeveloped country as in I.)

1. 'Buy American': 'ICA's decision to link development aid to American purchases to reduce the gold outflow, announced 16 November 1959...' (Montgomery, p. 131) The initial goods that come in under such a program may really represent aid (but see V.B.2. below). But when replacement parts are needed or expansion is considered, the parts and some of the equipment will have to come from the same source. Thus a small initial grant may bring in later purchases.

2. Technical advice: specifications: 'The ICA has a decisive say in the choice of experts, particularly in connection with projects in which there is some aid component. Many of these experts are on loan from US commercial concerns with interests in the projects being undertaken in Pakistan... It is frequently complained that specifications laid down by such experts are so specific that only the parent firms can supply the material and equipment required. In many cases vital decisions rest with these experts. The government of Pakistan was apprehensive of this and issued a circular in 1958 in an effort to clearly indicate that these experts have an advisory capacity only, and need not perform an executive role. But a mere circular cannot alter such widespread practices, especially when the reports given by the US expert influence so much the careers of their Pakistani colleagues.' (Alavi, p. 37)

3. Technical advisors: competitive advantage. American firms who have loaned experts to ICA, 'because of the valuable local experience gained by their men,... are placed in a better position for competing in the local market. Very often they are better off in this respect than even Pakistani concerns who get less government cooperations.' (Alavi, p. 38)

II.C. Advertising

'The dominance of foreign advertising in the Brazilian press can be appreciated merely by leafing through any major magazine: the big international corporations have all the one-page and multi-page ads. Moreover, this advertising is placed by American advertising agencies: the two biggest agencies in Brazil are J. Walter Thompson and McCann-Erickson. Four American agencies in Brazil (there are eight) handle an estimated 37% of all agency billings in the country. It would be naive to suppose that this formidable foreign advertising apparatus does not exercise an implicit, and sometimes explicit, editorial influence.' (Blum, 1967, pp. 680-681)

'For almost two years, Time-Life, Inc., has been the chief target in Brazil of an increasingly vehement protest against the presence of US money and influence in key sectors of the Brazilian press.' (Blum, 1967, p. 678) (Note: This article gives still further detail on this aspect of US penetration.) (See also Frank, 1967, p. 104, with respect to Chile; Frank, 1963 and 1964, with respect to Brazil. See also Schiller, 1966. Schiller discusses penetration of European television and concludes with remarks on underdeveloped countries.)

II.D. Consumer goods: assembly and packaging plants under tariff wall. See account under I.A.1.f.

II.E. Consumer and capital goods: get protective tariffs removed. See I.A.3.e., I.A.4.a.

III. MINIMIZE THEIR COMPETITION WITH U S DOMESTIC FIRMS*

III.A. Refuse economic aid for enterprises competitive with ones in the US.

'The government must question both its right and its financial ability to continue to use the taxpayer's money to finance investments abroad on a large scale in the development of competitive enterprise.' (Sec. of the Treasury George Humphrey, quoted in Hanson, 1953, p. 22; see also pp. 21, 36) For example:

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* See also I.A.2.c.

1. '(Bolivia was) unable for several years to secure US government funds to develop its potential oil resources.' (A threat to get the financing from Russia resulted finally in a US loan.) (Patch, pp. 136–137)

2. 'John B. Hollister, Director of ICA, stated US policy as follows: "We should not assist directly cooperating countries to increase production of surplus agricultural commodities so as to result, over a reasonable period of time, in increased exports or decreased imports of such (i.e. American surplus) commodities." Even if projects already under way could not be immediately discontinued, they were to be reduced "with a view to discontinuing our participation entirely next year." Even producers of rice for domestic use were theoretically ineligible for financial or technical assistance from the aid mission. As long as rice was listed as a US surplus item, aid was denied to Viet-Nam's most important domestic crop and also, second to rubber, its major export earner.' (Some aid was 'permitted in Indo-China in the reconstruction years only because they could be designated as a "restoration" rather than an "increase" of productive efficiency.') (Montgomery, p. 132)

3. 'The point has already been reached where the US Mission has de-emphasized rice production despite the fact that an increase in rice export is one of the ways in which Formosa can become self-supporting... Our policy in this regard is vitiated by efforts to dispose of our rice surpluses.' (Senator Green, quoted in Alavi, p. 42)

4. 'Plans for sugar beet production... were put forth several times, but... "have however been checked by the American Mission. This has been a major irritant to the Greeks, who rightly consider the introduction of sugar beet imperative to their agricultural pattern. The Mission policy is considered to be dominated by the desire to maintain the Greek sugar market for US surpluses."' (Munkman, quoted in Alavi, p. 42)

III.B. Tariffs and quotas:

1. Lead and zinc tariffs hurt Peru. (Shapiro, 1963)

2. 'Lead, zinc, wool, petroleum and down the list.' (Hanson, 1953, p. 16; see also p. 12)

3. 'The imposition of lead and zinc quotas also weakened Bolivia's economic position.' (Patch, 1960, p. 134)

4. Simpson bill restricting imports of residual fuel oil -- which affects principally Venezuela. (Hanson, 1953, p. 12; see also Bauer, Pool, and Dexter)

5. Cuban sugar refining: 'United States duties on Cuban exports of refined sugar were always somewhat higher than those on crude sugar, and in 1934 the Jones-Costigan Act placed physical limits on United States imports of the Cuban refined product. (Had the Hershey Company not produced about 50% of Cuba's refined sugar, the island's refined quota would no doubt have been lower. The northern refining interests were pleased with the legislation. According to Earl Babst of the American Sugar Refining Company, the two pieces of legislation were "...a step in the direction of a sound Colonial policy" (quoted in Smith, 1960, p. 161).' (O'Connor, 1964, p. 98, based on Smith, 1960, pp. 66, 160-161)

6. Dominican Republic sugar quota -- see above, I.A.2.a.

7. Cotton Thread: '...When Argentine cotton thread exporters were ready to put some two million pounds of thread on the US market, Washington fixed the import quota at 400,000 pounds. The Federation of Textile industries sent this memorandum to the government: "The quota is completely arbitrary and unjust, especially in view of our unfavorable balance of trade with the US... It results from the super protection of American industry."' (Lupo, 1965)

III.C. Dumping: Domestic US firms compete with firms in underdeveloped countries for markets within the US and for markets in third world countries. Tariffs protect the US market for domestic US firms. The foreign market is obtained by 'dumping' US surpluses on the world market. This undercuts the competitive position of the rival firms and may drive them out of business altogether.

1. Wheat: 'By means of government subsidies the US had become the world's biggest wheat producer and had accumu-

lated surpluses which it later sold to Argentina's old customers on long-term credits. Argentine trade lagged and farmers wound up planting only enough wheat to meet the needs of the domestic market and those few countries which had escaped the tidal wave of American dumping. The rich Communist market remained cruelly elusive; negotiations were abandoned midway and Washington's veto hung over all serious conversations.' (Lupo, 1965, p. 242)

'Loans under (US) Public Law 480 consist of... American surplus wheat which, like all other "dumping", competes unfairly with and inhibits the development of Brazilian wheat production.' (Frank, 1964, p. 294)

2. Cotton: 'Pakistan itself is a surplus producer of the long-staple "American-type" cotton, some of which it must export. Yet Pakistan received 174,400 bales of American cotton, most of it (126,000 bales) during July 1954 and December 1955, when there was already too much cotton on the market. The effect of this dumping was only to lower further the price of domestic cotton, much to the delight of the local cotton mill owners. This caused distress to cotton growers and also reduced Pakistan's foreign exchange earnings by forcing down the price of cotton. D.C. Swerling pointed out in his article in The American Economic Review for May 1959 that Pakistan, "welcoming PL 480 wheat, suffering from our cotton policy," shared the position of many countries. Similar results have been brought about by PL 480 aid of tobacco and dairy products.' (Alavi, p. 42)

Shapiro also mentions briefly the harmful impact of US cotton dumping on the Peruvian economy. (Shapiro, 1963)

IV. MINIMIZE PRICES PAID FOR IMPORTS FROM THESE COUNTRIES

A. Control of commodity prices during wartime.

US held down the price of commodities imported from Latin America during the peak demand years of the Second World War. (Frank, 1963)

'Chile lost about $500 million during World War II when copper prices were frozen by the United States.' (Gerassi, 1963 p. 345) (see also Dozer, 1959, p. 355 and chapter VI)

Tin prices started to rise during the Korean War. 'Naturally, this trend was not convenient for the interest of the American government, which thereupon began to monopolize the trade. Automatically there followed a decrease in price to $1.34 in March 1951, and later to $1.03. It is in ways like this that the United States fixes the prices of our raw materials at the lowest levels possible.' ('A Bolivian Student', quoted by Powelson, 1964, p. 85) (Powelson explains that these controls were instituted to prevent war profiteering by American firms.)

IV.B. Monopoly control of prices for commodities

'At the time of writing, the press reports that the price differential per pound between the monopolistically controlled copper price on the fictitious New York market, which the American companies use to calculate Chile's copper royalties, and the copper price on the London copper exchange is $.20. At current rates of production and royalties, each cent of this price difference represents a difference of US$9 million in earnings for Chile.' (Frank, 1967, p. 100)

IV.C. Release of stockpiled copper to reduce prices

Recent US government releasing of stockpiled copper to keep price from increasing had the effect of reducing Chile's copper income.

IV.D. Refusal to support commodity agreements

Hanson claims that the US accepted the International Coffee Agreement only because this was the price of getting enough OAS votes to approve sanctions against Cuba. (Hanson, 1965, p. 7)

V. MINIMIZE FOREIGN AID SPENDING

Foreign aid is necessary as a means of penetrating and manipulating the society and economy of the underdeveloped country (I.A. 2. above). (I.A.3.) But the US strives to minimize the cost of this penetration.

V.A. Commodity sales: Much of US 'aid' comes in the form of surplus agricultural commodities. In Pakistan, commodities comprise 'over 75% of all aid from the US.' (Alavi, p. 35) The recipient country must pay for the commodities by depositing the price in local currency in the 'counterpart fund'. This leads to the following phenomena, all of which save the US money.

1. Counterpart funds pay all costs of US missions. All the costs of the US diplomatic and propaganda missions are paid for out of counterpart funds, 'instead of dollars which Pakistan might have made better use of.' (Alavi, p. 41) Thus the US spends only commodities which were in surplus anyway and saves foreign exchange. Furthermore:

2. The commodities are overpriced. 'The amount is calculated on the prices charged by the Commodity Credit Corporation of America, which charges higher prices than those prevailing on the world market... (In addition) these commodities must be shipped in American bottoms. The New York Times reported on 13 June 1953 that shipping wheat aid to Pakistan in American ships would cost $26 per ton as against $12 to $14 per ton in a foreign ship.' (Alavi, p. 41) Thus a relatively small amount of commodities buy a large amount of services in Pakistan. 'By paying higher prices the Government of Pakistan has subsidized the funds of the US Government, rather than the other way round.' (Alavi, p. 42; see also Frank, 1963) Furthermore:

3. Sometimes these commodities are not even needed. 'Pakistan has been made to take commodities under this program which we ourselves have surpluses to dispose of! This is best illustrated by the case of cotton. Pakistan itself is a surplus producer of the long-staple "American-type" cotton, some of which it must export. Yet Pakistan received 174,400 bales of American cotton, most of it (126,000 bales) during July 1954 and December 1955, when there was already too much cotton on the market. The effect of this dumping was only to lower further the price of domestic cotton, much to the delight of the local cotton mill owners. This caused distress to cotton growers and also reduced Pakistan's foreign exchange earnings by forcing down the price of cotton. D. C. Swerling pointed out in his article in The American Economic Review for May 1959 that Pakistan, "welcoming PL 480 wheat, suffering from our cotton policy," shared the position of many countries. Similar results have been brought about by PL 480 aid of tobacco and dairy products.' (Alavi, p. 42)

4. Only a small part of the counterpart fund actually becomes available for development aid. Part of the counterpart fund is supposed to be available for development aid. Alavi cites figures to show that of $263.3 million worth of counterpart funds budgeted for 1958 in Pakistan, only $12.3 went to development grants.

5. 'Some military aid is received in the form of surplus agricultural commodities!... To the extent that any part of this money is used to purchase "hardware" from the US (and much of it goes for that purpose), the foreign exchange has to come out of Pakistan's current dollar earnings.' (Alavi, p. 34; Alavi does not give figures on what this extent is)

V.B. Dollar Aid

1. 'A large proportion of these funds is in fact recouped by the US in the form of charges for "planning and survey", etc. -- a statement in the Government-controlled Pakistan Times from a "special correspondent" (June 11, 1961) stated that by this means the US "take(s) back 50 percent".' (Alavi, p. 39)

2. The 'Buy American' provision in the foreign aid program usually compells the recipient country to pay more than comparable equipment from another country would cost. Alavi cities, for example, a 'purchase of locomotives by India with US aid. Although a Japanese quotation for a locomotive was $81,500 as against an American quotation of $178,000, the US Foreign Operations Administration compelled the Indians to place half the contracts with the US supplier. This increased the cost to the Indians by over $4.8 million. India has received a loan of $20 million for this purpose -- in effect, she received only $15.2 million; but she must pay interest on, and ultimately repay

the whole of, the $20 million... (For reports of this transaction see the NY Times of 4 September and 9 October 1954.)' (Alavi, pp. 39-40)

VI. POLITICAL AND MILITARY INTERVENTION

The preceding topics have all concerned various economic instruments of practices. These are complemented by political and military intervention. This intervention is designed to put in power or keep in power governments amenable to US demands for stabilization plans, removal of tariff barriers, granting of mining concessions, etc.

VI.A. Assisting in the overthrow of popular, democratic, or 'progressive' leaders in Latin America

1. General: In 1948, a US-sponsored agreement to continue diplomatic relations with any government irrespective of the way it secured power... (had as its) inevitable consequence an epidemic of military coups and dictatorial attempts in Peru, Ecuador, Bolivia, Chile, Paraguay, Venezuela, Costa Rics, Guatemala, El Salvador...'

2. Brazil:

   a. October 1945: 'But the oligarchy, our corporations in Brazil, our government, and some military leaders were afraid Vargas would pull off another coup. Our ambassador, Adolf Berle, openly intervened by commenting on the situation and on the hope we held for Brazil's new democracy. Finally, during the night of 24-25 October 1945, army tanks surrounded the palace, and Vargas was forced to resign.' (Gerassi, 1963, p. 67)

   b. August 1954: 'Vargas killed himself leaving a now-famous suicide note charging that foreign and domestic right wing interests and pressures had forced him to his death.' (Frank, 1967, p. 182; see also Gerassi, 1963, pp. 68-69 and Appendix A)

   c. August 1961: 'Reminiscent of Vargas, (Quadros') letter attributed his failure to "reactionaries" and to "the ambitions of groups of individuals, some of whom are foreigners... The terrible forces that arose against me." When he returned home, in March 1962, Quadros named some of those "foreigners" -- former Latin America Task Force Chief Adolf Berle, Secretary of the Treasury Douglas Dillon, West German Ambassador Herbert Dittman, and so on.' (Gerassi, 1963, p. 71)

   d. March 1964: '...Brazil, where certain US business objectives -- a deal for the Hanna interests, a deal for the American and Foreign Power Company, the course of profit remittance legislation, and the imposition of an investment guarantee treaty -- were being effectively balked by the constitutional government of Brazil. Accordingly, the State Department leaked to the press its decision to modify the policy of rigid hostility toward military juntas...' (Hanson, 1965, p. 26)

   There have been, in addition, numerous reports of meetings between Ambassador Lincoln Gordon and former State Department official A. A. Berle and the plotting generals in the days before the coup. (source: private conversation)

3. Venezuela, 1948: 'United States petroleum companies and local reactionary groups were responsible for the recent army coup in Venezuela. The army clique was encouraged to take over the country by the oil companies and local capital. The military attache of a large power had been at army headquarters when the coup was staged.' (Deposed president Romulo Gallegos, quoted in Baran, 1957, p. 213)

4. Guatemala, May 1954:

   '...The conclusion that the US played an important part in the struggle in Guatemala seems inescapable.' (Taylor, 1956, p. 797)

   '...There seems little question that the Central Intelligence Agency was highly active in the affair and that it perhaps supplied the increment of power needed by the anti-communist forces under Colonel Castillo Armas to achieve victory...

'In his memoirs, former President Eisenhower does not conceal the fact that CIA Director Allen Dulles played a key role in the White House deliberations on this issue. Upon his recommendations, Eisenhower agreed to supply the anti-communist forces with aircraft, to replace those that had previously been lost.' (Crabb, 1965, p. 291; Eisenhower views cited from Mandate for Change, 1963, pp. 424-6)

Unlike the other cases in this list in which shadowy allegations constitute the only evidence, there has been considerable discussion in print of the Guatemala intervention. See, for example:

Blackstock, Paul, The Strategy of Subversion, 1964
Dozer, Donald, Are We Good Neighbors?, 1959, p. 404
Gerassi, John, The Great Fear in Latin America, 1963
Graber, D.A., Crisis Diplomacy, 1959
Lieuwen, Edwin, Arms and Politics in Latin America, 1960
May, Stacey and Galo Plaza, The United Fruit Company in Latin America, 1958
Meacham, Lloyd, The United States and Inter-American Security, 1961
Schneider, Ronald, Communism in Guatemala: 1944-54, 1958
Silvert, Kalman H., A Study in Government: Guatemala, 1954; and The Conflict Society, 1961
Taylor, Philip B., Jr., The Guatemalan Affair, 1956
Tully, Andrew, CIA, the Inside Story, 1962
Westerfield, Bradford H., The Instruments of America's Foreign Policy, 1963
Wise, David and Thomas B. Ross, The Invisible Government, 1965

5. Cuba, 1961, Bay of Pigs: Kennedy, himself, accepted responsibility for this intervention. (The extensive commentary on this case is concerned not with whether the US intervened but why the invasion failed, why Kennedy authorized it, and how the CIA conducted it.)

6. Dominican Republic:

a. September 1963: '...The generals were hardly impressed when Ambassador John B. Martin cautioned them that a coup against a government so strongly supported by the State Department would bring sharp reactions from Washington. More important were their impressions from the United States military personnel, the Military Advisory Assistance Group (MAAG) and the Army Mission officers, some of whom reportedly agreed with them that Bosch was probably a Communist. (see the NY Times, 5 October 1963) Certainly, the generals reasoned, the Pentagon would applaud their seizure of power. However, just a few hours after the September 26 coup d'etat, the Kennedy Administration suspended relations and cut off all aid programs.' (Lieuwen, 1964, p. 119)

b. April 1965: 'At San Isidro, the main question was what the strongman of the 1963 anti-Bosch coup, General Elias Wessin y Wessin, would do. In addition, an army regiment commanded by General Montas Guerrero was waiting to make up its mind at San Cristobal, about a dozen miles to the east of the capital. The air force and navy commanders were also temporarily benumbed, watching for a signal of where, when, and how to jump... Thus for about thirty-six hours, the military initiative was wholly with the "rebels"... There is every reason to believe that US backing of Molina Urena on Sunday would have given the Bosch forces a quick, easy, almost bloodless victory. Wessin and the other generals were still holding their fire, many of them undecided whether to join the rebellion or to crush it. The balance of forces seemed so favorable to the pro-Bosch side on Sunday afternoon that a signal from the United States would in all probability have proved determining.
'Instead, at about 4:30 p.m. that Sunday, the Dominican air force and navy opened fire on the Presidential Palace which Molina Urena and his aides had taken over. This fratricidal strafing and shelling signified that the Wessins had at last made up their minds -- to drown the rebellion in blood.
'What had led them to make up their minds?...
'What the record reveals, in fact, is that from the very outset of the upheaval there was a concereted US Government effort, if not actually a formal decision, to checkmate the rebel movement by whatever means and whatever cost... In a private letter to me, Bosch has added that both the US air and naval attaches began on Saturday evening to "order" the Dominican air force, navy, and General Wessin to attack the Boschist forces, and that another demand for an air attack on the National Palace was made on Sunday afternoon...
'As far as I know, two other sources have referred to this activity of the US military attaches. The first refer-

ence appears in the last sentence of the passage already quoted from the article by Phillip Geyelin in the Wall Street Journal of 25 June 1965. This sentence, dealing explicitly with the events of Sunday, 25 April, is important enough to cite again:

> Nonetheless, Washington was advised (by the embassy), the embassy military attaches had given "loyalist" leaders a go-ahead to do "everything possible" to prevent what was described as the danger of a "Communist take-over".

'It appears from the context that Geyelin was able to put forward this assertion, with direct quotations, from the official records made available to him. Whether or not all the details provided by Bosch prove to be accurate, Geyelin's version confirms the essence of the charge. It would go far to explain why the Dominican air force finally attacked the National Palace at about 4:30 p.m. on April 25.

'The second reference occurs in Szulc's book, where, however, it is limited to the naval attaches: Messages between the embassy in Santo Domingo and the State Department in Washington Sunday and Monday had disclosed growing concern over the navy's role and one of the principal functions of the embassy's naval attaches had become to persuade Captain Rivero Caminera (Dominican naval commander) to cast his lot with the loyalist troops or at least remain neutral. To judge from the lobbing of shells into the Presidential Palace area Tuesday morning (April 27), the attache's effort had proved successful.' (Draper, 1965, pp. 38-41)

7. Argentina, March 1962: 'Despite Frondizi's occasional maverick vote in the Organization of American States, our State Department claimed not to want him out; he was, in fact, a strong "free enterpriser", and our own companies profited most from this. But our tough-lining Pentagon apparently was not impressed; its mission chiefs in Argentina said so to the gorillas, and thus Frondizi fell. And, proving that even our State Department was not so unhappy, we quickly recognized his illegal successor.' (Gerassi, 1963, p. 60)

8. Bolivia, 1964:

   'Pay Estenssoro wrote, "I knew my supporters, including the police and peasant militia, were loyal, but we were armed with outmoded weapons and the military was equipped with powerful arms supplied by the US."' (Hanson, 1965)

   This outcome is particularly ironic in the light of Lieuwen's remark not long before: '...Costa Rica destroyed her Army in 1948, and Bolivia followed suit in 1952; in both countries, the successor civilian regimes have been able thusfar to control their new military organizations.' (Lieuwen, 1964, p. 8)

9. Costa Rica, mid-1950s: 'In the mid-1950s CIA agents intruded deeply into the political affairs of Costa Rica, the most stable and democratic republic in Latin America. Knowledgeable Costa Ricans were aware of the CIA's role. The CIA's purpose was to promote the ouster of Jose (Pepe) Figueres, the moderate socialist who became President in a fair and open election in 1953.

   'The CIA's strategy was twofold: to stir up embarrassing trouble within the Communist Party in Costa Rica, and to attempt to link Figueres with the Communists. An effort to produce evidence that Figueres had been in contact with leading Communists during a trip to Mexico was unsuccessful.' (Wise and Ross, p. 127)

10. British Guiana: US labor unions financed by CIA money worked through local unions to overthrow Prime Minister Cheddi Jagan. (Meisler, 1964; other sources?)

VI.B. Overthrow of other governments outside Latin America

1. Iran, 1953: 'There is no doubt at all that the CIA organized and directed the 1953 coup that overthrew Prime Minister Mohammed Mossadegh and kept Shah Mohammed Reza Palevi on his throne.' (Wise and Ross, 1954, p. 116; see also Tully, 1962, and Blackstock, 1964)

2. Laos:

   a. 1958: At this time a compromise agreement resulted in the reintegration of the Pathet Lao into the Laotian State and free elections in which the Pathet Lao could run candidates. Out of 21 parliamentary seats at stake, they won nine and an allied party won four. The total number of seats was 59. This small presence of thirteen seats out of 59 'appeared alarming to Washington, however, and the immediate reaction was to

throw support to Laotian civilians and military men of extreme right-wing persuasion in the hope of creating a strong government that would be able to cope with the Pathet Lao menace.' (Fall, 1965, p. 185)

b. December 1960: The right wing regime which the US assisted in gaining power in 1958 survived until overthrown by neutralist military leader Kong Le. Once again the US supported the right wing in their efforts to overthrow a neutralist government. 'The Laotian right wing... had powerful outside supporters determined to keep in power in Vientiane a regime which was - in the words of an official commentator in Washington - "willing and able to resist communist aggression and subversion". The resulting policy took the form of a right wing coup.' (Fall, 1965, p. 189)

3. Congo, 1960: The CIA put President Kasavubu up to the act of deposing Premier Lumumba. The CIA also acted to prevent Lumumba from gaining access to radio facilities when it appeared he might rally popular support against his ouster. (Tully, 1962)

VI.C. Support for existing dictatorial, repressive and reactionary governments, and aid in their establishment

1. Spain under Franco: US abandons policy of non-involvement and exchanges aid for military bases. (Lowi; Whitaker, 1961)

2. Chiang Kai-shek:
   a. Background: US support for Chiang during World War II.

(to be continued)

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