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Montevideo, the capital of Uruguay, is a major seaport on the Río de la Plata.

EPA

URUGUAY, yoor'ə-gwī, a republic in southern South America. Throughout its history, this country has lived in the shadow of its two larger and more powerful neighbors—Brazil, to the north, and Argentina, to the west and south. However, Uruguay has been markedly different from both of them.

All parts of the republic are easily accessible, and the nation has been remarkably homogeneous ethnically and culturally. Largely owing to the impact of a great leader, José Batlle y Ordóñez, Uruguay in the early 1900's experienced fundamental economic and social reforms that were a model for countries of the Western Hemisphere. It evolved a degree of political stability and democracy that was the envy of many of its neighbors.

However, after World War II, the situation in Uruguay changed drastically. The country's economic base deteriorated to crisis proportions. This in turn fueled social and political unrest, which resulted in uncharacteristic resort to violence and, in the 1970's, led to the establishment of a military dictatorship.

The Land. Most of Uruguay is an extension of the great pampas of Argentina, although the land is more rolling than in the exceedingly flat Argentine plains. The north is hilly, but the highest altitude in the republic—only 1,644 feet (501 meters)—is in the south.

Uruguay faces the Atlantic Ocean on the east and the Río de la Plata estuary on the south. The country gets its name from the Uruguay River, which forms the western boundary and flows into the Río de la Plata. The only other river of consequence is the Negro, which goes through the center of the country before emptying into the Uruguay River. The largest of several shallow bodies of water near the east coast is Lake Mirim (or Merín), which straddles the Uruguayan-Brazilian frontier. Along the Atlantic are miles of sandy beaches.

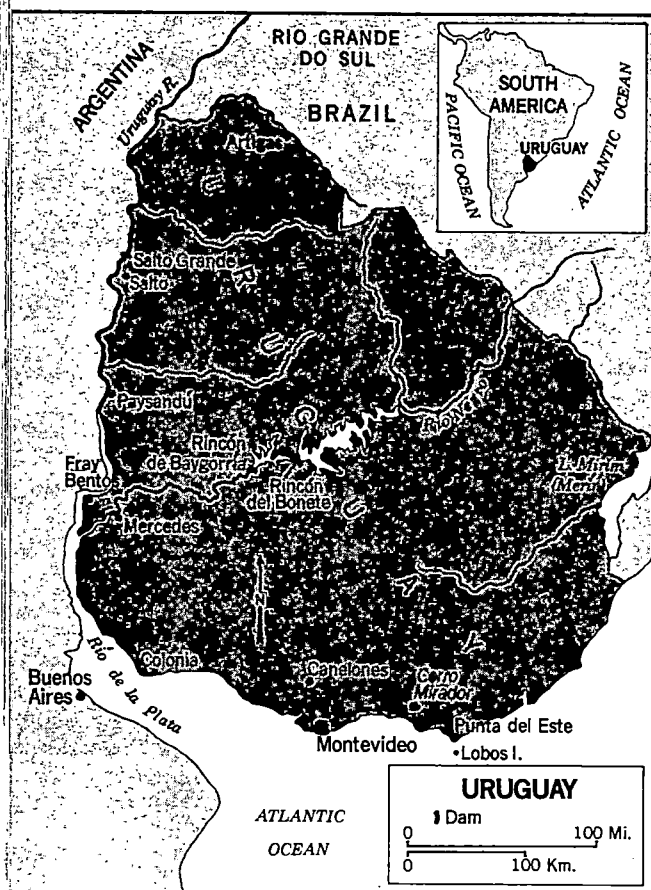
Uruguay enjoys a generally pleasant temperate climate. Average temperatures range from 74°F (22°C) during the summer month of January to 50°F (10°C) in June. In the cooler season, it is advisable to wear a coat in the evening. Rainfall averages an adequate 40 inches (1,000 mm) a year, with April and May the wettest months.

Almost 75% of Uruguay consists of grasslands, suitable for grazing. Only 3% is forested. The forests contain a variety of hardwoods and some softwoods such as willows and acacias. Elsewhere, there are palms (along the coast) as well as pines, cypresses, oaks, cedars, magnolias, mulberry trees, eucalypti, sycamores, and fig trees.

Wildlife includes seals, in colonies on Lobos Island, American ostriches (rheas), deer, otters, capybaras, foxes, armadillos, and wildcats. Among the bird varieties are vultures, parakeets, owls, and game birds such as partridges, quails, and wild ducks. The major poisonous snakes are rattlers and pit vipers.

INFORMATION HIGHLIGHTS

Official Name: Eastern Republic of Uruguay (República Oriental del Uruguay).
Head of State and Government: President.
Legislature: Council of State.
Area: 72,172 square miles (186,925 sq km).
Boundaries: West, Argentina; north, Brazil; east, Atlantic Ocean; south, Río de la Plata.
Highest Elevation: Cerro Mirador (1,644 feet, or 501 meters).
Population: (1975 census) 2,781,778 (1980 est.) 2,919,000.
Capital: Montevideo.
Major Language: Spanish (official).
Major Religious Group: Roman Catholics.
Monetary Unit: New peso (= 100 centésimos).
Flag: Four blue horizontal stripes alternating with five white ones, with a 16-rayed golden sun in a white canton at the upper left.
National Anthem: ¡Orientales, la Patria o la tumba! (Uruguayans, our country or the tomb!)



Uruguay is notoriously bereft of fossil fuels and metallic minerals. The only ores of consequence are iron reserves in the north, which have not been exploited because of the low percentage of metal in the mineral. However, considerable deposits of marble, granite, and semiprecious stones are exploited and the products exported to some degree.

The People. Uruguay is one of the immigrant countries of America. Although at the time of independence in the early 1800's, the majority of the people were *mestizos* (mixed European-Indian), and there were still some Indians, this situation changed drastically in the last decades of the century.

Mass immigration began as the grazing industry developed in the interior of the country, providing increasing quantities of beef cattle and sheep and promoting the establishment of modern packing houses in Montevideo and several other urban centers. Many people who finally settled in Uruguay had first made their way to neighboring Argentina, where an even larger influx of Europeans was occurring. The great majority of Uruguayan immigrants during the 30 or 40 years before World War I made their homes in Montevideo and a few smaller cities.

As a consequence, most Uruguayans are people whose ancestors came from Europe within the last hundred years. They are predominantly of Spanish and Italian descent, although small numbers are of German, East European, and British origin. Only 10% or less are *mestizo*, and less than 2% have some African ancestry.

Spanish is the official language of the country and now virtually everyone's native tongue. The Uruguayans speak a "Río de la Plata" version of Spanish, heavily influenced by Italian.

The great majority of the people of Uruguay are at least formally Roman Catholics. But the church has never been as influential as in some other Latin American countries. Church and state have long been constitutionally separated.

Almost half of the 3 million Uruguayans live in the capital city, Montevideo. No other urban center approaches 100,000 population. The chief provincial cities are Paysandú, Salto, and Mercedes.

In contrast to many other Latin American countries, Uruguay has a relatively slow rate of annual population increase. In 1980 it was estimated at 1.2%. Virtually all of this growth is natural increase because for decades there has been little immigration. Indeed, since the advent of economic crisis in the 1960's and the establishment of a military dictatorship early in the 1970's, many people have left the country.

Uruguay is a strongly middle-class nation. A large percentage of the immigrants established small commercial or artisan enterprises, many of which still exist. During the middle decades of the 20th century, government employment and a wide variety of services vastly expanded the number of middle-class citizens. Upward social and economic mobility was a characteristic of the country. But since the 1960's, Uruguayan society has been much less fluid.

The manufacturing and transportation sectors of the economy support a large manual working class. This group has suffered from a decline in the meat-packing industry, a major source of its employment.

The still appreciable rural population consists of workers on the cattle ranches and small farmers in crop production. Partly because of the country's relatively small area, and partly because of the great preponderance of Montevideo in national life, the contrast between urban and rural life in Uruguay is much less marked than in most parts of Latin America. For a long time it was easy for rural workers to move to the city if they were sufficiently unhappy with their lot—which has been an incentive for employers to provide income and services adequate to keep the agricultural workers on the land. Generalized public education also has helped to homogenize the population.

Until the economic crisis that began in the 1960's, Uruguayans were accustomed to one of the highest levels of living anywhere in America. Most of them tended to dress well, to eat large quantities of meat, pasta, and fruit, and to drink good wine and beer. They shared with their Argentine neighbors a taste for *maté*, a bitter tea grown in northeastern Argentina. The Uruguayans were among those who patronized the national tourist industry. As a result of the reforms launched by José Batlle in the early 20th century, virtually the whole population was covered by health insurance. Certainly, during the middle decades of the century, the people had better and more extensive health care than almost any other Latin Americans. Now, like most aspects of Uruguayan life, even health care has declined.

Uruguayans tend to be intense sports fans, and their favorite sport is soccer. They follow with particular attention their national team in the quadrennial World Cup competition. In the

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her Latin American relatively slow rate of. In 1980 it was estimated that 94% of the total population was literate and that 97% of those children of primary-school age were attending school, while on the secondary-school level, the rate of attendance was 47%.

Higher education also is tuition-free. The University of the Republic, in Montevideo, dates from 1849. In 1980 about 4.7% of the national population was attending the university, which has ten faculties (schools). The Labor University, also in Montevideo, provides technical training in both industrial and agricultural fields. Uruguay has some 40 publicly supported teacher-training schools.

Newspapers, Libraries, and Bookstores. The high rate of literacy is reflected in other institutions. Daily newspapers in the capital city have a total circulation of more than 200,000. Traditionally, the Montevideo newspapers have been closely associated with one or another political faction and have had national circulation. Most of the provincial newspapers are weeklies.

Libraries are widespread. The National Library and the National Archives in Montevideo were long among the best in Latin America, in terms of both organization and collection size. Before the 1973 coup, Montevideo had a small but thriving book-publishing industry. The city's bookstores stocked a wide variety of publications from other Latin American countries, Europe, and North America. One peculiarity was the wide range of books from the Soviet Union and other East European countries.

Prose and Poetry. Undoubtedly, Uruguay's most famous literary figure is José Enrique Rodó, who was primarily an essayist. His small volume *Ariel* (1900), comparing the supposedly cultured spirit of the Latin American with the alleged crass materialism of the Yankee, remains one of the most important Latin American protests against the influence of the United States in the area. Other literary figures of significance are the novelist Carlos Reyles and the poet Juan Zorilla de San Martín, who some have called the finest South American romantic poet. One of Latin America's greatest playwrights, Florencio Sánchez, was born in Uruguay but lived much of his life in Buenos Aires. Some critics compare him with his contemporary, Ibsen.

Uruguay has produced several modern social scientists of distinction. Perhaps the most outstanding is Carlos Rama, whose particular concerns were with the history of organized labor and political movements influenced by it, in Latin America and in Spain.

Art and Architecture. The National School of Fine Arts plays a significant role in encouraging painting and sculpture. Probably the country's

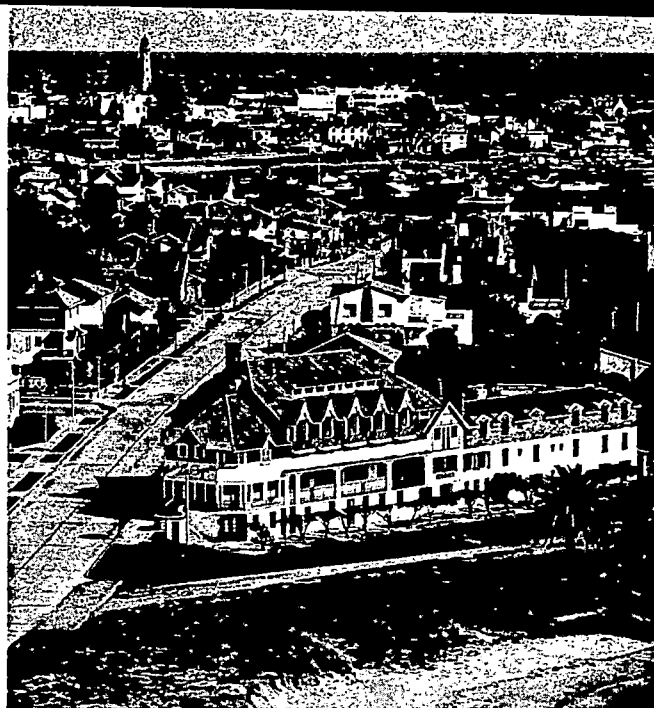
most famous painter, and a graduate of the school, is Pedro Figari, who specialized in historical canvases dealing with early 19th century Montevideo. José Luis Zorilla de San Martín, son of the poet, whose bronze statue of the gaucho (cowboy) stands in one of the squares in central Montevideo, is particularly well known.

Uruguayan architecture has never had any particular distinction, although at one time the country is said to have had a larger proportion of architects in its population than any country in the world. With the postwar tourist boom in Montevideo and other coastal centers, many

A quiet street in Punta del Este offers visitors the pleasure of a leisurely stroll or open-air refreshment.

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Punta del Este is Uruguay's most popular resort. The city has hosted numerous international conferences.

A quiet street in Punta del Este offers visitors the pleasure of a leisurely stroll or open-air refreshment.

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Meat-packing is one of Uruguay's principal industries. Large quantities of beef are processed for export.



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Uruguay produces wool for trade and domestic use. The country exports both raw wool and woolen textiles.

apartment houses were built. Modern in design and constructed of reinforced concrete with liberal use of glass, they sometimes rise 15 to 20 stories, a sharp contrast to the low buildings that have traditionally characterized the capital.

Music. The most important musical institution in the country is the 100-person National Symphony Orchestra in Montevideo. Some provincial cities have their own, smaller orchestras. There are three music conservatories in the capital. Opera and legitimate-theater seasons are features of Montevideo's cultural scene.

Uruguayan popular music is similar to that in Argentina, with the tango particularly favored. One of the most famous songs of this type, *La Cumparsita* (1917), was written by Uruguayan composer Gerardo H. Matos Rodríguez.

The Economy. Since colonial times, grazing has constituted the core of the Uruguayan economy. The *gaucho*, almost inseparable from his horse, riding the rolling plains, running down and skinning wild cattle, and fighting both the Indians and encroaching whites, was as characteristic of Uruguay as of the Argentine pampas and the Brazilian state of Rio Grande do Sul.

Agriculture, Forestry, and Fishing. In the 19th century the countryside of Uruguay was characterized by large landholdings. However, there has been a tendency to divide some of these into family farms.

Nine tenths of the exploited rural land is used for the raising of cattle, sheep, and some smaller animals, whereas only one tenth is used for crop production. Grazing predominates particularly in the center of the country. In 1978 it was estimated that there were more than three times as many cattle as people in Uruguay, and considerably more than six times as many sheep as human beings. Much of the nation's industrial activity is concerned with processing animal products, and the country's export pattern also reflects the continued importance of grazing.

Crop production, which has increased modestly, is concentrated particularly along the Atlantic coast, the Río de la Plata, and the Brazilian frontier. Uruguay is largely self-sufficient in grains, sugar, and wine. Major grain crops include wheat, oats, barley, maize, and rice. The country also produces small amounts of sugarcane and larger quantities of sugar beets. Grapes are grown for table fruit as well as for

winemaking. In the north, citrus cultivation is fairly extensive, and from various regions come apples, pears, and other fruits that help diversify the Uruguayan diet.

Forestry and fishing provide small quantities of exports. During the 1970's the government began to take particular interest in stimulating the expansion of commercial fishing.

Manufacturing. Enterprises based on processing of the country's agricultural products include meat-packing houses, wool-processing plants, sugar refineries, wineries, and flour mills. The nation's cement plants also get most of their raw material domestically.

The advent of the meat-packing industry at the beginning of the 20th century gave impetus to the modernization of Uruguay's grazing economy. The first freezing plant was built in 1904, and subsequently slaughterhouses and meat-packing plants were established in Montevideo and five smaller cities. They prepare chilled and frozen meat for local consumption but particularly for shipment abroad.

Sheepherding grew along with cattle raising in the rural areas. Although some lamb and mutton were produced, wool was the most important sheep product. Plants to clean and process the wool and prepare it for export became another important feature of the urban economy.

President José Batlle began the government policy of encouraging manufacturing in the early 20th century. He established the Administración Nacional de Combustibles, Alcohol y Portland (ANCAP) as a government monopoly of petroleum refining, cement production, sugar refining, and alcohol production. He also began the policy of encouraging private enterprise in the manufacturing sector through high tariffs, import quotas, and other protective devices. Tariffs were sometimes as high as 150% of the original price of imported goods. Events outside Uruguay had a role in stimulating the development of national industries. Two World Wars and the Great Depression, by decreasing foreign exchange earnings, greatly limited the country's capacity to import manufactured goods.

As a consequence of these policies and external factors, a sizable textile industry was created, as well as light engineering and electric-products firms and chemical plants. There are also small rolling mills for steel and aluminum.

Because Uruguay possesses no known reserves of petroleum or coal, it depends almost entirely on imported fuel for thermal power plants and motor vehicles. During the decades before World War II a beginning was made in construction of hydroelectric facilities, and since the war these efforts have been greatly intensified. Two projects—Rincón del Bonete, with a capacity of 128,000 kw, and Rincón de Baygorria, with 108,000 kw—were constructed on the Río Negro, with the help of International Bank financing. Power output at the 1,890-kw Salto Grande project, undertaken on the Uruguay River in conjunction with Argentina, began in 1979. Production of electricity, which is a monopoly of the government, had already increased more than 500% between 1948 and 1978.

Transportation, Trade, and Tourism. The infrastructure of the Uruguayan economy was greatly expanded in the early 20th century. Railroads extending nearly 1,860 miles (3,000 km) were built, largely by British firms. They were purchased by the Uruguayan government in 1948. Subsequently an extensive road network was built, amounting to almost 6,200 miles (10,000 km), of which about half have been paved. A major international airport was built to serve Montevideo. A government-owned airline, PLUNA, serves interior cities of Uruguay and flies to Brazil, Paraguay, and Argentina.

The economy continues to depend substantially on foreign trade. Two of the three major exports come from the traditional grazing sector—meat and meat products on the one hand, and wool on the other. Textiles constitute a third major export. Raw materials and machinery needed by manufacturing industries are major import items. Despite the development of hydroelectric resources, Uruguay remains dependent on imported petroleum. Since the onset of the world energy crisis in the early 1970's, the government has shown some interest in developing alternatives to oil, including wood.

Patterns of Uruguay's international commerce have changed substantially since World War II. Before then, Britain bought most of Uruguay's meat and wool and provided most of the imported manufactured goods. However, Britain's role declined precipitously. For a short while in the 1960's, the Soviet Union was the chief buyer of Uruguayan wool. Later, Brazil, West Germany, and the Netherlands became the largest purchasers of Uruguayan exports, followed by Britain and France. The major providers of imports are the European Common Market, the oil-producing countries of the Middle East, and Argentina and the United States. No single country is any longer Uruguay's major trading partner.

Tourism is a major sector of the economy. Resort areas scattered along the Atlantic coast draw foreign tourists, particularly from Argentina and Brazil, as well as Uruguayans. Punta del Este is famous as the site of numerous international conferences since World War II.

History and Government. The first European to reach Uruguay was the Spanish explorer Juan Díaz de Solís, in 1516. During the colonial period the future republic was a battleground between the Spanish Empire and that of Portugal, which was reaching down toward the Río de la Plata from Brazil. The Spaniards called the region the Banda Oriental del Río Uruguay, or Eastern Shore of the Uruguay River.

It was the Portuguese who in 1680 founded the country's first town, Colonia, as an outpost across the Río de la Plata from Buenos Aires. Not until 1726 did the Spaniards establish their major foothold in Uruguay, at Montevideo. In 1777, Portugal ceded Colonia to Spain, and Uruguay was attached to the newly created Spanish viceroyalty of the Río de la Plata.

The Struggle for Independence. The movement for independence in Uruguay began in 1811 under the leadership of José Gervasio Artigas, as part of the general struggle in the Plata viceroyalty. However, as the Argentines fought for their independence and aided the Pacific coast nations against the Spaniards, the Brazilians moved into Uruguay. In 1821, after establishing their control, they incorporated the Banda Oriental into Brazil as the Cisplatine province.

In 1825 a group of Uruguayan patriots crossed the Río de la Plata from Argentina, where they had taken refuge, and began the struggle led by the "Thirty-three Immortals" against Brazilian domination. They were headed by Juan Antonio Lavalleja. Britain had a strong influence in the Plata region because of its trade, and, as the struggle for Uruguayan independence went on, the British government exerted diplomatic pressure. Largely through British mediation, Argentina and Brazil agreed in 1828 to recognize an independent Uruguayan republic as a buffer state between them.

Colorados and Blancos. The lines of future political controversy in the republic emerged among its founding fathers. Divisions soon arose between the Liberals, led by Gen. José Fructuoso Rivera; and the Conservatives, headed by Gen. Manuel Oribe. The two groups quickly came to be known by the colors they chose for identification: the Liberals as the Colorados, or Reds, and their opponents as the Blancos, or Whites.

Colorado-Blanco rivalry led to a civil war (1839–1851), during the last nine years of which

Cattle try to elude the gaucho's lasso. Uruguay has more than three times as many cattle as it has people.

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COURTESY OF ORGANIZATION OF AMERICAN STATES

President José Batlle promoted social welfare programs, economic nationalism, and a collegiate presidency.

Montevideo withstood a siege by Blanco troops and forces of the Argentine dictator Juan Manuel de Rosas. Another round of Uruguayan party strife touched off one of the bloodiest wars in Latin American history. After a revolt launched in 1863 against a Blanco government, the Colorados came to power in 1865 through Brazilian military intervention. Meanwhile, the ambitious Paraguayan dictator, Francisco Solano López, had moved to support the Blancos, provoking the War of the Triple Alliance. Paraguay was crushed by a coalition of Brazil, Argentina, and Uruguay. See also under PARAGUAY—History.

The Colorados were to remain in power for 96 years. During the remainder of the 19th century, the country was controlled by a succession of Colorado *caudillos* (political strong men), most of whom seized power by force. On several occasions, they suppressed armed insurrections by their Blanco opponents.

By the latter part of the 19th century, the Colorado and Blanco parties had come to represent fairly well-defined groups. The former spoke for the interests of the urban areas, most particularly of Montevideo. The Blanco party represented the rural interests, especially large landowners.

José Batlle's Reforms. In 1903 the Colorados elected as president José Batlle y Ordóñez, son of ex-President Gen. Lorenzo Batlle, but himself a civilian and journalist. In 1904, President José Batlle suppressed the last attempt of the Blancos to seize power through civil war.

After leaving the presidency in 1907, Batlle made an extended trip to Europe, where he studied the economies and political systems of several countries. He returned to office in 1911, determined to carry out broad reforms in his country's economic and political structure. To ensure national economic independence, he established government ownership of the docks,

the insurance business and part of banking, and set up government firms to found cement and oil-refining industries. In the interest of public welfare he organized an extensive system of social security, providing health insurance and old-age pensions for most of the population. He also had a wide variety of labor laws enacted.

One of the reforms that Batlle proposed was not enacted. This was the establishment of a "collegiate" presidency, with nine people—six from the majority party and three from the minority—who would function in place of the single president. However, after leaving the presidency in 1915, he got the constitutional convention of 1918 to adopt a modified version of the *colegiado*. It set up a Council of State of nine members, who shared the functions of the chief executive with a president.

Few people have had as much impact on their nation as José Batlle had on Uruguay. His vision and leadership made Uruguay economically and socially the most advanced country in Latin America and politically the most democratic. However, his achievement was so great that his heirs of the Colorado party, who continued to govern until the end of the 1950's, were content to rest on his laurels. Complacently they failed to come to grips with new kinds of problems that accumulated after World War II.

The Post-Batlle Period. Batlle died in 1929. During the 1930's, Uruguay veered sharply, if temporarily, from the model he had established. In 1933, President Gabriel Terra carried out a coup with the support of the national police and established a personal dictatorship. In 1934 he remodified the constitution to abolish the council of state and reestablish an unfettered single presidency. In 1938 he was succeeded by Gen. Alfredo Baldomir after a democratic election.

During and immediately after World War II, Uruguay suffered substantially from the existence of the regime headed by Juan Domingo Perón in Argentina. Many Argentine political leaders sought refuge in Uruguay from the dictatorship in their own land. Uruguay steadfastly refused to take any steps against the refugees, in spite of Perón's demands.

As a result, Argentina imposed a virtual economic boycott on Uruguay. It refused to allow its citizens to take their customary vacations at Uruguayan resorts, and it cut off wheat shipments to its grain-deficient neighbor. The latter move forced Uruguay to convert some of its grazing land to high-cost wheat production, with damaging long-run results for the economy.

A new constitution promulgated in 1952 finally established the collegiate presidency in the form envisioned by José Batlle. For the next 15 years, the country had as its chief executive a nine-man council with six members of the leading party and three members of the runner-up.

Economic and Social Crisis. The collegiate presidency was a disaster. With nine "presidents" sharing responsibility, in effect no one had responsibility, and, as a result, few efforts were made to face up to new economic and social problems. In 1967 the council was replaced by a president and vice president.

The economic and social crisis grew almost imperceptibly. It had many facets. One involved the manufacturing industries stimulated by the Great Depression and World War II. These had been established behind high protective walls, and their products were costly. Little

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A second economic problem was that the Uruguayan grazing industry did not adapt to technological changes taking place in other countries that exported beef and wool. New grasses, new fertilizers and pesticides, and new techniques were not adopted in Uruguay. As a result, Uruguayan beef became increasingly unable to meet its competition. The number of cattle was virtually stable for the quarter-century after 1950. By the mid-1960's, it took 27 head of cattle to produce a ton of beef in Uruguay, compared with 17 in Argentina, 15 in the United States, and 13 in the Netherlands. Also, Uruguay was slaughtering only 13% of its herd each year, compared with 35% in several major meat-producing countries. Similarly, Uruguayan sheep growers were getting only 6.4 pounds (2.9 kg) of wool per sheep, compared with 8.6 pounds (3.9 kg) in Australia.

At the same time the social security and welfare system got out of hand. Instead of there being a single social-security system, more than two dozen funds covered different parts of the population, which meant an exaggerated overhead. Also, exceedingly low retirement ages were established in many of these funds, none of which, however, provided adequate pensions.

In addition a system had developed in which a large part of the work force held more than one job. Usually, a worker was employed by some branch of the government or in a private firm during the morning and had another position with the private sector or with some other part of the government in the afternoon, and perhaps a third position in the late afternoon and evening. The reason for this system of multiple jobholding was that workers were not able to earn at one post enough to maintain themselves at the level to which they aspired. The effect was that a large part of the work force did an inadequate job in all its employments, and the efficiency of the economy as a whole suffered severely.

No administration after World War II undertook to deal with these and other wide-ranging problems. The result was a stagnant economy and a growing struggle among various groups over distribution of the national income. In the mid-1960's the country's gross national product was slightly less than it had been a decade before, whereas the population was somewhat larger. At the same time, the cost of living was increasing by more than 50% a year.

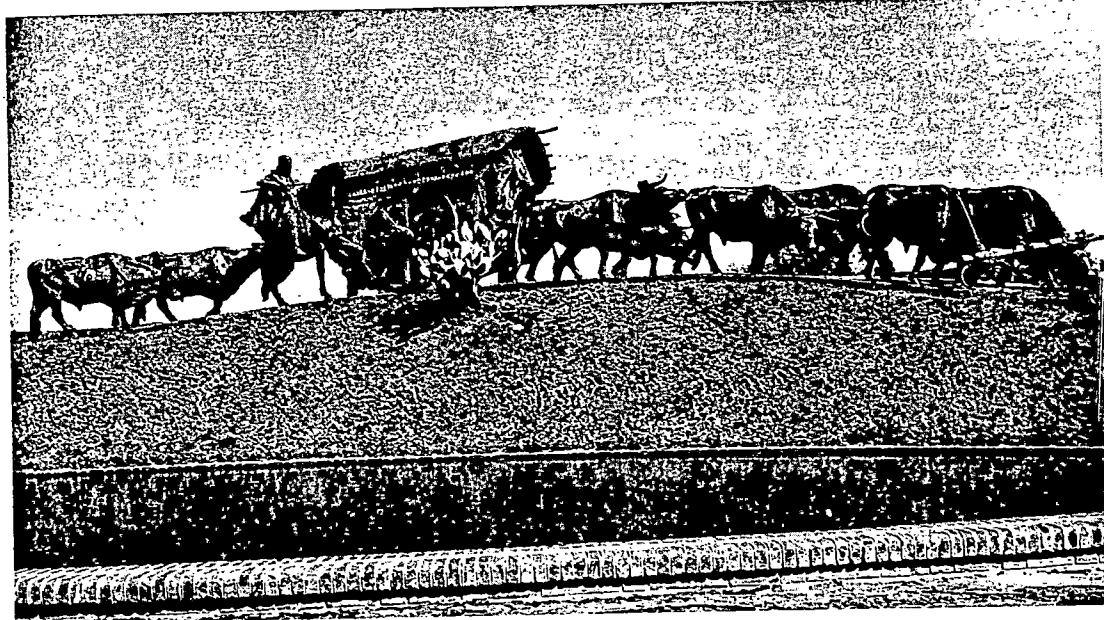
Political Discontent. Meanwhile, political discontent had begun to grow in the 1950's. Its initial impact was to bring the Blancos to power for the first time in 94 years. The two Blanco administrations, between 1959 and 1967, made only modest efforts to deal with the country's problems. They did undertake a limited program of rehabilitating the cattle and sheep ranges, but they made no moves to modify social-security legislation, rationalize national industries, or end the system of multiple employment. By the late 1960's the economy was burdened by serious inflation and by grave deterioration in the nation's social overhead capital. Most government firms were running at substantial deficits. Corruption had also become widespread.

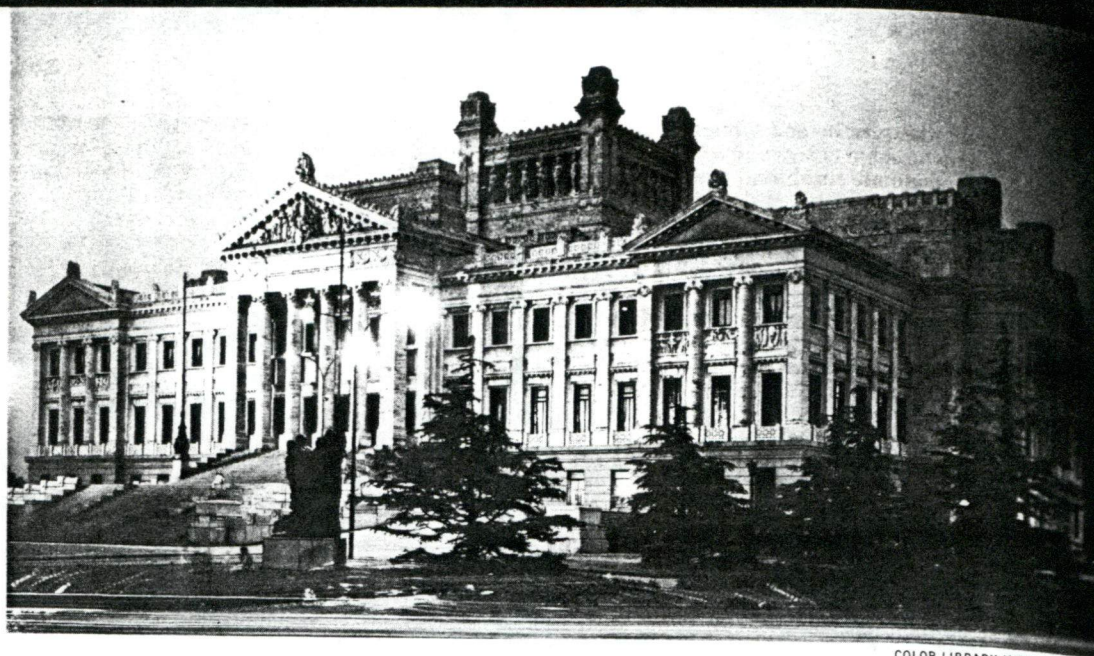
Social unrest intensified. The 1960's were characterized by numerous strikes, including two general strikes, and in 1968 the situation got serious enough for the government to suspend constitutional guarantees for nine months. By the end of the decade some political opposition had assumed a different form. Although a Communist party had long existed in Uruguay, and in the 1960's and 1970's tended to control the labor movement, it had never been a major contender for political power. Also, it had never resorted to force as a means of gaining power. But in the late 1960's, a new political movement not only challenged basic elements of the Uruguayan economy and polity, but also resorted to force.

This was the National Liberation Movement, better known as the Tupamaros. Recruited largely from young people of the upper and mid-

Life-size monument to Uruguayan pioneers, José Belloni's bronze Covered Wagon is in Battle Park, Montevideo.

© J. ALLAN CASH/PHOTO RESEARCHERS, INC.





The grandiose Legislative Palace in Montevideo houses the Uruguayan General Assembly.

main speech site

dle classes, and drawing inspiration from the victorious guerrilla war of Fidel Castro, the Tupamaros organized their own urban "guerrilla war." Their tactics included bank robberies, kidnappings, temporary seizure of small towns as propaganda gestures, and spectacular jailbreaks by captured members of the group. So long as the Tupamaros did not shed blood, they enjoyed wide sympathy among the general populace, which was increasingly frustrated and discontented with the status quo. But when they began a campaign of assassination of policemen and soldiers, public opinion turned against them.

Meanwhile, in the elections of 1971, the Colorado and Blanco parties were for the first time faced with a major opponent, the Broad Front coalition, which included the Socialist, Communist, and Christian Democratic parties, as well as dissident groups from both of the major parties. A Colorado, Juan Bordaberry, won the presidency but received fewer votes than the combined total of the Blanco and coalition candidates. Although the Broad Front came in third, it had challenged the complete domination of national politics by the two traditional parties.

After taking office in 1972, Bordaberry turned over the job of dealing with the Tupamaros to the military. Within a year, they had largely destroyed the Tupamaro organization, arresting, killing, or exiling most of its militants.

Military Interlude. For the first time since the civil war of 1904, the armed forces had played a major role in national politics. Their success against the Tupamaros apparently encouraged them to carve out a still more important place for themselves in the country's political life. In February 1973 the military leaders carried out a coup, the immediate result of which was the dissolution of the legislature. After deposing President Bordaberry in June 1976, they governed behind another puppet civilian president, Aparicio Méndez.

The military dictatorship installed in 1973 proved to be brutal and sanguinary. At one point, Uruguay had a higher proportion of political prisoners to the general population than any country in the world. Important leaders of the opposition were murdered, several by Uru-

guayan government agents in foreign countries, particularly Argentina. Civil liberties were ended for the average citizen, the rights of labor were curtailed, and the universities and other educational institutions were purged. Impressive numbers of intellectuals fled abroad.

The military government inaugurated a program of relative free enterprise and free trade. It reduced subsidies to various industries and drastically cut protective tariff duties, particularly on chemicals and other products used in the country's grazing and agriculture. By 1980 there was indication that lowered costs of production were having some positive impact on the output of the grazing industry. However, there was still no general movement to reorganize and modernize Uruguayan cattle- and sheep-raising.

Another characteristic of the period of military dictatorship was intense real-estate speculation in Montevideo and its environs. Reflecting continued inflation, this flight of capital to high-rent land and buildings discouraged more fundamental economic investment and reform.

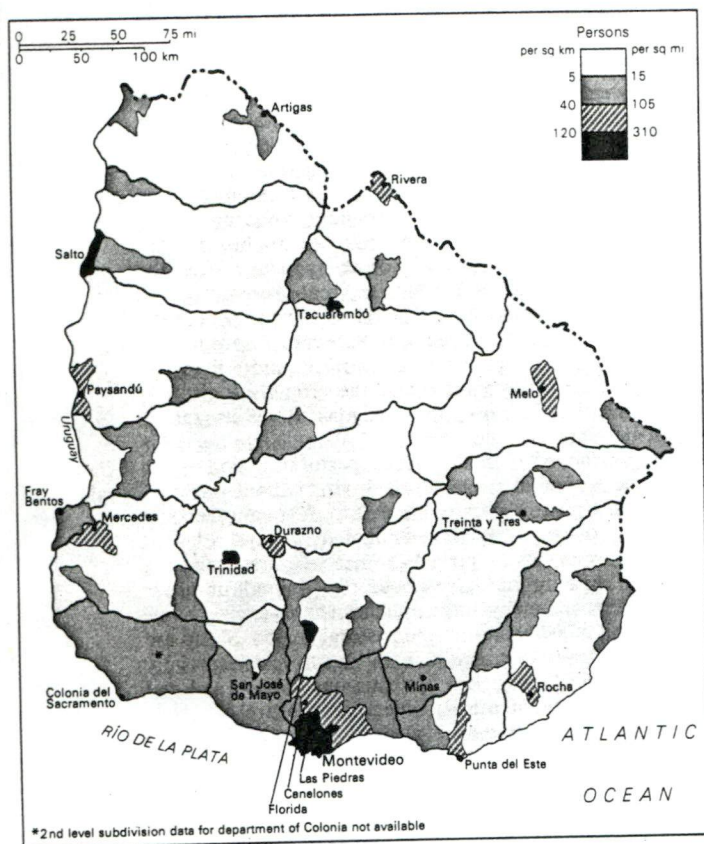
In 1980 the military regime put forward its program for a return to "constitutional normality." This involved a new constitution, which would, in effect, have given the military veto power over any future elected government. In November the plan was strongly defeated in a popular referendum, and the next year Gen. Gregorio Alvarez became president. After protracted negotiations the government and opposition leaders reached agreement in 1984 on a return to civilian rule. Elections were held in November. Early in 1985 the new legislature convened and the president-elect—Colorado centrist Julio María Sanguinetti—took office for a single term of five years.

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contains the chief concentration of manufacturing. Industries were also established at Fray Bentos, Salto, and Paysandú along the Uruguay River. (P.E.J.)



Population density of Uruguay.

PEOPLE AND POPULATION

Ethnic, linguistic, and religious groups. The people of Uruguay are predominantly white, most of them descendants of 19th- and 20th-century immigrants from Spain, Italy, and other European countries. The Indian population is almost completely extinct, and only a very small proportion of Uruguayans exhibit any noticeable Indian physical characteristics. There are few Negroes or mulattoes, probably not more than 10,000 of the former or 50,000 of the latter.

Comprehensive statistical data on religious affiliations of Uruguayans are lacking, but less satisfactory sources of information are sufficient to indicate that the large majority profess the Roman Catholic faith. Spanish is the official language and the one used in the home by an overwhelming majority of the families. In the sections along the Brazilian border, however, the language in daily use includes a large admixture of Portuguese words and phrases.

Demography. A census of population taken in 1963, the first since 1908, put the population of Uruguay at about 2,590,000. Since that time, the annual increment has amounted to about 40,000. In 1972 the official population estimate was 2,956,000. In 1963 the density of population was about 37 per square mile (14 per square kilometre). The 1963 census also furnished reliable data about the geographic distribution of Uruguay's population. The city of Montevideo contained almost half of the nation's people, with many thousands more residing nearby in the adjacent department of Canelones. The remainder of the inhabitants are concentrated in those departments that front upon the Río de la Plata, namely, Colonia, San José, and Maldonado (the chief town of which is Punta del Este), and among those adjacent to the Uruguay River, especially Soriano, Salto, and Paysandú. In addition to Montevideo, the most important cities are Salto, Paysandú, Punta del Este, Rivera, Las Piedras, Melo, Mercedes, and Minas. In 1963, 81 percent of the population was classified as urban.

Because Uruguay's birth rate has been fairly low (and stable) since 1900, the age distribution differs sharply from that of most of the other Latin American countries. In 1963 only about 28 percent of the population was less than 15 years of age, and only about 8 percent was 65 or over. This proportion of young people is only about two-thirds as high as is typically the case in Latin America, and that of the aged is almost double the percentages prevailing in most of the other countries.

population
is older

Demographic
age
patterns

very
middle
class

not as
much
rich/poor
disparity
than
other
Latin
nations

Uruguay, Area and Population

Departments (departamentos)	area		population	
	sq mi	sq km	1963 census	1972 estimate
Artigas	4,689	12,145	53,000	...
Canelones	1,750	4,532	258,000	...
Cerro Largo	5,348	13,851	71,000	...
Colonia	2,372	6,144	105,000	...
Durazno	4,713	12,208	54,000	...
Flores	1,982	5,133	24,000	...
Florida	4,009	10,384	64,000	...
Lavalleja	3,918	10,149	66,000	...
Maldonado	1,817	4,705	61,000	...
Montevideo	198	514	1,203,000	...
Paysandú	5,446	14,106	88,000	...
Río Negro	3,721	9,637	47,000	...
Rivera	3,513	9,099	77,000	...
Rocha	4,244	10,991	55,000	...
Salto	5,544	14,359	92,000	...
San José	1,928	4,994	80,000	...
Soriano	3,442	8,914	78,000	...
Tacuarembó	6,166	15,969	77,000	...
Treinta y Tres	3,736	9,676	43,000	...
Total Uruguay	68,536	177,508*	2,596,000	2,956,000

*Area figures do not add to total given because of rounding.
Source: Official government figures.

Between 1908 and 1963, the dates of Uruguay's two most recent censuses, the growth of population averaged only 0.7 percent per annum, by far the lowest during that period for any of the Latin American countries. In all probability, however, the current rate is much higher, or about 1.4 percent per year subsequent to 1963. For the 20 Latin American countries taken together the index is about 2.8 percent per annum.

The present increase of population in Uruguay is due almost entirely to natural increase, or the difference between a birth rate of about 20 per thousand population and a death rate of 9 per thousand. Only a very low proportion of the growth of population may fairly be attributed to immigration. In this connection, however, it is notable that Uruguay's data on immigration and emigration are involved and perplexing. It was the first of the Latin American countries to legalize divorce, and by the mid-20th century Montevideo and Punta del Este had become temporary places of residence for thousands of divorce seekers from Argentina and from other populous areas in the southern part of South America.

(T.L.S./Ed.)

THE NATIONAL ECONOMY

A comparative view. The foundation of Uruguay's economy is said to have been laid in 1603, when a far-seeing governor of Paraguay, Hernando Arias de Saavedra, having observed the fertility of the empty southern pastures, shipped about 100 head of cattle and 100 horses downstream from Asunción. The animals were landed on the Uruguayan riverbank, where they were left to run wild. Later in the century, the herds were so abundant that they attracted gauchos, who crossed the Río de la Plata from Buenos Aires and began a trade in hides. The gauchos were nomads, with no desire to settle, but, gradually, merchants from Buenos Aires established themselves on the Uruguayan side of the estuary. As more cattlemen arrived, boundaries had to be fixed, and thus there came into existence the great estancias that are still characteristic of the country.

The relatively high standard of living enjoyed in and around Montevideo is closely related to the earnings

Very
European
feel to
this
country
about 1/3
Italian

Structure
of the
economy

from pastoral and agricultural exports; prosperity is somewhat precarious because these primary products are subject to sudden fluctuations in world demand and prices. To reduce the nation's dependence on external trade, successive governments have encouraged the development of domestic industry by means of protective tariffs, import controls, exemptions of machinery from import duties, and preferential exchange rates. But, as there are no local sources of petroleum, coal, or iron and no heavy industries, Uruguay is obliged to import most of its fuel and industrial raw materials and all of its vehicles and industrial machinery. These essential supplies have to be paid for with the produce of the ranches and farms and the income derived from tourists. Uruguay is noted among Latin American countries for its highly developed social services, but these were placing an excessive burden on the country's resources.

Components of the economy. *Agriculture.* Pastoral farming is Uruguay's most important economic activity. Wool and beef are its chief products and the source of about three-fourths of its total earnings from foreign trade. All available land is in use for grazing or agriculture, and production can be increased only by improved techniques. Improvement has, in general, been slow; output has not kept pace with local demand, with the result that exports now account for only 26 percent of the total agricultural and livestock produce, compared with 46 percent in the 1930s. Government policy has generally sought to achieve national self-sufficiency in wheat. This has sometimes led to overproduction of this cereal and to a partial neglect of livestock farming, although, by contrast, wheat imports from Argentina were necessary, for example, in 1964. Other crops include corn (maize), linseed, sunflower seed, oats, barley, and rice. Fruits grown are oranges, lemons, peaches, grapes (sufficient for the local wine industry), pears, and apples.

Power and industry. The state operates a large number of public corporations. It controls electricity and the refining of imported petroleum; it manufactures alcohol and cement; it directs a meat-packing plant and the processing of fish; and it controls the railways (purchased from their British owners at the end of World War II), the principal banking institutions, and insurance.

Since the low, rolling countryside of Uruguay is not generally suited to hydroelectric development, most of the electric installations were formerly dependent on imported coal or oil; but two hydroelectric plants were built on the Río Negro.

The processing of food and other products of the land is the basic form of industry. The subsidized wool-combing industry has added to the country's exports. Consumer goods manufactured locally (mainly around Montevideo) include textiles, tires and other rubber goods, shoes, and household appliances.

Foreign trade. Wool exports in the late 1960s amounted to about 40 percent of the national total, while meat and by-products varied from 20 to 42 percent. Hides and skins were the other principal items. The chief markets were the United Kingdom, Italy, West Germany, Spain, The Netherlands, and the United States. The main imports were raw materials for industry, vehicles, machinery, and fuels. The chief suppliers of these imports were the United States, Brazil, West Germany, Argentina, and the United Kingdom. Despite import controls, the balance of trade up to the late 1960s was usually unfavourable. Uruguay was a founder-member of LAFTA (Latin American Free Trade Association), set up at Montevideo in 1960.

Banking and finance. The functions of a central bank are exercised by the state-owned Banco Central, formed in 1967. Another state bank, the Banco de la República, regulates many aspects of foreign trade and is the country's largest commercial banking organization. An admirable record of currency stability was reversed in the 1960s, when the inflationary effect of persistent budget deficits began to be felt. The rise in the cost of living index, together with the consequences of a decline in the gross domestic product as well as increasing inflation, led to social unrest and substantial emigration.

Transport and communications. In the early 1970s Uruguay possessed over 2,000 miles of railway and more than 8,000 miles of paved or surfaced highways, both systems radiating from Montevideo. The resultant competition has mainly favoured road transport, and international loans have been obtained to improve the highways, particularly those providing links with Brazil. About 775 miles of the country's inland waters are navigable. Local shipping handles only a small proportion of the country's foreign trade; in 1970 Uruguay's merchant fleet totalled about 198,000 tons. There is a hydrofoil service from Montevideo to Buenos Aires. The main airport is at Balneario Carrasco, 13 miles from Montevideo; a state airline, Primeras Líneas Uruguayas de Navegación Aérea (PLUNA), provides services within Uruguay and to neighbouring countries.

In the early 1970s the state telephone service had more than 235,000 subscribers (over four-fifths in Montevideo). Broadcasting services, including 9 television channels, are operated by state and private companies. Four cable companies provide foreign communication links; an international telex service was inaugurated in mid-1964.

(I.C.Cn./G.Pe./C.P.D.)

ADMINISTRATION, SOCIAL CONDITIONS, AND CULTURAL LIFE

The structure of government. *Constitutional framework.* In 1966 a new constitution restored the presidential system of government and repudiated a *colegiado* (plural-executive) system previously in use. The president is chief of state and commander of the armed forces. The legislative branch consists of a Senate of 31 members and a Chamber of Deputies of 99, elected for four years by universal suffrage, the political parties having proportional representation.

Local government. Uruguay consists of 19 departments, each governed by a departmental council, which exercises executive functions, and by a legislative assembly; both the councils and the assemblies are elected by popular vote.

The political process. The three principal political parties are the Colorado Party (which traditionally has had an urban base), the Blanco Party (supported by the landowners), and the Frente Amplio (Broad Front), representing a coalition of Christian Democrats, Socialists, Communists, and dissident members of the two other parties. In the 1971 presidential elections, the Colorado Party received 575,000 votes, the Blanco Party 565,000, and the Frente Amplio 262,000. The radical-revolutionary Tupamaros guerrilla movement operates outside the parliamentary system.

Justice. A Supreme Court of five judges is elected for a ten-year term by the General Assembly (*i.e.*, the two houses of the legislature). The death penalty has been abolished since 1907.

The armed forces. The army, with a strength of 12,000 (1971), composed of volunteers enlisting for one or two years, comprises regiments of cavalry, engineers, infantry, artillery, and tanks. There is a small navy (about 1,800 men) and an air force (about 2,000 men) of about 200 planes. A reserve force is trained every year under a compulsory military training law.

Social conditions. *Education.* Uruguay has long been renowned for its progress in education, after reforms instituted in the late 19th century that established a system of free, compulsory, coeducational, and secular education. This progress was reflected in the high literacy rate (about 90 percent).

The Universidad de la República (founded in 1849) had an enrollment of more than 13,000 in the early 1970s. It has ten faculties, including a distinguished medical school that draws students from many South American countries. There is also a privately supported Instituto de Estudios Superiores (Institute of Higher Studies) devoted to scientific research. Vocational training is given by the Universidad del Trabajo del Uruguay, which organizes and controls a number of industrial and night schools.

Health and welfare. Since the early years of the 20th century, Uruguay has played a leading role in the de-

Telephone
and broad-
casting
services

The 1966
constitu-
tion

The
public
corpora-
tions

Higher
education

velopment of social security. The country's comprehensive program includes extensive provisions for unemployment insurance, compensation for injuries to workmen, family allowances, and aid to the aged and indigent. With respect to problems of health and sanitation, Uruguay is among the most fortunately situated of the Latin American countries. In 1960, for example, the infant mortality rate was about 47 per thousand births, but by 1970 the rate had dropped to 43 per thousand. In 1971 there was about one physician for every 800 people. Long a South American pioneer in international cooperation, Uruguay participates in the technical assistance programs of the United States, the Organization of American States, and the United Nations.

Living and working conditions. With 1953 figured as 100, the cost of living had risen to 314 by 1960. Between 1955 and 1970, inflation increased by 9,000 percent. The strength of the trade-union movement is reflected by the number of workers—approximately 45,000—who were members of internationally affiliated trade unions in the late 1960s. A severe economic depression began in the mid-1960s and by the early 1970s had created great unrest as government officials sought, apparently unsuccessfully, to cope with the growing economic crisis.

Cultural life. Uruguay falls within the same cultural context as other Spanish-speaking American states. Interest in literature and the arts has flourished. There is a thriving press, both in Montevideo and the provinces; censorship, to which the press in many South American countries is frequently subjected, has been virtually nonexistent. Recreational facilities are provided by the sandy beaches on the coast, as well as by the wildlife resources of the interior; both have served as tourist attractions. Football is the principal sport, but basketball and horse racing are also popular. (G.I.B./Ed.)

PROSPECTS FOR THE FUTURE

Whereas Uruguayans have long prided themselves on their national slogan, "*Como Uruguay, no hay*" ("There is no country like Uruguay"), in the early 1970s Uruguay's future appeared beset by uncertainties. Continuing economic crisis, the deterioration of the party system, the emergence of the small but significant Tupamaros guerrilla movement, and the emigration of many educated Uruguayans all gave cause for concern. On the other hand, the country's strongly rooted democratic and humane traditions, its level of education, and its temperate climate were among the factors that, to some extent, offset negative factors and encouraged hopes that the country would eventually experience a return to more favourable conditions. (Ed.)

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Uruguay, History of

Before the coming of the Europeans, the east bank of the Uruguay River was inhabited by a group of Indian tribes known collectively as the Charrúas. European settlers raised cattle there in the 17th century, and in 1680 the Portuguese founded a settlement at Colonia del Sacramento. With the establishment of Montevideo in 1726,

Spain began the effective occupation of the country; from 1776, it formed part of the Viceroyalty of Rio de la Plata, capital of which was at Buenos Aires. The year 1810 marked the beginning of the wars of independence in the Spanish American colonies. Buenos Aires was one of the urban centres where the independence movement was strongest; from Buenos Aires, revolutionary sentiment spread to the interior of the Rio de la Plata Viceroyalty, and also to centres of Spanish crown rule beyond the Andes. Lima and Montevideo were both bulwarks of resistance to the ideas proclaimed by the new revolutionary power groups (see further LATIN AMERICA AND THE CARIBBEAN, COLONIAL).

The struggle for national identity (1811-90). Montevideo was the site of a Spanish naval installation; in 1811 an armed insurrection led by the rural spokesman José Artigas broke out in its hinterland, the Banda Oriental del Uruguay (the east bank of the Uruguay River). Spanish authority was challenged, and unresolved colonial problems were brought to the fore. The *estancieros* (ranchers) were joined in revolt by the *gauchos* (cowboys), the peons, and the slaves. Artigas proposed a plan for a republican federation of the Rio de la Plata territories and a democratization of rural life based on advanced social principles.

The Buenos Aires oligarchy, realizing how Artigas' proposals would affect them, decided to crush his growing power; their forces defeated him in 1816, ending the first manifestation of Uruguayan autonomous government. The emancipation of the Banda Oriental eventually was achieved during the period of Portuguese-Brazilian occupation (1817-28). In 1825, Juan Antonio Lavalleja and his supporters (known as the "33 *orientales*") formed an army with Argentine help and defeated the Brazilians at Ituzaingó (February 20, 1827). A preliminary peace pact with Brazil (August 27, 1828) recognized Uruguay's independence. On July 18, 1830, a constitution for the new nation was approved. Uruguay had scarcely 74,000 inhabitants; its main economic resources, livestock and land, were concentrated in the hands of a few families who had acquired economic empires in the countryside during the colonial period. The first two decades of independence were a time of testing. There were frequent uprisings in the interior, and, in the urban areas, opposing factions grew up around their leaders Fructuoso Rivera and Manuel Oribe. The colours used by each faction gave rise to the present names of Uruguay's main political parties: red, or Colorado, for Rivera's group, and white, or Blanco, for Oribe's.

Antagonism between these groups led to the civil war of 1839-51, during which the Blanco Party controlled the interior and the Colorado Party controlled Montevideo. Several foreign powers intervened—Argentina on the side of the Blancos, England and France on the side of the Colorados.

The period ended without losers or victors, and the failure to achieve national unity opened a whole new era of turbulence and uprisings, frequently involving the country in Brazilian and Argentine affairs. This led to Uruguay's participation with Brazil and Argentina in war against Paraguay (1865-70). Successive attempts at political coexistence and internal order, indispensable to Uruguay's modernization and entrance into world economics, were frustrated. Internally the caudillos, (personalist leaders) struggled for power with liberal parliamentarians known as *principistas* or "doctors." In the 1870s, control of the government passed into the hands of the military.

During the administration of Col. Lorenzo Latorre (1876-80), power was more firmly centralized: pacification of the rural areas permitted advances in stock breeding and ended the power of the caudillos. Capitalist development and internal stability continued under the governments of Gen. Máximo Santos and Gen. Máximo Tajes (1880-90).

The prosperity of the export economy (1890-1954). By the time civilian rule was restored under Julio Herrera y Obes in the 1890s, the rural economic structure had adapted itself to the demands of external markets.

Artigas' revolt

The Colorados and the Blancos

Wool and dried (or jerked) beef exports rose greatly. The population, as a result of immigration from Mediterranean Europe, more than doubled during the last quarter of the 19th century, rising from 450,000 people in 1875 to about 1,000,000 in 1900. The adoption of new fiscal policies and the development of transportation and communication facilities (railroads and telegraphs) stimulated foreign loans and investment, usually of British origin.

At the beginning of the 20th century, the country was again torn by a factional dispute, based on the Blanco (or Nationalist) Party's demands for greater participation in government affairs. After a Blanco uprising and the assassination of the Colorado president, Juan Idiarte Borda, in 1897, tension between the two parties reached a climax in 1904. At this time, a year after being elected president, the Colorado leader, José Batlle y Ordóñez, was confronted by a Blanco revolt headed by Aparicio Saravia. After eight months of bloody fighting and the death of Saravia, the conflict was ended by the Peace of Aceguá. This agreement was followed by a reorganization of the political parties and marked the beginning of a long period of internal peace and orderly government for Uruguay.

The influence of Batlle y Ordóñez

From 1904 until his death in 1929, José Batlle y Ordóñez dominated the political scene. Twice president of the republic (1903-07; 1911-15), he designed reform programs that became the objectives of the modern Uruguayan state.

Administrative reforms included the creation of a Supreme Court of Justice, greater municipal autonomy, and the creation of more public services. Social reforms included the removal of public education from the control of the Roman Catholic Church, the extension of free education on the secondary and university levels, a reform of the university system, extension of the right of divorce to women, and, finally, separation of church and state in 1917.

Advanced labour legislation that was passed (the right to strike, an eight-hour workday, obligatory accident insurance) emphasized the role of the state as mediator between management and labour.

Batlle's policies discouraged foreign intervention in Uruguay's economic affairs. While North American penetration pushed on the frozen meat industry, he promoted a strong policy of nationalism, by means of several government monopolies, assuring state control of areas usually dominated by private or foreign capital (mainly British, toward which Batlle showed an open disaffection).

During World War I, the agriculturally based economy flourished with the export boom. At the same time, domestic production and consumption of manufactured goods increased, in reaction to protective tariffs in other countries and the spiralling cost of imported goods. This economic expansion was accompanied by political reform. President Batlle, fearing the power of the presidency, proposed its abolition and the substitution of a nine-member executive council. A plebiscite defeated the idea (1916), but it was partially retained in the constitution of 1917 that, while retaining the presidency, provided for the creation of a National Council of Administration made up of nine elected members. This constitutional reform, combined with the extension of suffrage rights in 1924, gave new impulse to representative government in Uruguay.

At the same time the economy entered a bad period. Exports declined with the reorganization of European markets following the war. U.S. capital was used to finance road construction, in competition with the British railway system, and U.S. business investments heralded the shift from British to U.S. economic domination. The New York stock market crash of 1929 caused a further decline in exports and a price decrease for Uruguayan goods. Complicating the situation were the Ottawa Agreements (1932), which greatly limited the accessibility of Río de la Plata meats to British markets. An austerity program was instituted to improve the economic situation. In 1933, however, Pres. Gabriel Terra, of the Colorado Party, proclaimed himself dictator. The constitution of 1917 was invalidated and full power was restored to the president; this situation lasted until mid-1938, when Gen. Alfredo Baldomir was elected president.

With the beginning of World War II, President Baldomir kept Uruguay neutral. Many Uruguayans sympathized with the Allies, but the leader of the Blanco Party, Luis Alberto de Herrera, campaigned for strict neutrality and sought to prevent the installation of North American naval bases in the country. Other leading Blancos had definite Nazi-Fascist sympathies. Nevertheless, Uruguay, along with most of the other Latin American republics, declared war on the Axis powers in 1945.

At the beginning of 1942 President Baldomir dissolved the Congress and prepared a new constitution. His support came not only from his own Colorado Party but also from the independent Blancos (members of the Blanco Party who, in 1933, had separated from it because of their opposition to the ideology of Herrera). The takeover of the government by Juan José Amézaga in 1943 marked a return to democratic liberalism. Once again, a war aided the Uruguayan economy. As had happened during World War I, the value of livestock products rose disproportionately, a lucrative European market opened up, and imports declined tremendously. Small industries prospered, filling the gap created by the import decline. The standard of living rose. Internal consumer markets grew, unemployment dropped, educational opportunities opened up, and labour legislation bettered the existing social security system.

Tomás Berreta, a disciple of Batlle y Ordóñez, was elected president in 1946, but his sudden death left the government in the hands of Batlle's nephew, the urban caudillo Luis Batlle Berres. The government readopted the principles of the 1917 constitution, and after reaching an agreement with the Blanco Party, created, in the constitution of 1951, the National Council of Government, which replaced the presidential office with a nine-member council.

Uruguay became a haven for exiles from Argentina who opposed Juan Perón, that country's president from 1946 to 1955. They used the Uruguayan press and radio networks to win support for their cause, with the tacit approval of the Uruguayan government. An opposition campaign and anti-Peronist committees, based in Montevideo, found support in the liberal temper of the country. Uruguay's relations with Argentina deteriorated, reaching their lowest point just before Perón's overthrow in 1955.

Economic and political developments since 1954. The Korean War precipitated a brief economic boom that ended in 1954. Uruguay then entered a period of economic stagnation, followed by a period of recession aggravated by the lowering of world prices on its chief exports (wools, meat, leather products) as well as by the rising price of manufactured goods. The economic deterioration resulted in labour riots, demonstrations, and general discontent among the populace.

The 1958 elections reflected this discontent. For the first time in 93 years, the Colorado Party was defeated, and the Nationalists (Blancos), promising an improvement in the economy, came to power under Martín R. Echegoyen. The change of government came at a time of tremendous inflation. In 1959, a monetary reform law was passed, providing for successive devaluations of the currency. Tension and discontent rose among all sectors of the population.

In the same year (1959), Herrera, former leader of the Blanco Party, died, and divisions within the party deepened. The Blanco government was unable to deal effectively with the crisis. Its free enterprise orientation allowed economic elite groups to import luxury items at a time when official government policy limited imports to essential consumer goods.

The second Blanco administration (1963-66) was characterized by an even sharper disintegration of the traditional political parties, resulting in the proliferation of groups and subgroups under personalist leaders. Inflation was not halted. A 1965 bank failure staggered the monetary economy. Furthermore, the cost of living rose, affecting those income groups (mainly urban) that were least able to afford it. The inflation and production slump continued into the 1970s.

(J.A.O.)

Economic crisis incubated the Tupamaro urban guerrilla

The Blanco victory of 1958

movement, the widespread terrorist activities of which brought on a military coup in 1973. The military governed first through the previously elected Colorado Party president Juan María Bordaberry Arocena (1972-76) and then replaced him in 1976 with Aparicio Méndez. Authoritarianism earned Uruguay the reputation of having the highest ratio of political prisoners to population in the world. The government turned to free market economics, but economic recovery was impeded by the need to import all the country's oil and by the unwillingness of the Common Market countries of Europe to import meat, a principal Uruguayan export. A new constitution and an election (with only one official presidential candidate) were promised by the military for 1981. (M.I.V.)

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Usman dan Fodio

Usman dan Fodio (Arabic, 'Uthmān ibn Fūdī), often simply referred to as "Shehu" or "the Shaykh," was the most important reforming leader of Africa's western Sudan region in the early 19th century. His importance lies partly in the new stimulus that he, as a *mujaddid*, or renewer of the faith, gave to Islām throughout the region; partly in his work as a teacher and intellectual, the focus of a network of students, author of a large corpus of writings in Arabic and Fulani that covered most of the Islāmic sciences and enjoyed—and still enjoy—wide circulation and influence; partly in his activities as founder of a *jamā'a*, or Islāmic community, which became a new polity, the Sokoto caliphate, and brought the Hausa states and some neighbouring territories under a single central administration for the first time in history.

Though involved in an active life of preaching and controversy, the Shaykh was also a serious Šūfi who underwent mystical experiences. Usman was familiar with *jinn*s (spirits), and he lived ascetically without wealth or servants.

Usman was born in 1754 at Maratta in the Hausa state of Gobir, in what is now northwest Nigeria. His father, Muḥammad Fodiye, was a scholar from the Toronkawa clan, which had emigrated from the Fouta-Toro in Senegal in about the 15th century. While still young Usman moved south with his family to Degel, where he studied the Qur'ān with his father. Later he moved on to other scholar relatives, travelling from teacher to teacher in the traditional way and reading widely in the Islāmic sciences. One powerful intellectual and religious influence at this time was his teacher in the south Saharan city of Agadez, Jibrīl ibn 'Umar, a radical figure whom Usman both

respected and criticized and by whom he was admitted to the Qādiriyyah and other Šūfi orders.

In about 1774-75 Usman began his active life as a teacher, and for the next 12 years combined study with peripatetic teaching and preaching in Kebbi and Gobir, followed by a further five years in Zamfara. During this latter period, though committed in principle to avoiding the courts of kings, he visited Bawa, the sultan of Gobir, from whom he won important concessions for the local Muslim community (including his own freedom to propagate Islām); he also appears to have taught the future sultan, Yunfa.

Throughout the 1780s and '90s the Shaykh's reputation increased, as did the size and importance of the community that looked to him for religious and political leadership. Particularly closely associated with him were his younger brother, Abdullahi, one of his first pupils, and his son, Muḥammad Bello, both distinguished teachers and writers. But his own scholarly clan was slow to come over to him. Significant support seems to have come from the Hausa peasantry. Their economic and social grievances and experience of oppression under the existing dynasties stimulated millenarian hopes and led them to identify him with the Mahdī (Divinely Guided One), whose appearance was expected at that time. Though he rejected this identification, he did share and encourage their expectations.

During the 1790s, when Usman seems to have lived continuously at Degel, a division developed between his substantial community and the Gobir ruling dynasty. In about 1797-98 Sultan Nafata, who was aware that the Shaykh had permitted his community to be armed and who no doubt feared that it was acquiring the characteristics of a state within the state, reversed the liberal policy he had adopted toward Usman 10 years earlier and issued his historic proclamation forbidding any but the Shaykh to preach, forbidding the conversion of sons from the religion of their fathers, and proscribing the use of turbans and veils.

In 1802 Yunfa succeeded Nafata as sultan, but, whatever his previous ties with the Shaykh may have been, he did not improve the status of Usman's community. The breakdown, when it eventually occurred, turned on a confused incident in which some of the Shaykh's supporters forcibly freed Muslim prisoners taken by a Gobir military expedition. Usman, who seems to have wished to avoid a final breach, nevertheless agreed that Degel was threatened. Like the Prophet Muḥammad, whose biography he frequently noted as having close parallels with his own, the Shaykh carried out a *hijrah* (migration) to Gudu, 30 miles to the northwest, in February 1804. Despite his own apparent reluctance, he was elected *imām* (leader) of the community, and the new caliphate was formally established.

Elected
imām

During the next five years the Shaykh's primary interests were necessarily the conduct of the *jihād* (holy war) and the organization of the caliphate. He did not himself take part in military expeditions, but appointed commanders, encouraged the army, handled diplomatic questions, and wrote widely on problems relating to the *jihād* and its theoretical justification. On this his basic position was clear and rigorous: the Sultan of Gobir had attacked the Muslims; therefore he was an unbeliever and as such must be fought; and anyone helping an unbeliever was also an unbeliever. (This last proposition was later used to justify the conflict with Bornu.)

As regards the structure of the caliphate, the Shaykh attempted to establish an essentially simple, non-exploitative system. His views are stated in his important treatise *Bayān wujūb al-hijra* (November 1806) and elsewhere: the central bureaucracy should be limited to a loyal and honest vizier, judges, a chief of police, and a collector of taxes; local administration should be in the hands of governors (*amirs*), selected from the scholarly class for their learning, piety, integrity, and sense of justice.

Initially the military situation was far from favourable. Food supplies were a continuing problem; the requisitioning of local food antagonized the peasantry; increasing dependence on the great Fulani clan leaders,

Early
years

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DECLASSIFIED
Department of State Guidelines
E.O. 12958, SEC 3.4 (B), July 21, 1997
By W NARA, Date 06/06/02

TWENTY-THREE YEARS IS TOO LONG BETWEEN VISITS, BUT AS YOU KNOW WE ARE ENTERING A SPECIAL TIME IN U.S. LATIN AMERICAN RELATIONS, AND I THOUGHT IT WAS IMPORTANT TO COME TO THE REGION MYSELF, MEET DIRECTLY WITH ITS LEADERS, AND TALK TO THEM FACE TO FACE ABOUT SOME KEY

I UNDERSTAND THAT I'M THE FIRST PRESIDENT OF THE UNITED STATES TO VISIT URUGUAY SINCE LYNDON JOHNSON WENT TO PUERTO DEL ESTE IN 1967. UNFORTUNATELY I DON'T HAVE TIME TO GO TO THE BEACH, BUT I HAVE BEEN IMPRESSED WITH WHAT I'VE SEEN OF MONTEVIDEO AND OF URUGUAY. IT REMINDS ME SOMEWHAT OF MY HOME STATE OF TEXAS, EXCEPT THAT YOU CALL YOUR COWBOYS GAUCHOS AND YOUR BARBECUES ASADOS, AND YOUR FOOTBALL IS ROND.

IT'S A GREAT PLEASURE FOR BARBARA AND ME TO BE HERE WITH YOU TODAY. AS YOU KNOW, I WAS AN AMBASSADOR MYSELF AND I REMEMBER HOW MUCH WORK WAS PUT INTO SUCH VISITS. I WANT TO THANK YOU ALL -- URUGUAYANS AND AMERICANS -- AND I WANT YOU TO KNOW THAT YOUR HARD WORK HASN'T GONE UNNOTICED OR UNRECOGNIZED.

REMARKS OF PRESIDENT GEORGE BUSH TO THE EMBASSY STAFF

MR. PRESIDENT, I SALUTE YOU.
TWO COUNTRIES BUT PERHAPS EVEN THE ENTIRE HEMISPHERE. CAN FORM AN ALLIANCE WHICH WILL BENEFIT NOT ONLY OUR CHANNELS FOR PEOPLE'S HAPPINESS. WORKING TOGETHER, WE JOSE ARTIGAS SAID "INDUSTRY AND COMMERCE ARE THE AND PROSPEROUS HEMISPHERE. AS YOUR GREAT LEADER WE ARE PARTNERS IN DEVELOPING A PEACEFUL, DEMOCRATIC PRUDENT AND EXEMPLARY MANAGEMENT OF ITS FOREIGN DEBT. ALSO DEMOCRATIC URUGUAY IS TO BE CONGRATULATED FOR ITS SUCCESSFULLY RETURN THIS COUNTRY TO DEMOCRACY, BUT MODEL FOR ALL. NOT ONLY DID YOU AND YOUR COLLEAGUES FREEDOM AND THE FREE ENTERPRISE SYSTEM. URUGUAY IS A COMMITMENT OF YOU AND YOUR COUNTRYMEN TO DEMOCRACY AND OF MONTEVIDEO. WHAT IMPRESSES ME, MR. PRESIDENT, IS THE PLATA. BEYOND THE PHYSICAL ATTRACTIVENESS OF THE CITY VISIT TO TRY MY LUCK IN THE WATERS OF THE RIO DE LA REGRET IS THAT I DO NOT HAVE TIME IN THIS ALL-TOO-SHORT AIRPORT. AS YOU KNOW, I AM PARTIAL TO FISHING, AND MY THAT I TRULY ENJOYED THE DRIVE INTO TOWN FROM THE BE IN YOUR COUNTRY. I HAVE TO TELL YOU, MR. PRESIDENT, HAVING TALKED WITH YOU ON THE TELEPHONE IT IS GOOD TO TODAY. AFTER HAVING MET WITH YOU IN WASHINGTON AND IT IS INDEED A PLEASURE FOR ME TO BE IN URUGUAY

THE 18TH.
IS THE LUNCHEON TO BE HOSTED BY PRESIDENT LACALLE ON OCCASION ON WHICH WE ANTICIPATE THERE WILL BE A TOAST BASED ON CURRENT SCHEDULING INFORMATION THE ONLY

TOAST

PROSPEROUS FUTURE.
OF URUGUAY OUR MOST SINCERE WISHES FOR A PEACEFUL AND WE HAVE RECEIVED, AND TO EXPRESS TO YOU AND TO THE PEOPLE WISH TO THANK YOU FOR ALL THE ATTENTION AND COURTESIES MR. PRESIDENT, AS WE LEAVE THE LAND OF ARTIGAS WE

WE WILL CONTINUE TO WORK AS URUGUAY'S PARTNER OVER THE COMING YEARS TO FORTIFY THESE FIRST STEPS TOWARD A NEW ERA OF DEMOCRACY AND PROGRESS, OF CONSULTATION AND COOPERATION THROUGHOUT OUR HEMISPHERE.

I HOPE A NEW ERA OF COOPERATION HAS COMENCED; CERTAINLY THERE ARE MANY POINTS ON WHICH URUGUAY AND THE UNITED STATES ARE IN AGREEMENT (CITE SPECIFICS -- AGREEMENTS SIGNED, ETC.)

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DEPARTMENT OF STATE
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TO DEMOCRACY.
THOUGH OURS WAS A SHORT VISIT, IT HAS BEEN SUFFICIENT TO CONFIRM MY FAITH IN URUGUAY'S COMMITMENT TO DEMOCRACY.
IT WAS A PLEASURE FOR BARBARA AND ME TO HAVE SPENT THESE FEW HOURS IN URUGUAY. AS TEXANS WE HAVE FELT VERY MUCH AT HOME.

DEPARTURE STATEMENT

OF YOUR PROBLEMS AND YOUR SUCCESSSES.
IF I AM TO MEET YOUR CHALLENGE I MUST LEARN FIRSTHAND IF I AM TO MEET YOUR CHALLENGE I MUST LEARN FIRSTHAND 30 YEARS AGO, IS PART OF MY RESPONSE TO YOUR CALL, FOR AMERICAN PRESIDENT SINCE THAT OF PRESIDENT EISENHOWER STATE VISIT, THE FIRST TO YOUR CAPITAL CITY BY AN RELATIONSHIP BETWEEN THE U.S. AND LATIN AMERICA. THIS WAS GENERAL ASSEMBLY, CALLING FOR A NEW HEMISPHERIC I RECALL, MR. PRESIDENT, YOUR REMARKS AT THE LAST

COUNTRY BUT THROUGHOUT THE REGION.
CHANGE AND ECONOMIC PROGRESS NOT ONLY IN YOUR OWN FORWARD-LOOKING MAN WHO TAKES INITIATIVES AND PROMOTES YOU ARE ONE OF LATIN AMERICA'S NEW LEADERS. A

MR. PRESIDENT, WE MET FIRST IN WASHINGTON, AND I AM NOW DELIGHTED TO BE IN YOUR COUNTRY.

HISTORY.
PRIVACY OF THE RULE OF LAW THAT HAS CHARACTERIZED ITS CLARITY AND DIGNITY OF ITS AFFIRMATIONS, AND THE TRADITIONAL RESPECT AND SUPPORT FOR DEMOCRACY, THE EMPLOYED BY ITS DEEP, WOOD AND HIDES, BUT BECAUSE OF ITS OF ITS SOCCER TEAM OR THE INTERNATIONAL REPUTATION TION TO ITS SIZE, NOT JUST BECAUSE OF THE GREAT SUCCESS -- URUGUAY HAS ALWAYS HAD AN IMPORTANCE OUT OF PROPORTION TO ITS SIZE, NOT JUST BECAUSE OF THE GREAT SUCCESS

TRANSCENDED ITS SIZE IN THE INTERNATIONAL ARENA.
IT IS A GREAT PLEASURE TO BE IN URUGUAY, THAT HAS ALWAYS

ARRIVAL STATEMENT

COMMENTS FOR THE EMBASSY COMMUNITY.
2. FOLLOWING ARE EMBASSY MONTEVIDEO'S SUGGESTED ARRIVAL AND DEPARTURE STATEMENTS, A SUGGESTED LUNCHEON TOAST AND

1. CONFIDENTIAL -- ENTIRE TEXT.

REF: STATE 225839

SUBJECT: PRESIDENT'S SOUTH AMERICAN TRIP: DRAFT
TAGS: OUP (USH, GEORGE H.W.), UY
E.O. 12356: DECL: OADR

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DEPARTMENT OF STATE
AREA/NEA REARCS

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PAGE 02 OF 02 MONTEV 03480 00 OF 02 172155Z 020022 000319
ISSUES THAT CONCERN US BOTH -- MY INTERPRETATION FOR THE
AMERICAS INITIATIVE THAT WAS ANNOUNCED IN JUNE, THE DEBT,
THE CONSOLIDATION OF DEMOCRACY IN THE REGION, AND OTHER
ISSUES OF MUTUAL INTEREST. AS YOU KNOW, I MET PRESIDENT
LACALLE IN WASHINGTON WHEN HE WAS PRESIDENT-ELECT. HE
HAVE AN EXCELLENT WORKING RELATIONSHIP. HE HAS BEEN A
STRONG SUPPORTER OF OUR ENTERPRISE FOR THE AMERICAS. WE
APPRECIATE THE LEADERSHIP ROLE HE HAS TAKEN IN PROMOTING
IT AMONG HIS LATIN AMERICAN COLLEAGUES, AND WE RECOGNIZE
HIS ROLE IN THE CONSOLIDATION OF DEMOCRACY IN THE
SOUTHERN CONE.
- I WANT TO TAKE JUST A MINUTE TO REITERATE HOW MUCH
I APPRECIATE THE WORK OF THIS EMBASSY -- NOT JUST
REGARDING THIS VISIT BUT ON A DAY-TO-DAY BASIS. YOU
ARE AMONG THE BEST OF OUR COUNTRY, AND WE OWE YOU A DEBT
OF GRATITUDE. AND, I WANT TO PAY TRIBUTE TO THE
URUGUAYAN FOREIGN SERVICE NATIONAL EMPLOYEES WHO, AS
ANY EX-AMBASSADOR KNOWS, REALLY RUN THE EMBASSY.
- THANK YOU ALL FOR YOUR HOSPITALITY, FOR YOUR HARD
WORK IN MAKING THIS BRIEF VISIT A SUCCESS, AND FOR YOUR
DEDICATION AND LOYALTY IN SERVICE TO THE UNITED STATES.
GOD BLESS YOU. CRIST

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PAGE 01 MONTEV 03130 00 00 02 292028Z 000272Z 606125

AMERICAN INTEGRATION ASSOCIATION (LADIES WHOSE HEADQUARTERS IS IN MONTEVIDEO, WE WOULD BE THE LAST TO SAY ALOUD) IS AN EFFECTIVE ORGANIZATION AT PRESENT.

NEEDVALUERS IS IN PROVIDENCE. WE WOULD BE THE FIRST TO SAY ALABAMA IS AN EFFECTIVE ORGANIZATION AT PRESENT, BUT ITS ROLE SHOULD UNDOUBTEDLY BE ACKNOWLEDGED IN

THIS CONTAINS

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LEGAL AND ECONOMIC REGIME WITH REGARD TO FOREIGN INVEST-
MENT. A TIME IN THIS AREA WOULD BE THE NECESSITY FOR
RE-ESTABLISHING ADEQUATE MONITORING IN LATIN AMERICAN

DEVELOPING ADEQUATE CAPITAL MARKETS IN LATIN AMERICAN COUNTRIES AS A COMPLEMENT TO THE DEVELOPMENT OF A

HEMISPHERIC CAPITAL MARKET. THIS WOULD INCLUDE THE NEED TO DEMAND STRUCTURAL AND LEGAL CHANGES TO THE ECONOMY OF

TO REMOTE PRODUCTION AND EXPORT OF THE COUNTRY
CAPITAL AS WELL AS LEGAL AND REGULATORY REFORM AIMED AT
ENCOURAGING INVESTMENT IN BOTH SMALL AND LARGE

SAVERS OF THE CAPITAL MARKETS CREATED. THE PRESIDENT

AN EXAMPLE OF NEW AND CREATIVE THINKING IN THIS FORM

THE PRESIDENT SHOULD ALSO POINT TO THE SIGNING OF THE

DIPLAETAL INVESTMENT TREARY BETWEEN GROCOW AND THE
WATTS 27088 WHICH SHOULD BE COMPLETED BY THEM AS

EVIDENCE OF WHAT THE UNITED STATES AND ITS LATIN

OF SUCH RISK CAPITAL AND MAKE THE HEMISPHERIC CAPITAL

CELEBRATION FOR THE BILATERAL INVESTMENT TREATY DURING THE

1100

5. SINGAPORE INVESTMENT: INTEND TO TAKE A WIDE RANGE OF STRUCTURAL REFORMS WHICH WILL SE

TO ENHANCE THE ECONOMIC EMPLOYMENT FOR INVESTMENT IN

REDUCTIONS HAVE ALREADY BEGUN TO PRODUCE

THE GUY CARIBBEAN ENGINEERING COLLEGE

504PL055 IN THE CENTRAL GOVERNMENT RESOURCES AND
BEGIN TO DRIVE DOWN THE OVERALL DEFICIT. PENDING REFO

WHICH MAY BE APPROVED BY SENATE AND HOUSE OF REPRESENTATIVES

MONROVIA, LACALLE HAS ALSO PROPOSED REFORMS TO

MODERNIZE GORDON 3 ENCH RELEVANT: THE FUTURE OF THE
ENGLAND INCLUDE IN HIS SPEECH RECOGNITION OF THESE

ENDAVORS AND PERHAPS USE THEM AS MODELS FOR THE TYPE OF DECISIONS THAT ATTACHED FOREIGN INVESTMENT

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED

INTRODUCTION

(SEARAPPC 8146, 5/16/90)
Council of the Americas

A time of great change in the world, symbolized by the fall of the Berlin Wall.

- "defeat of communism"
- lessening of E-W tension
- unification of the "two Germanies"

Economically,

- Europe '92
- the challenge of the Pacific Rim economies
- the opening of markets, investment opportunities in E. Europe.

Concerns about the Americas' place in the world, the U.S. stake in the Americas.

- o One Brazilian magazine speculated that while Brazil struggled to compete with "Asian Tigers" in the 1980s, the 1990s will belong to the "East European Tigers" and Western and Japanese investment will be diverted from low-growth LDCs such as Brazil to East European countries.
- o Reflecting on the impact of Europe 92 on the Caribbean one leader said: "Is the single European market a threat or an opportunity? It can be both for the Caribbean. It is an opportunity if we are wise and imaginative -- a threat if we are not."

Change in Central Europe has seized world attention, but there are signs of profound changes -- less visibly dramatic -- taking place in this hemisphere.

- o In Mexico, the Chamber of Deputies has passed by an overwhelming vote (339-54) the Government's privatization plan — *privatize the banks — Senate negotiates a FTA*
- o Argentine exports of soybeans have grown 28 times in the little over a decade to make the world's 3rd largest exporter.
- o Tijuana's exports to California are roughly equal to total two way trade between the United States and both Poland and Hungary.
- o The island country of Trinidad and Tobago is the world's second largest supplier of nitrogen fertilizer -- after the Soviet Union.

I. THE AMERICAS MATTER

We are re-thinking our relationships -- in this hemisphere and elsewhere. We are not retrenching. Our stake in future of the Americas is substantial and growing.

Economic

- o Our total merchandize trade with the region (1989) is just under 100 billion dollars, about 13% of the world total.
- o The United States has major investments in the region, amounting in 1987 to 42.3 billion, or 59% of all U.S. direct investment in developing countries.
- o When our Latin partners have prospered, we have prospered; when Latin American growth has lagged, so has our trade with the region.
 - As the Mexican economy has opened up and turned around our two-way trade has mushroomed. The total of \$52 billion is a 20% increase over 1988's figure and 50% above '87's level of \$35 billion.
 - In 1981, at the onset of the economic crisis, the region spent \$42 billion on U.S. products, 18% of our total exports. As the crisis deepened, the region's purchases of U.S. goods fell sharply to \$26 billion in 1983. Today, they are just above the earlier peak (\$44 billion, with no adjustment for inflation); but the share is much less (12%).
 - Venezuela is an example of both sides of the equation: In 1988, Venezuela grew by 4.2%; our exports advanced 28%.
In 1989, Venezuela's econy receded by 8-10%; our exports declined by 34%.
- o We share with our American partners as well a genuine interest in dealing successfully with the debt problem. Total Latin debt exceeds \$400 billion of which a 1/3 is held by U.S. commercial banks. It has been estimated that the debt problem has cost the United States as much as \$75 billion in lost exports over the past decade.

Drugs

- o All of the cocaine consumed in the United States originates in South America. Coca, the raw product used to produce cocaine is grown in the Andean countries of Peru, Bolivia, and Colombia.
- o Gross illegal drug sales in the U.S. are estimated at \$110 billion -- more than our gross agricultural income, more

than double the profits enjoyed by the Fortune 500 companies combined.

- o Traffickers in Latin America are estimated to net some \$8 billion/year. Three of the region's 7 billionaires are traffickers.

Environment

- o The Amazon represents nearly one-third of all the world's tropical forest. Estimates of de-forestation, based on LANDSAT satellite photography indicate that 5 - 12% of the Amazon has been deforested.
- o Not just an Amazon issue: E.g. in Costa Rica in 1970 51% of the country was in forest; in 1980 only 30% was forest-covered. At present rate of deforestation, exploitable timber will be exhausted by 2000. Costa Rica will need to import.
- o Not just de-forestation: air pollution (2/3 of region's inhabitants live in cities; 2 of world's largest cities, Mexico City and Sao Paulo, are in region), fishing practices, and Antarctic exploration.

Remaining Security Issues

- o Almost 1/2 of U.S. imports and exports and 55% of our crude oil imports pass through the Caribbean Basin.
- o 2 of every 3 ships transiting the Panama Canal carry goods to or from the United States.
- o Insurgencies persist in Peru and Colombia, Guatemala and El Salvador. Violence -- political, social, and criminal -- traditionally high, has escalated in recent years. Now murder is the leading cause of death for male adults (18-40) in Colombia (where the government estimates some 140 groups engage in extra-judicial killings).

II. THE PROSPECTS FOR PROGRESS ARE GOOD

The countries of the Americas have taken the right direction.

- o One important lesson of global changes: economic and political freedom work hand-in-hand.
 - Democracy is an economic asset. As one former Latin Latin finance Minister put it: Political centralism works against competition. Excessive statism must cease. What is happening in Eastern Europe is an example. We are learning that democratic solutions are slow, that they often involve a difficult process of

negotiation. Democracy is less efficient in some ways from other systems but still is better because among other things, it is necessary to achieve a consensus and wide participation of all segments of society to implement change.

- o In the Americas, political transformation -- the democratic revolution -- is well along; an economic revolution is underway.

- The Volta Rondada Steel plant in Brazil (once the symbol of modernization through state-supported industrialization) is slated for privatization.
- In Uruguay, the state monopoly on insurance will end and private capital will be able to invest in the national airline and telephone company.
- In Mexico, the banks are being denationalized and the state telecommunications monopoly is ending.
- Tijuana, the second largest city on the West Coast of North America, has become known as "the world capital of television manufacturing." Unemployment is just 1% and the average wage is double the minimum.
- Chile has transferred twice the value of state assets to the private sector than Britain, and in half the time (according to an independent study and taking into account the relative sizes of both countries).
- The island states of the Eastern Caribbean are planning to create a regional stock exchange.

ISSUE: But, will the Latin American and Caribbean nations follow through on their programs of economic reform? What are the prospects for full implementation?

Answer: There is good reason to believe that they will follow through.

- o Success in carrying through reforms depends on leaders who are willing to stay the course, to make the hard decisions and then follow through to the end. Latin leaders, it is clear, know that they must follow through on their reforms. There is a real sense of urgency on this, a sense of now-or-never.

- Menem's Inaugural: "we are living a long, painful crisis . the worst, deepest, most decisive and most terrible crisis we can imagine. . . . This crisis is a challenge. . . . I am here to call you to the birth of a new era, of a new opportunity, perhaps the last one."

o Leaders must also set goals that make sense to citizens. Leaders are also accutely aware that economic growth is not an end in itself and are committed to growth that reaches all sectors of society.

-- Menem on the Anniversary of the B.A. Stock Exchange: "I will lead the economic recovery of a prostrated nation, with a new and wide-reaching market system. When I say wide-reaching, I mean that the economic system should serve the welfare of the population. But I also mean that each and every citizen must become part of the economic system."

-- CAP's Inaugural: "The readjustment of the economy . . . cannot be separated from the obligation democracy has towards workers, towards the poor people living in the urban and rural areas, as well as towards the middle class."

-- Collor's Labor Day Speech: one can't talk of a market economy in a society where the majority of workeers is not integrated into the economy. . . in developed market countries progress is a process of negotiation.

o The failure of protectionist, statist, and closed economic systems to produce genuine wealth is widely evident. It is understood that a reduced state role in the economy is not just compatible with but, is a pre-condition to realizing social goals.

-- Menem on Anniverary of Stock Exchange: "Forty years ago, just as in maby post-War European countries, companies were nationalized while other State-owned companies were created. Today, those same companies are bleeding the country with their deficits and imbalances."

-- Salinas' State of the Nation speech: "a State that does not attend to the demands of the people because it is too busy administering its entrprises is neither just nor revolutionary . . . An over-extended, overworked State ends up as a weak State . . ."

-- Menem on the Anniversary of the B.A. Stock Exchange: "We want a socially effective government, a government able to take charge of strategic national policies rather than one that manages hotels, blocks private initiative and bureaucratizes pepole's lives."

o Economic reform must have popular backing. The genuinely open economy has inherent popular appeal. It offers empowerment, mobility, and real participation in the economic life of the nation to all levels and sectors of society.

-- In Lima the informal sector provides 43% of the housing, 83% of the markets, and 95% of urban transport. An

estimated 40% of the GDP is generated by the informal sector.

-- Fernando De Soto's group estimates that the informal economy of Peru produces nearly 40% of the GDP and represents 60% of the man-hours worked in the country. Informals own land and housing valued at some \$16 billion.

-- There are similar estimates from other countries.

+ (Economists estimate that the Brazilian GDP would be 25% higher if the informal economy's contribution were counted. One research group estimates that some 7.3 million workers are employed in the informal economy.)

+ (An Argentine think-tank estimates that the informal economy there equals 60% of the official measured GNP -- 1 out of 3 goods manufactured is not officially counted.)

-- Today the informals operate at the margins of society and in spite of state restriction and control. The closed economy discourages wide participation by the people in the economic life of their country.

+ It took 4 researchers working full time 43 days and 15 times the minimum wage to open a small retail shop.

+ Less than 4% of the homes in Lima's informal sector are titled.

+ Getting title to a home in Peru, requires up to 48 months of hard work and more than a year's minimum wage in "fees."

The open economy legitimates private ownership, the effect is to liberate productive economic activity.

+ Legal title to property makes it possible to leverage de facto assets (through mortgages, loans, etc.) to greatly expand activity.

+ When individuals acquire title to property the "own" the value increases 9 times over 10 years.

+ In the words of Hernando DeSoto: "tangible enfranchisement" creates an "enabling environment."

o Carried through, economic opening works.

-- One small example on the micro-level: Mexico has increased its revenue from the sale of coffee by 40%, in spite of the collapse in the international coffee agreement. The

reason, according to the Mexicans: virtual elimination of the Mexican Coffee Institute as a regulator.

Country Examples

- Mexico's GDP grew 3% in 1989 (exceeding population growth for the first time in 10 years). Inflation brought down from 51.7% in '88 to 20% in '89.
- Bolivia continued with modest inflation, steady growth.
- Costa Rica showed uninterrupted economic growth since 1983, with expanding non-traditional exports (now more than half of total exports).
- Venezuela (which suffered a decline of 8-10% in GDP) still expects nontraditional exports to increase 20% under last year's maxi-devaluation, has reduced its fiscal deficit reduced to just 2% of GDP last year.
- In Colombia, tight money policy held inflation down to 27% last year. Growth at 3% remains high for the region.

III. WE WILL CONTRIBUTE TO THE WELL-BEING OF THE AMERICAS IN WORKING PARTNERSHIP WITH OUR NEIGHBORS.

Definition of Partnership: The President described our relationship this way: "a partnership built on mutual respect and mutual responsibility . . . rooted in a common commitment to democratic rule.

Our Contribution to the Partnership

What is the U.S. doing to encourage Latin economic growth?
What does it plan to do concretely?

o First, let us not minimize the importance of asserting intellectual leadership. The way to solutions is often blocked by thinking that was out of synch with the times and global developments. The terms of reference needed to be clarified and discussion of issues channeled along pragmatic lines.

- E.g. Debt: while significant in its own right, needed to be seen as the symptom of a greater problem.
- Economic reform had to be recognized as an indispensable condition for any progress.
- Linkages needed to be strengthened between debt-packages and internal reforms. The Brady Proposals as much a vehicle for encouraging economic restructuring as simply a means of debt and debt-service reduction.

o Concretely on the issue of debt, 5 countries (4 in the region: Chile, Costa Rica, Mexico, Venezuela; and the Philippines) have concluded new debt arrangements under Brady proposals; these countries account for 44% of commercial debt owed by the 16 largest LDC debtors.

-- Mexico's recent debt deal will allow it to reduce its net external transfers from 6% of GNP/yr. (1983-1988) to an annual average of 2% per yr. (1990-1994). (According to Jose Gurria, undersecretary for international finance, Finance Ministry).

-- Costa Rica's debt buyback agreement with commercial banks will result in repurchase of 60% of the country's debt, leaving the debt at \$3.9 billion for this year.

-- Venezuela's agreement with leading foreign creditory banks allows them to slice 25% off debt value and accept bonds at fixed, below-market interest rates or provide new money.

-- We are contributing to the strengthening of the International Financial Institutions (IFIs) which play a critical support role in debt arrangements.

o The future will very much depend on what happens in the areas of trade, investment, and technology.

-- This is neither the time or place for a Marshal Plan for the Americas. The U.S. cannot underwrite the costs of economic growth out of its foreign assistance budget. Nor should we.

+ Where U.S. assistance is critical and appropriate we do provide: bilaterally and multilaterally.

+ Last year our economic bilateral aid to the region was just under \$1 billion. Adding in U.S. contributions to multilateral lending institutions, our assistance to the region roughly equals that during the Alliance for Progress.

-- We are exploring ways of liberalizing trade with neighbors. e.g. Mexico.

-- We have been working to enhance the CBI.

-- The Cartagena approach wisely requires that we cooperate to liberalize trade with the Andean countries -- a step not only advantageous in its own right but also supportive of the effort to combat drugs.

-- On bilateral trade and technology issues we are working hard at establishing a "positive agenda." We are not

looking to gain a short-sighted, unilateral advantage from our 301 actions. The issue is reciprocity.

-- Consistent with our emphasis on a global approach to trade liberalization we are working hard at increasing access to markets around the world, principally at the GATT.

+ We have set a goal of eliminating agricultural subsidies world-wide by the year 2000. And, to date we have introduced over 100 proposals in the Uruguay Round.

+ + We encourage Latin participation in the GATT. Currently 12 countries have formal accession applications pending. Last year, work was completed on 3 (Bolivia, Costa Rica, and Tunisia). Six others, largely from Central and South America, are under active consideration.

+ We have a common interest with Latin GATT members in negotiating access for specific products (e.g. soybeans) and, more generally, in resisting the "protectionist temptation" in newly emerging trading groups. We invite Latin cooperation at the GATT.

-- We welcome the opportunity to invest in Latin growth. Bilateral Investment Treaties (BITs) are one way to clarify the rules of the game and facilitate capital transference. We are exploring others. And, we would welcome signals from capital-needy countries of receptivity to investment. The issue is one of clear, transparent, and consistent rules of the game.

-- We encourage countries outside the hemisphere to trade and invest in the region: Japan, EC countries.

The Consequences of Partnership

-- If we support more open trade we need to confront protectionism in the United States.

-- If we and our partners in the hemisphere support an outward looking approach to trade then we need to work together for a freer international trading system. And, if we admit to differences with our neighbors on some GATT issues, we should recognize our common interests in gaining access to markets outside this hemisphere. We can and should work together to advance those common interests.

-- If everyone recognizes that technology is a driving force in the global economy, then we must encourage the commercial transference of technology by discouraging the piracy of technology.

-- If our neighbors are looking for the capital to finance growth, then they must signal to investors -- their own as well as foreign investors -- that they welcome their participation, and that the rules of the game are transparent and coherent.

-- And, if our neighbors are working hard to open up their economies we should recognize that their need of capital for growth can be our opportunity for investment.

Partnership is not a zero-sum game in which my gain is your loss and vice-versa.

North and South we have an interest in dealing with the debt problem.

North and South we have good reason to expand two-way trade not just exports.

North and South we have every reason to engage more broadly in global markets even as we deepen our own economic relationship.

7883, 4/26/90

INTRODUCTION

Latin America matters, and in the next 5 to 10 years it will require still greater attention.

Latin America owes us more money, sells us more cocaine, and buys more of its imports from us than any other part of the world.

As East-West tensions/competition around the world seems to diminish, threats close to home move to the fore.

- o Drugs. All of the cocaine consumed in the United States originates in South America. Coca, the raw product used to produce cocaine is grown in the Andean countries of Peru, Bolivia, and Colombia.
- o The largest foreign sources of marijuana are Colombia, Mexico, and Jamaica.
- o Debt. Economic disarray in South America causes a decline in the value of loan assets in U.S. banks. It also reduces by tens of billions of dollars American exports to a once thriving market.
- o Terrorism. U.S. interests remain the prime foreign target of Latin American terrorists -- accounting for 3/4 of the region's nearly 150 international terrorism incidents in 1988.
- o Strategic/Security Concerns. Almost 1/2 of U.S. imports and exports and 55% of our crude oil imports pass through the Caribbean Basin.
- o 2 of every 3 ships transiting the Panama Canal carry goods to or from the United States.

Support for democracy is our best bet for realizing our interests and objectives in the region: from protection of human rights to security.

- o Democratic states offer their citizens a say and a stake in their future and thus tend to be more resistant to subversion. (E.g. in El Salvador, in a period which has seen 6 nationwide elections, guerrilla strength has declined by 1/2; the November offensive was a last-ditch, desperation effort by an insurgency without popular support; it failed, as previous such offensives have, without that support.)

- o Where economic freedom works hand-in-hand with political freedom, the results are impressive: economic growth with opportunities and benefits for all. (E.g. Mexico, Costa Rica, Bolivia, Uruguay)
- o Finally, democratic states offer an environment protective and supportive of human rights. The transition to democracy has brought a marked improved in human rights performance. (E.g. In Argentina and Uruguay, where disappearances, torture, and political killings were once commonplace they are virtually nonexistent.)

Partnership describes the approach we intend to take in our dealings with the other countries of the hemisphere.

The President described it this way: "a partnership built on mutual respect and mutual responsibility . . . rooted in a common commitment to democratic rule." (Bush)

Partnership is a 2-way street. (Following is drawn from Baker Atlanta speech.)

- o If we ask countries to undertake economic reform, we must be ready to lend a helping hand (the U.S., the industrial democracies, the IFIs, and the banks).
- o If we ask for trade liberalization, we must confront protectionism in the United States.
- o If we ask Latins to confront drug cartels, we must confront the demand that exists here.
- o If the Latin and Caribbean states ask us to forgo unilateral initiatives and to support democracy in a cooperative effort, they must show the resolve to turn commitments into reality (E.g. Esquipulas).

CURRENT SITUATION AND TRENDS

The 1980s saw both progress and deterioration in Latin America.

On the positive side, a decade-long move to democracy has put all but 2 of the 33 countries of the region in the democratic column; elections in Paraguay this May gave that country a democratically-elected government after 35 years of military rule under General Stroessner. Conclusion of elections in Chile put all of South America under democratic government. Panama now finally on the road to recovery.

On the down side, economic growth has barely kept up with population increases -- where once growth rates were 2 - 3 times our own and second only to the East Asian NICs'.

This stagnation imposes

- o a human cost in underdevelopment,
- o an "opportunity cost" in markets lost to American exports, and
- o a political cost to elected leaders who attempt needed but difficult policy reforms.

Across a wide front, the region has experienced regression.

- o Drug traffickers net an estimated \$8 billion annually. Area cultivated grows by some 10% a year. Three of the region's seven billionaires are drug traffickers.
- o Debt has risen to over \$400 billion, up from \$330 billion in 1982.
- o Insurgencies persist in Peru and Colombia, Guatemala and El Salvador. Violence -- political, social, and criminal -- traditionally high, has escalated in recent years. Now murder is the leading cause of death for male adults (18-40) in Colombia (where the government estimates some 140 groups engage in extra-judicial killings).

Democratic gains are not absolutely fixed. In Peru, Guatemala and Argentina, coup rumors have surfaced from time to time even as elected leaders work to consolidate democratic government. In Argentina three barracks rebellions took place since April 1987.

A perception that democratic leaders are unable to cope or that democracy is unable to "deliver the goods" puts democracy at risk and could produce an antidemocratic reaction.

To be sure, the problems are not insurmountable.

- Mexico, Bolivia, Costa Rica, and Uruguay have done considerably better than average economically.
- Concerning drugs, debate over who's to blame is largely over and cooperation has begun. The Cartagena Summit laid out a comprehensive framework for cooperation. The Latins are beginning to take political risks (herbicide use, eradication campaigns) and deploy their best assets (the military in Colombia).
- Gaining momentum in the late 80s, has been a trend to greater pragmatism and eagerness to dialogue.

CURRENT POLICY, OBJECTIVES

Support for democracy is the keystone of our policy and offers an enduring basis for bipartisan policymaking in the U.S.

- o To directly further democracy, the U.S. provides direct support for free and fair elections (e.g. Nicaragua), vigorously opposes coup attempts (Argentina, Guatemala, Peru), and is quick to encourage openings when they occur (Paraguay).
- o Material support for democracy aims at long-range institution-building.
 - Technical/legal assistance to judicial systems in Argentina, Bolivia, Chile, Colombia, Peru, and Uruguay are being initiated; administration of justice programs in Central America have shown the way (the investigative capacity of the Special Investigative Unit in El Salvador -- supported by U.S. assistance -- was critical to the progress on the Jesuits case).
 - A legislative management program will start up in Chile.
 - Our aim is strengthen the building blocks of a healthy pluralism -- courts, legislatures, a free press and trade unions. With some exceptions, these institutions tend to be weak throughout the region.

Democracy/Nicaragua. The elections of February 25th which ended 10 years of Sandinista rule mark the beginning of Nicaragua's transition to democracy.

- o The democratically elected government of Violetta Chamorro faces major challenges in consolidating democracy in Nicaragua.
 - The opposing sides in Nicaragua's civil conflict must work a reconciliation.
 - The Nicaraguan Resistance must be re-integrated in the political, economic, and social of the country.
 - 10 years of Sandinista economic mismanagement have left the economy in a shambles; economic reconstruction which lays the basis for long-term economic growth is in order.
- o The United States supports the consolidation process and is endeavoring to assist the Nicaraguan democracy bilaterally and multilaterally.

- The United States is cooperating with the UN and the OAS in the demobilization and reintegration of the Nicaraguan Resistance.
- We have lifted the economic sanctions intended to pressure the Sandinistas to fulfill their promises to democratize and are working to provide economic assistance to Nicaragua.
- We are encouraging other countries -- in the hemisphere and outside -- to provide assistance to Nicaragua.

Panama -- Years of mismanagement and corruption by the Noriega regime wreaked havoc on the Panamanian economy, shattered the public sector, and destroyed confidence in the country's justice system.

- o Events finally led to a Panamanian declaration of a state of war, attacks on US personnel, and the U.S. military response in December, 1989.
- o For Panama to recover significant U.S. aid will be required.

Economic Aid

- o By the start of FY 91 we expect to have assisted Panama in responding to the most immediate short-term needs for economic recovery and political stability -- including solving the political/humanitarian problem of re-housing residents made homeless by the fighting, repairing damage to infrastructure, and providing technical assistance to government ministries.
- o Significant, but one-shot economic assistance (a FY 90 supplemental of \$500 million has been requested) will be required to "jump-start" a fundamentally sound economy and assure that it returns to a sustainable growth pattern.
- o The supplemental FY 90 assistance package will continue to be used in FY 91 to promote sustained economic recovery and to strengthen the administration of justice.

Military Aid

- o Panama had available some \$6 million in prior-year military assistance grant funds as well as \$3.8m in FMS Credit. Most of these funds have been spend to by nonmilitary basics for the public forces (uniforms, trucks, small arms, etc.)
- There are no plans to implement military assistance (other than a modest International Military Education and Training (IMET) program to give a select group of

Coast Guard and public forces infrastructure-support training).

- Other kinds of military aid will be depend on GOP decisions on the organization and mission of the non-police components of the public forces -- including specialized units.
 - o The Endara Government has made clear that the new public forces will have primarily a police/public order mandate -- fully responsive to civilian authority, and with strictly limited military functions and equipment.
 - o It recognizes, however, need for the capability to combat terrorism and insurgency -- and Panama will consider formation of small "specialized units" to deal with these.
 - o U.S. aid to the public forces is currently limited to the development of a civilian law-enforcement assistance program, to be implemented immediately upon the removal of Congressional restrictions on aid to Panama.
- The National Drug Control Strategy lays out -- among other things -- our priorities in the international war against drugs.
- o Disruption and dismantlement of drug-trafficking organizations.
 - o Reduced cocaine supply.
 - Law enforcement, military, and economic assistance will be provided to the three Andean cocaine-producing countries to (a) isolate major growing areas, (b) block delivery of chemicals for processing, (c) destroy processing labs, (d) dismantle trafficking organizations.
 - Efforts in transit areas will be improved
 - And, Joint Intelligence Collection Centers have started to operate in the Caribbean Basin.
 - o Reduced heroin supply through efforts to convince other countries to exert influence on opium growers and reduce heroin processing and distribution.
 - o Reduced marijuana supply through strengthened foreign law enforcement and eradication, and through efforts to discourage minor producing nations from becoming major producers.

- o U.S. assistance and encouragement for multilateral efforts aimed at source country and transit country production and distribution.
- o Other international objectives:
 - Elevation of drugs as a bilateral foreign policy issue.
 - U.S. ratification of the UN Convention Against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances.
 - Support for the foreign aid certification process.
 - Bilateral and multilateral efforts against money-laundering.

Some recent achievements

- o By far the most notable, the Cartagena Drug Summit.

Not just a photo-op or protocollary, the Summit ended the fruitless debate over supply and demand, who is to blame.

It laid out a comprehensive framework for dealing with the problem -- to which the principal coca-producing countries and key consuming country agreed.
- o In Colombia, the fifteenth extradition since August of last year took place March 28.
- o CICAD (the OAS body on drugs) approved, due in part to the leadership of Chile and the U.S., model legislation on precursor and essential chemicals that is more restrictive than the 1988 UN Convention. CICAD's model legislation will be submitted to the hemisphere's drug ministers in Ixtapa.
- o On March 24, Bolivian forces destroyed a large cocaine production complex not far from the Brazilian border. This is one of the largest labs destroyed to date in Bolivia and the biggest success yet for the riverine program.
- o The Bahamas signed an Extradition Treaty Signed on March 9 which should remove some of the obstacles we have previously faced when attempting to prosecute drug traffickers arrested in the Bahamas.
- o As of March 28, Bolivia's eradication efforts have almost equalled last year's total. In 1988, Bolivia, which has adopted sweeping anti-narcotics legislation, exceeded its eradication targets.

Regarding debt and development, the Brady proposals incorporate key elements of the Baker Plan

- o Economic growth through market-based economic reform;
- o Voluntary action by creditor banks -- no "taxpayer bailout" for banks or debtors; and,
- o Case-by-case negotiation of debt agreements.

To this approach, the Brady proposals add

- o Voluntary debt and debt-service reduction. The precise amount and terms of debt or debt-service reduction will depend on negotiations between the banks and debtors.
- o The idea is that in return for a reduction of debt, banks will be guaranteed repayment on remaining debts.
- o Here is where the international financial (i.e. lending) institutions (IFIs) come in. They can serve as guarantors in specific debt reduction arrangements.
- o For its part, the United States has helped to enhance the resources of the IFIs to enable them to play a greater role. (We contributed to an increase in capitalization of the World Bank last year; this year we are working on an increase in our IMF quota.)

Debt is a problem, but debt, quite frequently, is also the symptom of a larger problem: restructuring economies to support sustained growth, with benefits widely shared.

- o QUOTE. Carlos Andres Perez (addressing international labor leaders in April) said, "If we say, for the sake of argument that the debt disappears and if we continue managing our economies as we have managed them in the past, inevitably we would continue in the same situation of unemployment and disaster."
- o If debt relief, all by itself, were a magical solution to the problem then countries which have declared moratoriums would be growing today. They are not. (E.g. Peru; temporarily, Brazil)
- o Leaders know that market-based economic reform is essential. In Argentina, the new government working to sell off state-owned monopolies, lower barriers to foreign investment, and end subsidies for sheltered private industries. Argentines realize that while others can be supportive, they must make the fundamental changes that will make the most difference.

- o Where such measures have been pursued vigorously the results have been impressive. E.g. Costa Rica.
 - It has slashed deficit from 13.7% of GDP ('81) to 0.3% ('87);
 - It has privatized state-owned companies, liberalized banking system, maintained realistic exchange rate;
 - Inflation fell from 82% ('82) to 15% ('87).
 - Unemployment down from 9.5% ('82) to 5.6% ('87).
 - Nontraditional exports have increased 182% in 4 years to 1987.
- o Similar efforts and results in Mexico prompt us to view favorably efforts by Mexico, the banks, and the IFIs to work out a debt reduction/payment scheme. When debt relief goes hand-in-hand with economic reform, everyone benefits.

OPPORTUNITIES AND PROBLEMS

Three developments, if managed well, promise a more active and successful relationship with South America.

The first is the growing realization that state-directed, dependency-based theories of national economic management do not work in a competitive, interdependent world.

- o While the movement to privatization is still halting, Latins' own experience and news of change in the Soviet bloc are creating doubts about statist models.

The second is a genuine and widely held commitment to democracy: people believe that they can govern themselves.

- o Election turnout is exceptionally high.
- o And grassroots political activity is strong (Argentina, Brazil, and Venezuela).

Lastly, Latins are eager for "dialogue" with Washington. They are also receptive and ready to listen.

STRATEGY AND POLICY

The continent is wealthy in resources and human capital and traditionally oriented to the U.S. As its major customer, richest and most populous neighbor, the U.S. has a position of influence. Careful use of this advantaged position is important, since the U.S. cannot buy away Latin problems; in the end solutions must be home-grown. U.S. strategy aimed at supporting the evolution of politically and economically secure partners will in the long run produce the best returns.

Debt and Growth in Latin America and the Caribbean

Background

Latin America underwent a profound recession in the 1980s. After vigorous expansion in the 1970s, when annual per capita growth rates averaged 3.6%, per capita gross domestic product (GDP) fell 8.3% between 1981 and 1989 (all 1989 figures are preliminary). These statistics, compiled by the UN Economic Commission for Latin America and the Caribbean, mask wide variations from country to country. Per capita GDP of oil-exporting countries declined more than 14% during the period; oil-importing countries generally experienced a cumulative decline of 4.8%. Only Colombia, Chile, Barbados, and the Dominican Republic had positive per capita growth.

Debt-Related Problems

Revitalization of growth in Latin America is complicated by severe, debt-related problems. In 1989, Latin America's external debt totaled more than \$416 billion, about 40% of the total indebtedness of all developing countries. Interest payments alone absorbed some 30% of export earnings (this ratio would be higher except for substantial arrears built up by some countries).

While debt is a serious problem and debt service a heavy burden to Latin American developing countries, inappropriate domestic economic policies have been the principal cause of constraints on economic growth and development. Lack of confidence resulting from such policies as overvalued exchange rates, price controls, wasteful government spending, and overregulation has dried up domestic savings and investment, discouraged foreign investment, and led to huge capital flight in many countries. Total capital flight for Latin America is estimated conservatively to be in excess of \$240 billion since 1977. Adverse external economic developments, especially higher interest rates in the early 1980s and commodity price fluctuations, aggravated the resulting deficits in the borrowing countries' balance of payments.

In March 1989, the US announced several proposals to strengthen the international debt strategy by encouraging voluntary, negotiated debt and debt service reduction as a complement to commercial bank lending, domestic and foreign investment, and return of flight capital in middle-

income debtor countries. These measures support policy changes needed for sustained growth and improved living standards for the people of Latin America and the Caribbean.

Economic Stabilization and Structural Adjustment

Debt problems have forced governments to realize that they cannot sustain large fiscal deficits indefinitely through excessive borrowing or monetary expansion. Recognition is growing in Latin America that private initiative and private savings and investment must be stimulated if there is to be hope for sustained growth. As a consequence, most countries in the region now are undertaking economic adjustment efforts supported by international financial institutions and creditor countries, including the US.

In the last few years, many Latin American governments have begun to move away from the excessive government control, market intervention, and import substitution strategies that they have relied upon for decades. Most have moved to adopt more realistic exchange rates, expand exports, and cut inflation. Average regional inflation fell from an initial peak of 275% in 1985 to 65% in 1986, but recent dramatic surges in inflation in such countries as Argentina, Peru, and Brazil pushed the regional inflation rate to almost 1,000% in 1989.

Of even greater importance for the longer term, many governments are beginning to lower structural barriers to growth. They have taken steps to reduce price controls and subsidies, liberalize trade, attack overregulation and excessive bureaucratic controls, and improve the investment climate, including removing some restrictions on foreign private investment. For example, Chile, Mexico, Costa Rica, and Jamaica have made great strides toward more market-oriented economies and more open trading regimes. Bolivia, Colombia, Guatemala, Uruguay, and Dominica have undertaken impressive reforms. Venezuela, Paraguay, Trinidad and Tobago, El Salvador, and Argentina have initiated similar adjustment efforts. Several countries have recognized the heavy burden of



inefficient and highly subsidized public enterprises that siphon off domestic savings and often increase external indebtedness. Chile and Mexico, among other countries, have made important progress in transferring government-owned industries to private ownership.

International Efforts To Encourage Growth

The International Monetary Fund (IMF) and World Bank provide financing to encourage new commercial debt reduction agreements and to assist debtors in pursuing fundamental economic reform. Since 1986, the IMF has established a compensatory and contingency financing facility to help countries maintain reform efforts in the face of external economic shocks and two special facilities to support structural economic adjustment in low-income countries. The World Bank has assumed an increasingly important role in stimulating sustainable economic growth in debtor countries through policy-based, fast-disbursing loans.

The US is encouraging more market-based reform through bilateral and multilateral economic assistance, the strengthened debt strategy, and continued efforts to achieve open world markets. The US is by far the largest contributor of development assistance to the region—averaging more than \$1 billion annually over the past few years. The Caribbean Basin Initiative (CBI) gives Central American and Caribbean countries improved US trade opportunities which have helped create many new jobs in those countries that have sound economic policies. The US Government has supported increases in World Bank and Inter-American Development Bank resources to advance economic adjustment and growth in the region and is seeking more open world markets through the Uruguay Round of multilateral trade negotiations.

Further Information

For the origin of debt-related problems as well as US policy regarding debt and growth, see the May 1989 Department of State Gist on "Third World Debt." ■

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OPENING ADDRESS BY
LAWRENCE S. EAGLEBURGER,
DEPUTY SECRETARY OF STATE
at the Washington Conference of
The Council of the Americas
May 21, 1990

Ladies and Gentlemen, I am delighted to be here with you this morning. I must confess, however, that I am somewhat baffled at David Rockefeller's and George Landau's invitation to appear before the Council of the Americas. I am, of course, flattered that they would want to hear about new and invigorated U.S. policy directions in Latin America from a Cold Warrior in a wheel chair. On the other hand, I do not believe they expected me to give my usual stump speech -- no pun intended -- on Eastern Europe. I suppose the Council felt they needed to beef up, as it were, their lineup of speakers, since you otherwise would be hearing only from Bob Mosbacher, Alan Greenspan, and the President -- not to mention Assistant Secretary Aronson, who will speak next, and whom I see has modestly assigned himself the task of discussing "U.S. Relations with the Western Hemisphere."

That may not leave much ground for me to cover, but in all seriousness, while it is true that I have been busy with the job of coordinating U.S. assistance to Eastern Europe, I have also devoted a good deal of attention to hemispheric affairs. I will, for example, hobble off to Paraguay in early June to attend the annual session of the OAS General Assembly. I care deeply about U.S. relations with Latin America, and very much believe that those relations will grow ever more important to us in the years ahead.

I have been asked to say a few words to you about how the Administration views Latin America in a global context, especially in light of the revolutionary changes that have been occurring in Europe and elsewhere over the past year. It will come as no surprise to you for me to say that American foreign policy has been largely focused over the past year on events in Eastern and Western Europe. The prospect of ending the Cold War is, quite simply, of immediate and overriding strategic importance to the United States. Europe is where we have fought two great wars in this century, and where we have stood face to face with the Soviet Union on the brink of thermonuclear war for the past four decades and more.

It is, therefore, only natural that we should spend considerable energy in the near term on creating a new and stable security order in Europe -- a new order that will, hopefully, keep the peace there for generations to come. And part of that effort, quite obviously, entails doing all that we can to make the transition to democracy and free markets in Eastern Europe a successful one. We do not want to win the Cold War only to lose out in the perennial struggle to prevent Eastern Europe from becoming once again an unstable power vacuum and object of geopolitical rivalries.

At the same time, however, what we are attempting to achieve in Europe today is in essence the closing of an old chapter. The new chapter in our foreign relations which we are about to open, while certainly not ignoring Europe, will be qualitatively different in several respects.

First, assuming we are successful in closing that old chapter, our foreign policy will be much less oriented towards the East-West divide, which we hope, like the Berlin Wall which symbolized it, will be consigned eventually to the dust-bin of history. Second, the end of the Cold War should bring with it, to the maximum extent possible, a "de-militarization" of international relations. Military rivalry and the arms race which fuels it ought to be supplanted by peaceful economic competition.

No one has ever accused me of being a dewy-eyed optimist. I have been warning for some time now that we need to be aware that the decline of the Soviet threat could, if we are not careful, diminish the commitment of the major Western nations to the collaborative trade and economic policies which have been so responsible for our peace and prosperity in the post-war era. Our great achievement over the past year -- and it is the culmination of forty-five years of American and Western foreign policy -- has been to reach the point where profound and intractable security challenges are well on the road to being reduced to challenges of a political or an economic nature. But we need to remember what the history books tell us, which is that economic problems themselves can contain the seeds of instability and potential conflict.

Thus, we cannot afford to rest on our laurels -- not in our relations with our Western partners, where we will have to avoid the kind of autarky, protectionism and regionalism which prevailed in the 1930s; not in Eastern Europe, where we must contribute to the emergence of strong and prosperous states that will form a bulwark of stability; and not in Latin America, which, as a result of the revolutionary transformation in East-West relations is going to occupy a place of first importance in American foreign policy as we approach the 21st century.

This will be the case first of all because of strictly "selfish" economic reasons. The fact of the matter is that, in the post-Cold War era, our national security will be increasingly a function of our economic well-being, which in turn will be dependent on our international competitive position in a more highly integrated world economy. Our trade with Latin America, in short, will increasingly be seen as a vital national interest. It is an interest, however, which will continue to be threatened so long as the region remains mired in debt, unable to buy our products or redeem liabilities to U.S. financial institutions.

Second, we are witnessing the emergence of a host of "transnational" issues and problems which pose direct threats to our national well-being and security, and whose solution is dependent on cooperation with our Latin American partners. I am thinking not only of drugs but also of threats to the environment in this hemisphere, as well as to unregulated immigration flows.

Third, there is the undeniable fact that the population of the United States is becoming more Latin and more Latin-oriented. For all of our stake in peace and stability in Europe, we know that our West European friends will have primary responsibility for integrating the newly democratic regimes in the East, whereas our energies will be increasingly and inevitably drawn towards our own hemisphere -- an area which is a natural place for U.S. economic cooperation.

The point I made earlier about our success in an East-West context of transforming security challenges into political and economic ones, is no less true in this hemisphere, just as our stake in preventing the re-emergence of old security challenges here is no less great than it is in Europe. Certainly the example of Panama and Nicaragua is a good one. When you think of how much the United States has invested in treasure, lives, and political capital over the past decade to obtain the historic successes we have achieved in those two countries, it boggles the mind that Congress continues to dilly dally as it has in appropriating the modest but urgently needed funds to consolidate the victory of democracy there.

My purpose today is not to bash the U.S. Congress -- although there are some in that body who deserve it. Nor is it to focus on the ever-contentious Central American portfolio. However, Panama and Nicaragua are, in an important sense, metaphors for the kind of challenge we face throughout the hemisphere, the challenge of making democracy work. A lot has been made of the fact that the worldwide trend towards democracy actually began in Latin America in the early 1980s,

and that, for perhaps the first time in history the entire hemisphere -- with two notable exceptions -- is now in democratic hands, and is united ideologically. We need to be aware, however, that democracy will rest on fragile ground for as long as the dire economic conditions which brought down Marxism and dictators hang, like a sword of Damocles, over their democratic successors.

In other words, our ideals have triumphed in Latin America as in Eastern Europe, but those ideals will now be put to the test. We believe that peace and stability will result from a democratic world order, but only if the fruits of democracy -- growth deriving from a free market economy -- are available to all. We are greatly encouraged that the political leadership in Latin America -- in Mexico, Brazil, Argentina, Venezuela, Chile, Bolivia, and elsewhere -- is now committed to privatization and wholesale economic reform. To the extent that these reforms are fully implemented, we in the United States are going to have to exercise an equally courageous leadership of our own.

I am not here to unveil any kind of initiative today. But it is clear that we are going to have to move in the direction of opening up trade further in this hemisphere, and that will mean fighting protectionist sentiment at home and abroad. We will also have to move in ways that boost the flow and transfer of investment and technology in the region. Lastly, building on our current strategy, we will have to examine new and creative approaches toward solving the debt problem.

Our ability to assist in the economic recovery of Latin America will be directly related to the continued process of meaningful economic reform. In this respect as well, Latin America and Eastern Europe are not different. In the 1970's we made the mistake in Eastern Europe of throwing money at the region's problems. We will not make that mistake again; to do so would only serve to postpone the implementation of reforms which are as painful as they are necessary. As Carlos Menem put it in April, if the debt burden were to disappear suddenly and yet the economic policies of the past were to continue, "we would continue in the same situation of unemployment and disaster." Statist and protectionist policies must be fully rolled back, and the door must be opened wide to the reciprocal flow of trade and to the flow of investment. This is not a prescription made in Washington; it is a fact of life. If the door is not opened wide enough, it is certain that in a world where competition for scarce capital is growing more intense, investment will go elsewhere.

In conclusion, let me emphasize that while we are very much preoccupied with bringing the Cold War to a successful conclusion, we also recognize that Latin America must be a priority for us in coming years. And yes, we do have serious budget difficulties and our first duty in the wake of the Cold War will be to put our own economic house in order. As I have explained to you this morning, however, we realize that our economic health, and, ultimately, our national security, will be tied to the successful consolidation of democracy and the emergence of genuine prosperity throughout Latin America. And if, as I have indicated, trade, investment, and technology will be the weapons of choice in our struggle for our ideals in this hemisphere, then American business will clearly be called upon to play a principal, if not the leading, role on our behalf.

Lawrence S. Eagleburger

Current
Policy
No. 1283

An Agenda to Promote Inter-American Cooperation



United States Department of State
Bureau of Public Affairs
Washington, DC

Following is an address by Deputy Secretary Lawrence S. Eagleburger before the General Assembly of the Organization of American States in Asuncion, Paraguay, June 5, 1990.

Let me begin by expressing my sincere appreciation and praise to you [the assembly president, Paraguayan Foreign Minister Luis Argaño] and your government. Appreciation for your generous hospitality and for the highest standards that have characterized the organization of this assembly. Praise for your country's struggle to realize democracy's full promise. Please convey to President [Andrés] Rodríguez our deep respect and support.

This, the 100th anniversary of the Inter-American system, is a historic occasion that comes at a time of revolutionary change throughout the world. We find ourselves in the midst of one of those revolutionary out-

bursts that, as in 1830 and 1848, occasionally have punctuated the course of human events. But there is a difference: the revolution underway today, for the first time in history, is occurring on a truly global scale.

This global revolution has one universal and defining feature: the democratic form of government has come to be recognized as the embodiment of political legitimacy. It is not a revolution that has been imposed from without; rather, the democratic idea has become irresistible precisely because it is now an indigenous force the world over, from Poland to Paraguay, and from China to Chile. It has not triumphed everywhere, to be sure; not all men and women today live under freedom and democracy. But we have reached the point where all are demanding to live under freedom and democracy as their God-given right. Democracy's ideological foes, on the left and the right, have been discredited. The political and economic systems they fashioned stand today in ruins. The

Western Hemisphere can justly take pride in having launched the epochal worldwide transition from dictatorship to democracy, first in Argentina, Brazil, Bolivia, and Ecuador, and lately in Chile, Panama, and Nicaragua. Think of the open wounds that still festered in our midst when this assembly last met only 7 months ago, and you will realize how far we have traveled toward achieving an unprecedented degree of mutual respect and common purpose among the nations of this hemisphere.

The attention of the world has been drawn in the last year to a similar transformation in Eastern Europe. I know that many in Latin America wonder whether we have become unduly preoccupied with the revolutionary saga now unfolding in the old world. Yet it should be remembered that the United States has been deeply involved in Euro-

pean affairs for the last 50 years. We have been so engaged because it was there that two systems and two military alliances stood poised on the brink of conflict and where the fate of humanity hung in the balance. I know that our friends in this hemisphere will understand and support our continued engagement in Europe to assure that the Cold War is brought to a peaceful and successful conclusion. Surely this is a responsibility we must bear, not only on our own behalf, but in the broader and common interest of all mankind.

The Twin Revolutions

The United States has another, equally compelling responsibility—and that is a responsibility to what [Bolivian] President [Jaime] Paz Zamora so movingly described yesterday as our common home, “El Hogar de las Americas.” We are, first and foremost, citizens of the Americas, and we fully recognize the significance of the fact that, as President Paz noted, two revolutions have taken place in Latin America, one political and one economic. The conversion of almost the entire hemisphere to representative government and to the principles of rational economic management opens up the possibility of closer ties than we have ever enjoyed between ourselves and our Latin neighbors. It is no accident that President Bush, whose keen interest in Latin America is a secret to no one, asked Ambassador [Carla] Hills to represent him at this historic gathering. The world into which we are moving is one in which national security will be defined less in terms of military strength than in terms of economic well-being. Increasingly, the weapons of war will give way to the

building blocks of economic integration and interdependence—trade and investment.

The facts speak for themselves. Any concern about where US interests and attention lie must be weighed against the fact that our two-way annual trade with Latin America today exceeds \$100 billion, and that US investment in the region is in excess of \$50 billion. In a hemisphere in which we have been engaged, through this organization, for 100 years, it is simply inconceivable that we would turn our backs on our fellow American states. It is equally inconceivable that five nations in the heart of Europe could substitute, in our minds, in our commercial, political, and security relationships and, indeed, in our sympathies, for our many friends in this hemisphere.

There is, however, another factor at work today that, although imperceptible to most observers, already has begun to transform the nature of the relationship between my country and the nations and peoples of the Americas. For what the United States is seeking to accomplish in Europe today and what, I am confident, we will accomplish, is really the closing of an old chapter. It needs to be recognized that if we are successful in this endeavor to end the Cold War once and for all, we will have opened a new chapter in foreign policy of the United States, one in which our attention and our energies inevitably will be drawn toward building, in partnership, a Western Hemisphere of freedom, peace, progress, and prosperity.

Ladies and gentlemen, the ties that bind my country to the nations of this hemisphere—ties of history, geography, and natural affinity—are great indeed. For more than 200 years, we have been the champions—imperfect champions—of democracy. Now that our democratic ideals are

triumphing, we face—all of us in this hemisphere face—the monumental challenge of making those ideals work in practice. For the first time, working in partnership with one another and through the Organization of American States [OAS], we, the nations of the Americas, have a unique opportunity to fashion a diplomacy among democracies in pursuit of the consolidation of democracy. The revolutionary changes through which we are passing will require more, not less, of this organization.

The framers of the OAS Charter were forward-looking and visionary. Our charter is not a timid document committed to the status quo. If we are true to its purposes and to our vast potential as a regional community, we will endeavor together:

- to forge our rightful and progressive policy in a world liberated from the authoritarian state and the command economy, taking advantage of increasing global interdependence and competition for markets.
- to address the underlying causes of outstanding conflicts and defeat new threats to peace, such as those created by the traffic in illicit drugs; and
- to cooperate to preserve the natural resources of this hemisphere.

An Agenda for the Future

One hundred and two years ago, US Secretary of State [James] Blaine issued a call for an inter-American Congress and declared the willingness of the United States to “enter into the deliberations of the Congress with the loyal determination to approach any proposed solution . . . as a single member among many coordinate and co-equal states.” At

that first Inter-American Conference, the United States made eight proposals. To mark that historic occasion, I would like today to propose a new agenda of eight points with the hope that together we may open a new century of inter-American progress.

First, we should recommit ourselves to the OAS as the natural forum for hemispheric dialogue.

The hemisphere is stirring with new life. The OAS must harness its energy, broaden its scope, and deepen its impact. Already, the OAS is showing new strength and demonstrating its great potential. Secretary General [João] Baena Soares is leading a critical OAS contribution to the delicate equilibrium of peace, national reconciliation, and demobilization in Nicaragua. The CICAD (OAS Drug Abuse Control Commission) is in the vanguard of international efforts to combat the traffic in illicit drugs. The Inter-American Commission on Human Rights is forging a new regional consciousness.

For a decade, however, the OAS has been hamstrung by lack of resources. Many members, including the United States, have fallen behind in their payments. Last year the Secretariat was forced to release almost one-third of all personnel. The OAS has become dependent on special voluntary contributions even to support peace in Central America.

This General Assembly has the duty of developing a consensus on a new quota system that will distribute the organization's costs equitably. For my part, I can inform you that the United States shortly will pay more than \$20 million to the OAS. With other US payments this year, this means that the Secretariat will have the money it needs to work more effectively for us all. For Fiscal Year 1991, President Bush has requested the money to begin paying US arrearages as well as the full US assessment. Congressional attitudes

toward this request will be significantly affected by our success in developing a new quota system.

Second, the consolidation of democracy must be at the top of our agenda.

The great democratic revolution that is sweeping across the Americas has created, fortuitously, the conditions under which we can begin to act as a community that is both sovereign and democratic and, thereby, transcend over time an issue that long has driven this hemisphere and this organization. Building on the OAS Charter's call for a "land of liberty," we can create a "system of liberty." We can, in short, now develop systematic means of ensuring democracy's future in the fullest conformity with the hallowed principles of this organization.

We are on the right track. The OAS observation mission in Nicaragua made an invaluable contribution to a peaceful, democratic transition. It demonstrated the organization's effectiveness, the dedication of its personnel, and the competence and vision of its leadership.

Today, we in the OAS cannot be indifferent or settle for halfway measures when our Haitian brothers and sisters are asking for our help. We must do everything we can to heed Haiti's call for electoral assistance. To aid responses in such cases, the United States supports the Canadian initiative urging the Secretary General to create a permanent institutional mechanism to coordinate OAS support for democracy.

Third, human rights must remain at the core of our cooperative efforts. At its 30th anniversary last year, Secretary Baker saluted the Inter-

American Human Rights Commission as a pioneering organization. It is a well-established, experienced, and unique body, rightfully called the "conscience of the Americas." The United States encourages the commission to expand its activities to include technical assistance and training.

Fourth, we must unleash the hemisphere's economic potential.

The triumph of democracy has handed us a unique and historical opportunity to reduce longstanding political and security challenges in this hemisphere to manageable challenges of an economic nature. We must not squander this opportunity, and risk seeing the re-emergence of old security challenges by allowing the economic problems that brought down Marxists and dictators to undermine the stability of their democratic successors. Our new democratic order will be blessed with peace and stability only if the fruits of democracy—growth deriving from a free market economy—are available to all.

In just six months, the Uruguay Round of the GATT [General Agreement on Tariffs and Trade] will conclude. We must continue to move toward more open and liberal trading practices. The cost of economic autarky is isolation, stagnation, and decline. Wide-ranging participation in the global economy does not exclude greater regional integration. Our objective must be to increase trade among ourselves even as we work together to open up trade opportunities throughout the world.

We in the United States applaud the courageous efforts underway throughout the region to increase Latin America's global competitiveness. We believe the hemisphere cannot afford to lag behind the free-market revolution if it is to survive and to flourish economically in a

world where competition for capital is growing more intense. For our part, we pledge to redouble our efforts to confront and defeat protectionist pressures in our country. We will not counsel freer trade in the Americas while permitting new barriers to trade to arise in the United States.

Fifth, we must commit ourselves firmly to the rule of law. I am referring here not only to this organization's traditional stance against the governmental abuse of freedom but, more particularly, to the emergence of transnational threats to our democratic form of government and to our national sovereignty. Clearly, the most immediate threat to the rule of law today comes from the drug cartels. When we contemplate the great toll in human lives and the frontal assault on the rule of law carried out daily by the drug cartels, we should rise as one in indignation. And we should rise in homage to the people of Colombia who last week again defied the cartels to elect a new president in free, multi-party elections.

In February, the summit attended by the presidents of Bolivia, Colombia, Peru, and the United States gave birth to a powerful new anti-drug consensus. In April, the CICAD brought together attorneys general and ministers from throughout the hemisphere to press for ratification of the 1988 UN Anti-Narcotics Treaty and approve model legislation to control chemicals and machines used in the manufacture of cocaine. Last week, CICAD developed the first international program of action for education to prevent drug abuse.

The United States supports CICAD's vital work, including its new experts group to develop model legislation to stop money laundering and to seize illegal assets.

Sixth, we must ensure that we bequeath to future generations a hemisphere that can sustain human life — our children's lives.

Exploiting nature is necessary to mankind's progress; preserving nature is necessary to mankind's survival. We have a common stake in the prudent use of our environmental assets—air, water, plant, and animal life. As with the war on drugs, no one nation can defend the earth in isolation.

The United States believes this General Assembly should use the Secretariat's proposal on an "Inter-American System for Nature Conservation" to develop an action program by the next General Assembly. The OAS clearly has a vital role to play in the environmental arena. We recognize that this issue is particularly sensitive. Therefore, we ought to be examining ways in which we can address those sensitivities and do whatever is in our power to preserve the patrimony of generations yet to come.

Seventh, we must make the substantial investments in education needed to support democracy and human development.

Education is clearly a matter that is closely linked to the hemisphere's economic future and the viability of its democratic institutions. Last year, here in Asuncion, ministers of education discussed informatics [information science] as an educational tool. We believe that the Secretariat for Education, Science, and Culture should take advantage of its regional outlook and multilateral experience to propose a strategy for enhanced cooperation.

Eighth, we must find in ourselves the impartiality and constancy that are essential to the peaceful resolution of conflicts.

From the earliest inter-American plan for arbitration to today's OAS efforts in support of national reconciliation in Nicaragua, the need for active, collective involvement in the making of peace has been an essential and widely accepted purpose of our cooperation.

Recently, OAS support of the Central American peace process has deserved our full support. OAS work in Nicaragua, first on elections and now on national reconciliation, is making clear the links between peace, democracy, and development. We call upon other members of this body to join us in making voluntary contributions to support the OAS in Nicaragua, and we urge OAS members to contribute to the Donors' Conference on Nicaragua that starts in Rome tomorrow [June 6, 1990].

We express our gratitude to the Secretary General for his leadership and urge him to intensify his efforts in El Salvador to promote peace on the basis of constitutional democracy, impartial justice, and full respect for human rights.

It is important to note as well that ONUCA [United Nations Peacekeeping Force in Central America] is providing a stabilizing external presence today without which the joint efforts of the OAS and the UN in Nicaragua would be jeopardized. We are pleased that Venezuela, a member of the OAS, is contributing a reinforced battalion to ONUCA. At the same time, we note the absence of contributions by member countries through the OAS as such. My government does not have a specific proposal but would welcome a review of how we might most effectively utilize existing OAS institutions, such as the Inter-

American Defense Board and the Inter-American Defense College, in ways supportive of peace and democracy in the hemisphere.

A Call to Action

The late president of Colombia and secretary general of the OAS, Alberto Lleras Camargo, said of the OAS in 1954 that, "It is what the member governments want it to be and nothing else . . . the weaknesses of the organization, if it has them, are weaknesses of the governments; weakness in their capacity to act in coordination and jointly with each other. The strength of the organization, when it is evident, lies precisely in the action of the governments." United by the practical commitment

to democracy, our governments are developing a working partnership. Partners approach each other freely and as equals, with mutual respect. Partners look to fix problems, not to affix blame. Partners accept the notion of co-responsibility. And when they disagree, they air their dialogue openly.

A heavy responsibility weighs upon this generation in the Americas. The dreams and aspirations of our forefathers for a hemisphere united in a universal commitment to democracy are finally on the verge of being realized. But history is no friend of the status quo; our democratic triumph will be short-lived if we do not meet the challenge now of making

democracy work. We in the United States believe that our national well-being is linked to the successful consolidation of democracy and the emergence of genuine prosperity throughout Latin America. We believe that through our collective efforts we can defeat the threats to democracy—drugs, debt and underdevelopment. We can do so, above all, by tapping fully the great potential of our unique hemispheric asset, our privileged forum for dialogue, cooperation, and collective action—the Organization of American States. ■

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FACT SHEET

U.S. ASSISTANCE PROGRAMS RELATED TO DRUG CONTROL

Narcotics assistance to the Andean countries addresses various economic and political issues which are intertwined with the problem of narcotics trafficking. The majority of funding support focuses on narcotics enforcement activities. It is widely recognized, however, that a significant reduction in narcotics flow cannot be achieved without an effective demand reduction program in the U.S.

Andean narcotics enforcement agencies are ill-equipped to deal with the magnitude of the narcotics problem in their countries. U.S. bilateral narcotics enforcement assistance programs with Colombia, Bolivia, and Peru provide for specialized enforcement training, the loan of helicopters and aircraft for use in reconnaissance and interdiction operations, expanding the physical plant of host country narcotics bases and assistance in developing communications and intelligence capabilities.

The increased assistance for Andean narcotics enforcement programs is coupled with an additional emphasis on economic assistance, in order to offset the political and economic costs of success in dismantling the cocaine trade. The U.S. also supports Andean efforts to expand public and private sector demand reduction programs.

U.S. narcotics assistance to the Andean countries in FY 90 places a particular emphasis on bringing the Andean military into the anti-narcotics battle. Military support for anti-narcotics operations in Peru and Colombia has become a vital element of enforcement operations, due to the involvement of some insurgent groups in narcotics trafficking activities.

The principal program objectives and measures are as follows:

Disrupt narcotics trafficking as close to the drug source as possible

- o Provide the necessary equipment to host government narcotics enforcement agencies to identify and destroy coca paste, base, and cocaine laboratories and clandestine airstrips in coca-producing countries.
- o Aid host governments in the development of effective domestic law enforcement capabilities in cocaine source and transit countries through training, professional exchanges, and intelligence sharing.

Prevent drugs destined for the U.S. from entering international trafficking channels

- o Support interdiction operations which attempt to cut air, land and water transportation links used by traffickers to move narcotics and precursor chemicals.

Reduce illicit crop production where feasible

- o Support host country efforts to eradicate narcotics crops through reconnaissance, agricultural research, and provision of equipment.

Provide economic support to offset the social and economic costs of successful anti-narcotics programs

- o Supply economic assistance which covers agricultural, infrastructure, education, and transportation projects for improving the standard of living for farmers engaged in illicit narcotics cultivation and processing.
- o All four countries have agreed that economic assistance can best be utilized in the context of sound economic policies.

Support the efforts of foreign governments to reduce the internal consumption of narcotics produced in their countries

- o Provide the necessary resources to allow governments to sensitize opinion leaders and the general public to the health and national security dangers of drug production, trafficking and abuse.

Attachment: Funding Chart - U.S. Counternarcotics Assistance to the Andes

U.S. COUNTERNARCOTICS ASSISTANCE TO THE ANDES
(in millions of dollars)

FY 1990 ESTIMATE					FY 1991 ESTIMATE				
	Military	Econ- omic	Bilater- al Law Enforce- ment	TOTAL		Military	Econ- omic	Bilater- al Law Enforce- ment	TOTAL
Colombia	40.3	0.0	20.0	60.3	---	60.5	50.0	20.0	130.5
Peru	36.4	3.1	19.0	58.5	---	39.9	63.1	19.0	122.0
Bolivia	33.7	30.8	15.7	80.2	---	40.9	95.8	15.7	152.4
Total Andean Strategy	110.4	33.9	54.7	199.0	---	141.3	208.9	54.7	404.9

John R. Bolton

Current
Policy
No. 1244

Human Rights Challenges in Central America for the UN



United States Department of State
Bureau of Public Affairs
Washington, D.C.

Following is an address by John R. Bolton, Assistant Secretary for International Organization Affairs, at the Department of State Human Rights Day ceremonies, Washington, D.C., December 7, 1989.

I am pleased to join with Dick Schifter [see Current Policy No. 1242] today in commemorating the human rights values which have nurtured us as a nation and which have served as a standard and as a goal for the international community. Forty-one years after the United Nations adopted the Universal Declaration of Human Rights, we meet here today amazed at the real impact the hopes embodied in the Universal Declaration have had upon the people of the Soviet Union and Eastern Europe. We have also watched with sadness, while people in other parts of the world struggle against great odds to realize their rights to freedom of expression and assembly. We meet here today knowing that while much has been accomplished, the challenges remain formidable.

How can we in the United Nations change the ugly face of human rights abuses? Today in Central America

we are witnessing a process in which the linkage between human rights, genuine self-determination, and peace and stability has been made explicit. The Tela accords signed by the Governments of Costa Rica, Guatemala, El Salvador, Honduras, and Nicaragua expressly connect cessation of external support for insurrectionist groups; voluntary demobilization, repatriation, or regional relocation of the Nicaraguan Resistance; and the creation of an environment in Nicaragua, whereby the Resistance can return without fear of further abuses of human rights, and whereby all groups can participate in free and fair elections.

Open, Free, and Fair Elections for Nicaragua

We in this country, with a 200-year history of peaceful change of government through the electoral process, do not have to think about what free and fair elections require. We are fortunate that the institutions provided for in our Constitution or which have evolved over the years provide a framework for genuine elections. The people of Nicaragua, sadly, are not so fortunate. And what is occur-

ring now in Nicaragua sends a resounding message that an electoral process without the guarantees of human rights provided—for example, in our own Constitution—cannot be taken for granted.

Since coming to power, the Sandinistas have made it quite clear that the one thing they fear most is the possibility that the Nicaraguan people could vote their conscience in an unfettered election. They have done their utmost over the years to avoid such a possibility. However, thanks to the diplomacy of the other Central American governments, and to the Sandinistas' own abundant cynicism and duplicity which have led to many blunders on their part, the Nicaraguan Government has signed on to an agreement which requires it to permit the holding of an open, free, and fair election next February.

Sandinista Violence Against the Opposition

It is not surprising that the Sandinistas are violating the spirit of the process which they have formally undertaken to support. Polls indicate that the Nicaraguan opposition, at first

fragmented and disorganized, has now evolved into a political force enjoying widespread support among the people of Nicaragua. As the opposition has coalesced, the Sandinistas have stepped up tactics designed to discredit, confuse, and intimidate the opposition and its supporters. Press reports detail incidents of open harassment, beating, threats, fire-bombings, smears, and even attempted murder directed against the opposition.

For instance, in the town of Pantasma on November 26, the opposition's vice presidential candidate Virgilio Godoy along with a group of supporters were stopped by soldiers. Godoy took the opportunity to complain to the soldiers that two of his supporters had been beaten and detained by the army. The soldiers responded that the opposition had been throwing rocks and their commander then threatened to open fire on Godoy and his party.

An opposition activist, Encarnacio Porras, was beaten by a Sandinista soldier following a rally in San Dionisio. The mobs of young toughs known as *turbas* that have been employed by the Sandinistas to cow the Nicaraguan populace throughout their rule are now actively involved in the election campaign. Our Embassy reports that at virtually every opposition rally *turba* gangs roam about throwing rocks, shouting down speakers and roughing up supporters. Several opposition activists have been attacked by *turbas* who have inflicted severe injuries. Sandinista officials have not even attempted to veil threats intended to prevent the opposition from campaigning. For instance, the Sandinista mayor of Nandaime warned prior to a rally scheduled for November 19 that if the event occurred "there will be blood, there will be death."

These and other incidents too numerous to mention now present a clear pattern of abuses designed to interfere with the open, free, and fair

electoral process that the Sandinistas are pledged to uphold. Meanwhile, they have stepped up international pressure to force the *contras* to accept their vague assurances that there will be no recriminations, no further human rights abuses of the *contras* and their families should the Resistance lay down their arms and return to Nicaragua as refugees.

UN Election Monitors

The UN Security Council has given a clear mandate to the UN election monitors for Nicaragua. This mandate includes the obligation to raise all incidents that violate or interfere with the principle of free and fair elections. We are working closely with Ambassador Elliot Richardson, who heads the UN monitors, to ensure that the types of violations I have described are noted and raised with the Sandinistas. Ambassador Richardson will be required in February to certify that the elections and electoral process conform to the letter and spirit of the Tela agreement. Given the current situation, he will need to work very hard in the next few weeks to be in a position to do this.

The relationship among the enjoyment of those human rights described in the Universal Declaration of Human Rights, democratic process, and regional peace and stability in Central America is inescapable, for us, for the United Nations, and for the governments of Central America. The Central American peace process depends on the ability of the people of the region to express their wills through free and fair elections which in turn require such fundamental human rights as a free press, freedom of speech, of assembly, of worship. The United Nations has the opportunity to make a lasting contribution to the welfare of all the people of Central America. It will require forthrightness and toughness to ensure that this opportunity does not fall by the wayside.

Cuba's Human Rights Abuses

Cuba is in many respects the source of Central America's problems. It is Fidel Castro's Cuba, of course, that the Sandinistas have modeled themselves upon politically and militarily. As communist regimes throughout the world are being repudiated by their own citizenry, it is highly ironic that Castro remains dinosaur-like—able to resist in his own domain the changes sweeping the rest of the world.

Three years ago the United States launched a campaign to call the world's attention to the nature of the gross and systematic human rights violations that form the underpinnings of Castro's power over the Cuban people. We still believe that the spotlight afforded by a UN human rights investigation affords one of the best ways to affect Castro's behavior. The UN Secretary General has received a mandate from the UN Commission for Human Rights to raise cases of human rights violations with the Cuban Government. We are working closely with the UN Center for Human Rights to ensure that the Secretary General has the details of human rights abuses in Cuba, and we look to the Secretary General to forcefully pursue his mandate.

The Unitary UN Approach

Our approach to human rights in the United Nations is a major facet of what I call the unitary UN. As I have described, we need to be mindful of the interrelationships among human rights, democracy, and international peace and stability. In the United Nations, we are constantly on the lookout for ways to hammer home these interrelationships. We make human rights concerns an aspect of what we seek to do throughout the UN system whether it is in economic or social forums. ■

Human Rights Problems in a Democratic Western Hemisphere



United States Department of State
Bureau of Public Affairs
Washington, DC

Public Information Series

Remarks of Ambassador Luigi R. Einaudi, US Permanent Representative to the Organization of American States (OAS), during the June 7, 1990 debate on the Annual Report of the Inter-American Commission on Human Rights at the 20th OAS General Assembly in Asuncion, Paraguay.

In this last semester, as throughout its 30-year history, the Inter-American Commission on Human Rights (IACHR) has distinguished itself in its professionalism and its productivity. It is today the conscience of the Americas. The standard it sets for performance in the advancement of human rights is a global standard.

That is a good thing, indeed, for the dynamic of global development requires that we accelerate efforts to secure the human rights of all citizens. Countries today must be open and outward-oriented, ready to engage effectively with the rest of the world—in trade and commerce and, more generally, in affairs across the board.

Countries turned inward by the fratricidal internal conflicts so often associated with human rights abuses are greatly disadvantaged. Moreover, competitiveness in today's world requires efforts to maximize human potential—an imperative that is irreconcilable with disrespect for human rights.

In short, a modern state cannot afford to minimize human rights concerns, and we of the Americas have made great progress in our generation. At the same

time, a sober reading of the annual report of the IACHR dispels superficial optimism. Human rights are the cornerstone of the modern state. This hemisphere is making major strides, but we have few grounds for complacency.

Human Rights and Democracy

Since our last meeting, Panama, Nicaragua, and Chile have joined the ranks of countries with democratically elected governments. In noting the milestones along the way to the return of elected civilian government in Chile, in detailing the steps taken in Panama to consolidate democratic rule, and in highlighting the importance of the February elections in Nicaragua, the commission is exemplifying the link between democracy and human rights. Its timely reports of electoral campaign irregularities in Nicaragua last year prompted corrective actions, thus contributing to the peaceful and representative vote in February. Its visit to Haiti in April and the special report presented to this assembly on the situation there can make a similar contribution.

To its credit, the commission makes clear that human rights problems do not suddenly or automatically disappear with the return of democratically elected leaders. El Salvador, Guatemala, Paraguay, and Suriname have all opted for democracy. But the painstaking, long-term effort of building democratic institutions and ensuring respect for human rights continues.

The commission is unsparing in its judgments on incidents in these countries, demonstrating that good intentions are not a guarantee of satisfactory performance on human rights matters. Unlike dictatorships, however, democracies do not stand alone in working to improve human rights conditions. The commission works with them to address problems. And, to their credit, member states have—as the commission confirms—a solid record of cooperation with the commission. This record of active cooperation attests that, for human rights and international cooperation, democracy works—not as a panacea, but as the best environment for getting the job done.

The Country Reports

Cuba. My government perceives Cuba, the first country reported on, as having a government that sets it apart from the remaining countries covered in the annual report for two reasons. Cuba is the only country in the group—or in this hemisphere—that has not committed itself to elections, and Cuba is the only country in the hemisphere whose government can be said to repress human rights as a matter of official policy.

Cuba's human rights situation has deteriorated over the past year. The commission documents government harassment, judicial sentencing without due process, deprivation of work, and imprisonment under extremely negative conditions. The report lists 34 members

of 10 different human rights and dissident organizations who have been detained since September 1988.

This is the commission's most detailed coverage of the Cuban government's human right practices since its special report on Cuba in 1983. The account of the crackdown on dissidents complements other recent reports by Americas Watch, Amnesty International, and the US Department of State.

Chile. The chapter on Chile gives the annual report an upbeat turn. The commission "underscores its satisfaction on the re-establishment of representative democracy," a note of welcome to the new government of Chile that my government fully shares. The chapter marks the key events in the transition: the October 1988 plebiscite, the July 1989 constitutional reform, the December 14, 1989 elections, and the March 11, 1990 transfer of power to the civilian government.

The report highlights the new government's plan to establish a commission to investigate human rights abuses during the military regime. It comments briefly, but concretely, on the persistence of terrorist actions throughout the period.

El Salvador. The El Salvador chapter notes two "conflicting tendencies"—an escalation of violence and human rights violations and progress toward a resumption of peace talks between the government and the Farabundo Marti National Liberation Front (FMLN).

The report makes a thorough—and frankly disheartening—record of events since its last report on El Salvador. Many of us in this room recall that this committee last met in the midst of horrifying news: the launching on November 11 of the largest guerrilla offensive of the civil war. Then, 5 days later, the murder, apparently by government forces, of six Jesuit educators, their cook, and her daughter.

The commission describes these events as part of a "vicious cycle of violence" in which the right and left, security forces and guerrillas, share blame. The violence and the abuses have affected noncombatants, journalists, government officials, churchmen and -women, and labor unionists—every sector of Salvadoran society.

My government is convinced that the democratically elected government of El Salvador is making serious efforts to

incorporate all elements of society in the political process. But the violence is retarding these efforts. The commission observes that "the relative advances (in human rights) made have been seriously compromised by recent events." It cites claims by nongovernmental organizations of an increase in torture of political prisoners and by journalists of harassment, threats, and arrest by security forces. The commission also observes that the government has not as yet replied to its request for information on the killings of the Jesuits.

Those who follow the situation in El Salvador differ over particular cases and general characterizations. But what emerges is a series of fundamental truths. It is time to stop the killing in El Salvador. It is time to move forward with dialogue. The war must yield to genuine national reconciliation.

Guatemala. The report on Guatemala is disturbing. But if the commission is frank in exposing problems, the government and the military of Guatemala are equally frank in acknowledging the problems. The commission reports the "most serious" increase in violence and human rights violations since the present government began its term. It finds the government ineffective in preventing, controlling, and investigating the violence and prosecuting those involved. It also perceives a lack of control over those in the security forces who, in the commission's view, appear to have had direct involvement in a number of the violations.

The report deals with defects of the judicial system as well as inconclusive police investigations. While detailing acts of terrorism by the guerrillas, the commission also cites Minister of Defense [Hector] Gramajo, who accuses army dissidents of serving the extreme right. President [Vinicio] Cerezo, during his visit to the UN General Assembly in September 1989, said that extreme right wing groups were responsible for kidnappings, torture, and murder of trade unionists, journalists, and students and that former officers of the security forces might also have been involved.

The situation is grave, but the government's willingness to acknowledge problems is positive, and the institutionalization of democracy has made substantial gains. There is a high degree of press freedom in which even the guerrillas can publish at will. The government cooper-

ated with the commission's visit and refused to impose a state of siege when violence peaked last summer.

Finally, the report also mentions reforms being attempted in the judicial branch under the tutelage of the president of the Supreme Court. The active role of the new human rights ombudsman and the new possibility of ending the guerrilla war through the peace talks initiated in Oslo in March 1990 are additional positive signs.

The friends of democracy should draw a sober but not defeatist conclusion from these facts. The will to improve human rights must be joined with the power to secure those rights.

Nicaragua. The commission gives special attention to Nicaragua's electoral campaign and vote, events the commission describes as "in themselves an important contribution to peace and respect for human rights." Somewhat modestly, the commission also notes that the release of the 39 persons excluded from the March 17, 1989 pardon "complied with the recommendation made repeatedly" by the commission.

The commission looks briefly at the post-electoral environment with a sense of the enormity of the task that lies ahead and makes two judgments we share in full. It trusts that the transfer of power and "positive experience with the exercise of political rights" will be applied to the political, economic, social, and cultural challenges ahead. And the report concludes with a reminder of the "responsibility of the international community" to support Nicaragua's new government.

It is perhaps proof of the commission's independent state of mind that it does not even mention one of the most striking contributions of the international community to national reconciliation in Nicaragua: the work of the OAS electoral observers and the OAS Verification and Support Commission (CIAV) under the leadership of Secretary General [Joao Clemente] Baena Soares. I congratulate Commission President [Leo] Valladares for including such a reference this morning. I would add that my government fully supports the demobilization of the Nicaraguan Resistance in accordance with existing agreements and accepts the leadership of the secretary general in supporting them.

Panama. The Panama chapter documents major improvements in the

human rights situation and in official responsiveness. The government has restored basic civil liberties and has devoted special attention to restructuring the security forces. The commission notes:

- The reestablishment of freedom of expression and right of association and restoration of news media that had been shut down or confiscated;
- The freeing of former military men and civilians who had been detained on charges of coup plotting or otherwise endangering public safety and who had, in most cases, been tortured;
- The launching or reopening of investigations into killings under the previous regime, including the Spadafora case;
- The decentralization of the security forces to ensure their compliance with the constitution; and
- The initiation of judicial and penal reforms.

The commission reports that it has recently received many fewer complaints and that the new government has responded to them promptly and satisfactorily. At the same time, the commission recommends government action in six areas, from the status of individuals detained after the US military action last December to measures to prevent recurrence of abuses like those described in the special report of September 1989.

We are encouraged that human rights concerns are being addressed by the new government. Several—such as protection against any renewal of military abuses and institutionalization of democracy—are the subjects of a series of government-proposed constitutional amendments currently before the Legislative Assembly, which has also been asked to revise the nation's judicial statutes.

The status of detainees remains a problem. Panamanian courts are overloaded with criminal cases, and there is a backlog of persons awaiting sentencing. Similarly, improvement of economic and social conditions for low-income Panamanians depends on overall economic recovery, especially reduction of high unemployment. The economic assistance recently approved by the US Congress—after considerable urging by President Bush—is designed to help alleviate both problems.

Paraguay. The report on Paraguay praises many positive actions taken by the [Andrés] Rodríguez administration. At the same time, it notes legal and socio-economic difficulties that “hamper the full observance of human rights.” This detailed report was enriched by a visit of the commission to Paraguay in response to an invitation extended by the Rodríguez administration shortly after assuming office.

The report notes many specific steps taken by the Rodríguez administration including:

- Repeal of laws used to jail dissidents;
- Judicial action against former officials accused of abuse and corruption;
- Elimination of official obstacles to the freedom of expression, thought, and association; and
- New guarantees of personal freedom, judicial protection, due process, political rights, and access to public office.

The commission also summarizes complaints made to the commission members who interviewed landless peasants, union leaders, and representatives of the approximately 50,000-member indigenous population. The commission praises the new government for ratifying the Inter-American Convention on Human Rights as well the UN and inter-American conventions against torture. The new electoral law, the new human rights committee in the Chamber of Deputies and the new National Commission to Coordinate Rural Development are also cited.

The commission sees the most serious failings in the area of judicial protection. It notes that 90% of the detainees in the country's major prison are still awaiting sentencing. In most cases, their trials had not been completed.

The report discusses legislative amendments to correct this problem, as well as government requests to the OAS and United Nations for human rights training to police and armed forces and the government's proposal to amend the constitution in 1992 to create a stable career system for judges.

My government endorses the findings of the commission, and welcomes the positive developments in Paraguay since the Rodríguez government took office. We congratulate the government of Paraguay for restoring respect for the fundamental freedoms that make a

transition to democracy possible. We hope to see continued progress on remaining problem areas such as lengthy pre-trial detention.

Suriname. The report on Suriname is hard-hitting. There are accounts of arson, shootouts, attacks on government officials and property, attempted assassinations, and ongoing civil strife. The report draws two general conclusions about the situation in Suriname: “First, that the duly elected civilian authorities have no real control over the military situation in Suriname. Second, the army is the de facto power in the country.”

My own government has observed that the Surinamese military, whose influence had diminished following the return to elected government, has “reestablished itself as the dominant political force in the country.”

Clearly, conflict among different ethnic groups has been the source of much violence and deteriorating respect for internationally recognized norms of humanitarian conduct. Efforts to bring genuine peace to conflictive areas would greatly benefit the human rights situation.

The commission reports on the passage by the national assembly of a bill removing civil arrest powers from the military police. “Promulgation as law of this bill would constitute a first step toward the establishment of a true democracy in the sense that the military must be subservient to the elected civilian authorities.” President [Ramsewak] Shankar has now signed this bill into law.

An Agenda for the 1990s

I would like to close with a few additional comments. I would like to express my congratulations to Leo Valladares (Honduras) and Edith Marquez (Venezuela) for their new positions as president and executive secretary of the commission and my government's genuine gratitude to their predecessors, Oliver Jackman (Barbados) and Edmundo Vargas (Chile). They have given us high expectations; we pledge to cooperate to make them reality. As the Permanent Representative of the United States, it is with great pride that I thank David Padilla, a US citizen, for his exemplary performance as acting executive secretary during the past 4 months.

Finally, a word about future directions. First, the commission's high

standards of professionalism, impartiality, and integrity must be maintained. Independence and non-partisanship are vital to the commission's effectiveness. My delegation concurs fully with the appeal by the distinguished delegate of Chile that the work of the commission not be politicized.

Second, the commission should, as [Deputy] Secretary Eagleburger indicated in his speech before the assembly, consider offering technical assistance and human rights training to interested member states and, with their consent, to their citizens. Our common democratic orientation provides an opportunity, indeed creates an obligation, to move from consensus to action, from high aspirations to practical measures. IACHR assistance might include, for example, training of governmental and nongovernmental human rights workers or organizations, training to strengthen judicial systems, advice on national legislation to protect human rights, and building safeguards to protect political rights. Such assistance might well be offered in coordination with the secretary

general and senior secretariat officials charged with responding to requests from governments to support democracy.

In conclusion, let me note that the progress in democracy and human rights that we are witnessing is not the product of impersonal forces. If the prospects of freedom seem better than ever, it is largely because men and women everywhere—tradespeople, laborers, lawyers and journalists, churchmen and -women, and many others—have worked long and hard. One of the most moving moments in this morning's debate was the statement by the distinguished representative of Paraguay, describing the human dimensions of cooperation in the face of oppression and joy at the great progress that has taken place in this most beautiful land.

Human rights activists are prominent in freedom's forward movement. I salute them. And I add, with a sense of personal concern, that these very persons who are in the vanguard of the struggle for human rights are themselves, in all too many instances, the victims of human rights abuse. As human rights monitors

themselves, I would hope that the members of the commission would make the situation of those activists in the hemisphere who are threatened and abused a special concern—either within upcoming country reports or perhaps as the theme of a separate chapter.

The activist human rights observer plays a role that is not always welcome. But it is a role that is indispensable to effective modern-day democracies—to governments which derive their strength from the steady popular support that can only be earned through strict accountability and continuing openness. Any abuse against any individual's human rights merits attention. This must hold for human rights activists and monitors as well. Their work is critical to the process of democratic consolidation now underway. ■

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Fact Sheet

Presidential Drug Summit Cartagena, Colombia February 15, 1990

Presidents Virgilio Barco of Colombia, Jaime Paz Zamora of Bolivia, Alan Garcia of Peru, and George Bush of the United States met on February 15 in Cartagena, Colombia, to strengthen cooperation attacking the production, trafficking, and consumption of illicit drugs. Colombia, Bolivia, and Peru are sources of most of the world's supply of cocaine; the United States is the world's largest consumer.

The Declaration of Cartagena, signed by the four presidents, provides the framework for a comprehensive antinarcotics strategy. The declaration acknowledges that a successful program will necessarily involve economic and

"We've committed ourselves to the first common, comprehensive international drug control strategy."
— President Bush

development cooperation and support as well as intensified actions aimed at narco-trafficking and reducing demand. The leaders also stressed the need to increase public awareness of the dangers of trafficking and use, and to undertake diplomatic initiatives aimed at building international support for drug control and economic development.

The declaration calls for strengthened bilateral cooperation. The U.S. and Bolivia signed agreements on the control of essential chemicals, weapons exports, and on public awareness. The U.S. and Peru signed accords on the exchange of tax information and public awareness and exchanged notes on extradition. Other agreements are under negotiation.

The summit nations agreed to hold a high-level follow-up meeting within the next 6 months and called for a world antinarcotics meeting in 1990.

Declaration of Cartagena—Key Points

The four nations pledged to seek a cooperative, comprehensive strategy to the drug problem by:

- ▶ Attacking the production, transport, and consumption of illegal drugs;
- ▶ Stimulating trade, investment, economic cooperation, and alternative development in the Andean countries; and
- ▶ Increasing public awareness of the drug problem and strengthening international support for efforts aimed at curbing illicit drug traffic.

Bilateral Agreements

- ▶ The U.S. and Bolivia signed the:

Essential Chemicals Control Agreement to provide a basis for monitoring and controlling drug precursor-chemical movement;

Weapons Export Control Memorandum of Understanding to ensure greater cooperation toward preventing U.S. weapons exports from being acquired by narco-traffickers; and

Public Awareness Memorandum of Understanding to build public support for programs against production, trafficking, and consumption.

- ▶ The U.S. and Peru signed the:

Tax Information Exchange Agreement to provide for bilateral exchanges of tax-related financial information in order to track and prosecute financial gains from trafficking;

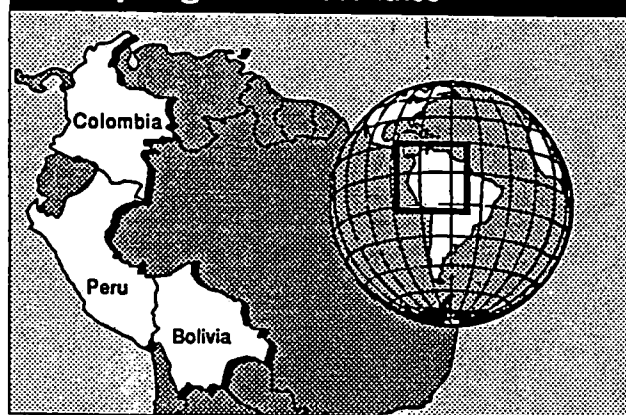
Exchange of Notes on Extradition to confirm explicitly that narcotics trafficking and related drug offenses are covered by the 1899 U.S.-Peru Extradition Treaty; and

Public Awareness Memorandum of Understanding to build public support for antinarcotics programs.

- ▶ The U.S. and Colombia pledged to:

- Continue efforts to reduce the flow of illicit drugs;
- Seek ways to maintain economic growth and stability;
- Work toward expanding U.S.-Colombian trade.

Participating Andean Countries



Democracy, Diplomacy, and the War Against Drugs



United States Department of State
Bureau of Public Affairs
Washington, D.C.

Following is the prepared address by Secretary Baker for the Forum Club, Houston, Texas, November 22, 1989.

I am especially pleased to be here in Houston to join you in celebrating the Forum Club's 10th anniversary.

As we gather with our families and friends this Thanksgiving, we Americans have much to be thankful for. In so many ways, we are reaping the harvest of our long-held values. We have planted and nurtured them at home. Through our efforts and by our example, they have taken root around the world. They are ripening even in what seemed to be the most forbidding and barren ground.

We Americans rejoiced when just 2 weeks ago the Berlin Wall was breached. We shared the excitement of the moment with the German people, just as in darker times we shared their grim determination to overcome the 1948 blockade, the 1953 crackdown, and, for 28 years, the stark presence of the wall itself.

I had an extraordinary telephone conversation with the Foreign Minister of the Federal Republic of Germany, Mr. Genscher. He called. I came on the line. His secretary said, "Just a moment, sir, and thank you for everything. God bless America. Here's the minister." This was his secretary. Then the minister came on the line, and he said, "I'm calling to simply express to you and

through you to the American people our gratitude for what America has done for Germany and particularly for what America has done for Berlin."

He said as well, "This is a moving moment for our nation, but I'm calling to express our gratitude to the people of America." It almost brings tears to your eyes. It's a very moving event.

Thus, we see the postwar era nearing its end. Yet, we still live with its legacy. We will do so for many years to come. How we overcome that legacy will be a central question when President Bush meets with President Gorbachev in the Mediterranean next month. In the meantime, the peoples of the East are coming in from the cold, drawn closer to the warmth of democracy.

Faith, conviction, and personal courage are prevailing against all odds. The long, twilight struggle between East and West that President Kennedy described may be coming to an end at last. It is ending with neither a bang nor a whimper, but with the triumphant cry of the human spirit.

But there is another cry of the human spirit that must be heard. It is not the affirmation of freedom but its negation; not the uplifting of democracy but its degradation. It is the call of the drug addict, of the human souls and bodies afflicted with the scourge of de-

spair. It is the tragedy of our daily headlines—of careers ruined, of families disrupted, of children gone astray, of lives endangered, and of lives lost.

Our most fundamental values, indeed our humanity, are at stake. To prevail in this twilight struggle against drugs will require courage and constancy of purpose, because there are no easy victories in this twilight war.

International drug trafficking is a threat to our national security. That is no exaggeration.

According to a survey taken in late September, over half of the American people named illicit drug use as the most important problem facing the country today. Illegal drug use in this country crosses the entire spectrum of our society. It affects people from all walks of life, all age groups, all backgrounds, and all levels of income. And while some regard narcotics as an urban phenomenon, this big-city problem is also a major problem for rural America.

I am sad to say that this native city of mine, where we meet today, and our state of Texas are no exceptions. Houston is one of the four major narcotics distribution centers in the country. It has a significant cocaine problem. In east Texas, the Sheriff's Office of Gregg County reports that between 1987 and 1988, there was an 80% increase in the number of crack cases. Also during that

period, robberies rose by 70%. Four years ago, crack cocaine was pretty much nonexistent in the town of Tyler, Texas. Today, Tyler has crack houses and "shooting galleries." Indeed, well over 80% of the crime in Tyler is crack related.

Drugs hit close to home—my home and that of another Houstonian, George Bush; your home and the homes of our neighbors. That is why the President and I are personally committed to the struggle against drugs. That is why I have made the narcotics issue a top foreign policy priority. I have instructed our ambassadors worldwide and the Department of State's assistant secretaries to ensure that narcotics control issues are fully integrated into our diplomatic efforts. To my mind, there is no foreign policy issue short of war or peace which has a more direct bearing on the well-being of the American people.

As I see it, the survival of democracy at home and abroad is perhaps our most fundamental national interest. And drugs are mortal enemies of democracy. Let me tell you why.

Democracy speaks to the dignity of every individual. Every person is considered a free and responsible citizen whose vote and say in public affairs is essential. An individual caught in the drug habit soon becomes a slave of that habit—no longer a free person or a responsible citizen. And in a similar way, what can happen to the individual can happen to a nation. The drug pirates and profiteers attack the central nervous system and vital organs of democracy: the administration of justice; the integrity of government; the right of free speech.

Ultimately, the illegal narcotics trade robs dignity and freedom not only from the individual but from entire nations. Malaysia was one of the first nations to declare that drug traffickers threatened its sovereignty. Pakistan, Thailand, Jamaica, and Mexico—all have come to the alarming conclusion that drug abuse is eroding their hopes for the future, and they are taking action to combat this insidious enemy.

Look at Colombia. No other nation has so bravely confronted the drug lords. No other nation can afford to be indifferent to Colombia's fate. We applaud Colombia's courageous decision to

extradite traffickers and money launderers to this country. Time and again, President Virgilio Barco has put his own life on the line for his nation and for the cause of democracy everywhere.

In Colombia, the Medellin and Cali traffickers consider themselves a country and a law unto themselves. They operate just like the pariah states that export terrorism. They have bought banking systems to store their wealth and mercenaries to attack their adversaries. And who are their enemies: public figures, judges, journalists, and innocent bystanders, whom they murder in broad daylight.

It is hard for Americans to comprehend the scale of such violence and intimidation. Let me try to put it into perspective. Imagine one day that a hit squad attacks the U.S. Supreme Court and murders half of the justices. Imagine our Attorney General being assassinated by organized crime figures. And imagine a criminal organization declaring "absolute and total war" on our government after assassinating a leading presidential candidate.

This is what has happened in Colombia in one short and brutal decade: the traffickers have killed over 1,000 public officials, 12 Supreme Court justices, over two dozen journalists, and more than 200 judges and judicial personnel.

President Bush has come to Colombia's aid by authorizing \$65 million in emergency military assistance. Canada, Norway, United Kingdom, Italy, Spain, and Portugal have also pledged their help to Colombia's effort.

Moreover, this Administration has proposed a bold, comprehensive strategy to address the cocaine problem in the hemisphere. We call it "the Andean strategy." This strategy is nothing less than a multiyear, \$2-billion American plan to provide military, economic, and law enforcement assistance to help the Andean governments as they fight cocaine. Our primary goal is to attack and dismantle the drug trafficking organizations themselves. In short, to put them out of business. We are going directly to the source. And that is the Andes, where we will support the governments of the region in a three-part plan:

First, to isolate and disrupt coca production by interdicting air, road, and river traffic in drugs and chemicals essential to drug production;

Second, to eradicate coca when and where possible and effective; and

Third, to develop income alternatives to the illicit drug industry by strengthening the legitimate economies of Andean countries.

This is not a strategy for massive and unilateral U.S. intervention in the Andes. The Andean countries want and need our assistance. But we know we won't be effective unless we attack the demand for drugs as well as the supply. To that end, we have accepted the Andean leaders' invitation to sit down and discuss our mutual struggle at an Andean summit in February next year.

We realize that as long as American demand for drugs continues, we face an endless, uphill battle to halt supply. That is why the President decided that reducing the demand for drugs must be at the center of our antidrug policy. America's demand drives the spiraling cycles of production and trafficking, consumption, and addiction. Profits from every kilo of cocaine buy the bullets which rob Colombia of its dignity and freedom and threaten Bolivia and Peru.

I want every user of drugs in the United States to face a fact: Their actions are not just a personal indulgence. They act as paymasters to organized murderers whose victims are defenders of democracy and the rule of law. They are accessories to criminals who poison children and babies. And users by their habits also contribute to the murder of the land. Coca farmers have destroyed countless acres of forest; cocaine traffickers have dumped millions of gallons of chemicals into water supplies.

Above all, we must be honest with ourselves. There is nothing glorious or admirable or honorable in the so-called drug lords and kingpins. They are just criminals—criminals of uncommon power and uncommon brutality. No amount of laundering can wash the blood off money stained by drugs.

Narcotics has become a big business, a very big business. Recently in Los Angeles, agents seized 20 tons of warehoused cocaine. If all these kilos were stacked, one on top of the other, the pile would be a mile and a half high—half the height of Mount Whitney, the tallest mountain in the continental United

States. It was estimated that this cocaine had a street value of \$6.7 billion. That exceeds the individual gross national products of well over 100 nations. And this was just one warehouse. Imagine the mountain of misery that represents.

I want to say a few more words now about the international dimension of the drug problem and what we are doing about it. Narcotics use, production, and trafficking are urgent problems not only for our hemisphere but worldwide. So we are going to be taking some important actions that will give teeth to our campaign against the illegal drug trade. The central idea behind our efforts is to attack these merchants of death from every angle—production, distribution, finance, and use. Let me give you just a few examples.

One, we are working with the Senate to promote ratification of the UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, and we will encourage other governments to ratify as well.

Two, over the next few years you will see an intensified effort to enlist our allies and friends in a common effort to fight drugs. We and our Summit Seven partners have established a financial action task force against money laundering. We have already launched

an initiative to encourage our European allies to play a larger role in this and in other areas, such as approaching major drug countries such as Burma, Laos, and Iran—where U.S. influence is limited.

And three, we signed an agreement in Paris with the Soviets last January which permits us to share information on narcotics issues. Since then, Foreign Minister Shevardnadze and I agreed in Wyoming to expand our cooperation and, to follow through, the Attorney General has traveled to the U.S.S.R. Next week, our Assistant Secretary of State for International Narcotics Matters also will travel to the Soviet Union.

These are only a few instances of how, working together with traditional allies, friends and adversaries alike, we are beginning to attack the multinational drug empires on every front. These actions, of course, are all part of the larger strategy announced by the President and which is being coordinated by Bill Bennett [Director of the Office of National Drug Control Policy]. As Secretary of State, I pledge that we will hold to account nations that grant safehavens to drug profiteers, who actively permit the laundering of money, and who turn a blind eye to drug shipments.

When I began this speech, I called our war on drugs a twilight struggle. Our struggle against narcotics is being fought abroad in the deep jungles and mountain valleys where coca and poppies are grown. It is being fought at home in the urban jungles ruled by cor-

ruption and cruelty. It is being fought in shadowy backrooms where drug-stained money is laundered. And, above all, it is a struggle of will and of conscience—one that is fought by each of us, often in the dark recesses of the soul.

But I want to end on a brighter note. For light is being shed on this pervasive problem both at home and abroad. Now, more than ever before, we see nations all over the world working together on this global problem. From the Soviet Union to Jamaica, from Spain to Malaysia, governments, leaders, and the private sector are joining in the struggle against drugs.

Tomorrow, all across America, we will be sitting down to Thanksgiving dinner and blessing the Lord for the bounty before us. We should give thanks as well for the harvest of new freedom that has sprung up around the world. And we pray that, with hard work, our communities here at home as well as the community of all nations can rid God's good earth of the scourge of drugs. ■

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International Narcotics Control

Background

International cooperation to stop narcotics production and trafficking is a central element of US foreign policy. Few foreign policy concerns have as direct a domestic impact as international narcotics. Ninety-five percent of the illicit narcotics consumed in the United States comes from other countries. It is essential, therefore, to gain international cooperation to reduce drug supplies while the United States works to reduce demand at home. As Secretary Baker stated in November 1989: "[T]here is no foreign policy issue short of war or peace which has a more direct bearing on the well-being of the American people."

US Policy

In January 1990, President Bush issued a National Drug Control Strategy that calls for increased international cooperation against drug production, trafficking, and abuse. A critical part of the strategy is increased emphasis on cooperative efforts with three Andean nations (Colombia, Peru, and Bolivia) to dismantle cocaine trafficking organizations and disrupt cocaine processing and trafficking as close to the source as possible. In FY 1990, \$423 million in economic, military, and law enforcement assistance is being provided to the three nations to strengthen their ability to meet these objectives. Additional economic aid will be available to these countries in FY 1991 if they use current resources effectively and establish sound economic policies. The State Department's Bureau of International Narcotics Matters, which has a budget of \$150 million, provides \$58 million to the Andean strategy funding. It has counter-narcotics programs in South and Central America, Mexico, the Caribbean, and Southeast and Southwest Asia.

In February 1990, President Bush met with the presidents of Colombia, Peru, and Bolivia at the Andean summit in Cartagena, Colombia. The four presidents agreed to work closely in a number of critical counternarcotics areas, including the control of precursor chemicals, drug education, exchange of tax information, and a broadened role for each country's military in fighting narcotics.

In addition, the United States is undertaking cooperative efforts with concerned governments in Asia, Africa, Europe,

National Drug Control Strategy

The President's National Drug Control Strategy calls for:

- ▶ Increased economic, military, and law enforcement assistance to Colombia, Peru, and Bolivia;
- ▶ Expanded US-Mexican cooperation in drug enforcement, "money laundering" disruption, and demand reduction programs;
- ▶ Continued US support for law enforcement programs in South American producer and transit countries, including Ecuador, Venezuela, Paraguay, Argentina, and Chile;
- ▶ Continued law enforcement and intelligence programs with Central American and Caribbean nations;
- ▶ Development of an international strategy focused on opium and heroin;
- ▶ Broadened domestic and foreign efforts to counter international money laundering activities;
- ▶ Expanded efforts to reduce the illegal manufacture and shipment of chemicals essential to illicit drug production; and
- ▶ Promotion of international law enforcement cooperation through mutual legal assistance treaties and the pursuit of anti-drug initiatives at international forums.

and the Soviet Union. There is a growing consensus that the solution to the world's drug problem must be global in scope, addressing all elements of the grower-to-user chain.

Role of Developed Nations

Developed nations play a key role in global efforts to fight narcotics production and trafficking. The President's drug control strategy calls on European nations, Canada, Japan, and Australia to take greater steps to help Andean, Caribbean, and Asian countries reduce drug supply and demand. An informal consultative mechanism is being established for



this purpose. Trafficking organizations are seeking new markets for cocaine and heroin. Developed nations, recognizing the threat, are beginning to respond.

Progress in International Narcotics Control

Government leaders are focusing on the international narcotics threat and on positive solutions. A recent UN special session was devoted entirely to the narcotics issue. British Prime Minister Margaret Thatcher sponsored a joint UN-UK ministerial conference on cocaine and demand reduction this spring.

Recent Colombian counternarcotics operations have resulted in the extradition of 15 narcotics traffickers and money launderers to face justice in the United States, the seizure of about 19 metric tons (MT) of cocaine at a major drug trafficking transportation complex in southern Colombia, and the confiscation of numerous properties and other assets belonging to drug "kingpins." Coca prices in Bolivia

have dropped because of increased anti-drug pressure in Colombia and Bolivia, encouraging many coca farmers to switch to legitimate crops. Working with the United States, the government of Peru constructed a secure police base in the upper Huallaga Valley to house Peruvian and US enforcement personnel.

Progress has occurred in other countries as well. Mexico seized 34 MT of cocaine in 1989 and drug trafficking has diminished in and around The Bahamas. Last year, Jamaica further reduced its marijuana crop. Ecuador has been successful in eliminating coca production, and Pakistan reduced its opium crop.

Nevertheless, much remains to be done. The estimated production of illicit narcotics supplies increased in 1989. Most dramatically, Burma's opium crop doubled as the Burmese turned their attention away from narcotics control. Worldwide, coca production grew by about 10% last year. ■

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Secretary Baker

Current
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No. 1251

Narcotics: Threat to Global Security



United States Department of State
Bureau of Public Affairs
Washington, D.C.

Following are remarks by Secretary Baker before the UN General Assembly Special Session on Narcotics, New York City, February 20, 1990.

These are promising times for the world community. From South Africa to Eastern Europe, from the democratic movements in Asia to the new generation of democratic leaders in Latin America, we hear the stirring cry of freedom. People of faith, conviction, and courage are struggling and prevailing against difficult odds.

The old world of dogmatic dictatorships is on its way out. Tragic throwbacks to repression only serve to remind us that the new world of secure, prosperous, and just democracies has not yet arrived. And it will not come automatically. We all must work to bring it into being and ensure that it will last.

Global war brought this organization into existence in 1945. And it was with solemn determination that the UN founders pledged, in the opening words of our Charter, "...to save succeeding generations from the scourge of war..."

Especially now, at this promising time, it is critical for the nations of the world to recall the fundamental aims that unite us. For if we fail to support the goals of the UN Charter—peace, human dignity, justice, respect for sovereign

rights and international law, concern for the well-being of all the world's peoples—if we fail to do our utmost to accomplish these aims, then we could end up living in a future that resembles our troubled past.

Even as we work together to eliminate war and conflict, there are other troubles that will not wait and that are bringing untold sorrow to mankind. Even as we heed the cry of freedom and democracy, we must not fail to hear another cry. This cry is not the affirmation of freedom but its negation, not the uplifting of democracy but its degradation. It is the call of the drug addict.

That cry concerns all of us, and it is urgent. We hear it close to home—to my home, to your home, and to the homes of our neighbors in the world community. None of us—**not one nation**—remains untouched. None of us—**not one**—is safe from the danger of drugs.

Drugs pose a serious threat to global security. We are here at this special session because we recognize this bitter truth. We fully recognize the growing importance of combatting drugs. I particularly wish to thank the governments that have played leading roles in preparing the agenda before us.

I would now like to review for you the comprehensive approach my government is taking to help rid my country and the world of illicit drugs.

First, I will describe America's national drug strategy, which centers on the need to reduce the use of drugs at home.

Second, I want to share with you the results of the summit in Cartagena, where President Bush and the leaders of Colombia, Bolivia, and Peru formed the world's first antidrug cartel.

Finally, I will offer my government's thoughts on how the United Nations can best assist in the global fight against narcotics.

The U.S. Effort

First is our national drug strategy. The American people consider drugs the number one problem facing the United States. And winning the war against drugs is a top priority for President Bush and, therefore, a top foreign priority for me. The Bureau for International Narcotics Matters at the Department of State, ably led by Assistant Secretary Levitsky, has done a first-rate job of ensuring that narcotics control issues are fully integrated into our diplomatic efforts.

Our drug control strategy calls for an attack on the drug problem in all its aspects—consumption, trafficking, illicit production, treatment, and rehabilitation. My government is placing greater emphasis than ever before on preventive

education programs, treatment, and rehabilitation. We aim to stop the trafficking in all illicit drugs, not just cocaine. Heroin, marijuana, and the so-called designer drugs are also major threats. And we are attacking the problems of domestic cultivation and trafficking.

This kind of comprehensive approach calls for increased resources. Since the Bush Administration took office, the domestic antidrug budget has increased 67% to \$7.6 billion. And our international antidrug budget, including border and off-shore interdiction efforts, has increased 73% to \$3.1 billion.

We fully realize that attacking the problem of domestic consumption is our most critical challenge. As long as the demand for drugs by Americans remains voracious, our nation faces an endless, uphill struggle to halt supply. We are making progress. Domestic drug use dropped 37% from 1985 to 1988, and cocaine use was cut in half over the same period. But we have a long way to go.

We are determined that drug users in the United States face the hard facts: Their behavior is not just a personal indulgence. American users act as paymasters to organized murderers. Profits from every kilo of cocaine bought in the streets of America buy the bullets which rob democracies of their dignity and freedom. American users aid and abet the drug cartels which in turn foment and exploit regional and global instabilities. When Americans feed their habits and enrich the cartels, it's like they're giving succor to terrorists. American users are accessories to criminals who poison children. Their habits also contribute to the murder of the land. Coca farmers have destroyed acres of forest lands; traffickers have dumped millions of gallons of precursor chemicals into rivers.

I regret to say that narcotics has become a big business, a very big business in my country. Last fall in Los Angeles, agents seized 22 tons of warehoused cocaine. If all the kilo packages we seized were stacked, one on top of the other, the pile would be a mile and a half high—that's a mountain of misery half the height of the tallest mountain in the continental United States. It was estimated that the street value of the seized cocaine exceeds the individual gross national products of well over 100 of the nations represented in this chamber today. And this was just one warehouse. Imagine the veritable Mt. Everests of misery we haven't found!

Thus, consumption and supply, dependency and exploitation, greed and violence become a vicious circle—in truth, like a dragon chasing its own barbed tail. That circle of misery and death must be broken. America is helping to break it—both at home and with our partners abroad.

The Cartagena Summit

This brings me to my second topic: last Thursday's [February 15] summit in Colombia. As you know, President Bush and I traveled to Cartagena where we met with our counterparts from Colombia, Bolivia, and Peru. In Cartagena, the summit partners pledged to attack the merchants of drugs and death from every angle—production, distribution, finance, and use. President Bush was unequivocal in his commitment to reduce demand for drugs in the United States. We agreed that it was pointless to apportion the blame between producer nations and consumer nations—narcotics are a deadly threat to all nations that are exposed to them. We and our summit colleagues are determined to break the back of crack and put the illicit cartels out of business.

By going to Cartagena, the President demonstrated our country's absolute determination to fight the drug war for however long it takes. We have assured our partners that we will not fail to support them in the drug fight.

As part of our support, from FY 1989 to FY 1991, the United States will increase sevenfold our international drug budget for Colombia, Bolivia, and Peru. Our total economic assistance will more than double to those Andean nations next year as they undertake tough counternarcotics programs and apply sound economic policies.

It is fitting that the summit was held in Colombia. We applaud Colombia's courageous decision to seize and destroy labs, arrest and prosecute narcotics offenders, extradite traffickers and money launderers, and challenge the cocaine empire.

No nation has so bravely confronted the drug lords or made greater sacrifices. No nation here can remain indifferent to Colombia's fate. The scale of drug-related violence in Colombia is horrific, even to those among us who have experienced firsthand the violence that has been so sadly a part of our turbulent century.

In one short and brutal decade in Colombia, the Medellin and Cali traffickers have killed over 1,000 public officials, 12 Supreme Court justices, over two dozen journalists, and more than 200 judges and judicial personnel, not to mention the scores of men, women, and children who happened to be going about their daily lives in the wrong place at the wrong time. And no amount of laundering can wash the blood off money stained by drugs. The so-called kings of cocaine are criminals—criminals of uncommon power and uncommon brutality.

Time and again, President Barco has put his own life on the line to free his nation from the deadly grip of the drug cartels. Together with President Barco, Presidents Bush, Garcia, and Paz all recognize their responsibility to take the lead in combating cocaine, our common enemy.

Together at Cartagena, we reaffirmed the need for development, trade, and investment to strengthen growth-oriented economic policies in order to offset the economic costs of counternarcotics programs. We agreed to work in concert to heighten public awareness of the debilitating effects that drug production, trafficking, and abuse have on our countries. We agreed to provide economic assistance to help strengthen the legitimate economies of the Andean nations. And we agreed to strengthen the law enforcement capabilities of our countries to bring traffickers to justice. President Bush told his Andean colleagues that he would raise these issues with the G-7 at the Houston summit and with other developed countries as well. The United States seeks to improve and strengthen narcotics consultation and cooperation with other developed countries to bolster international support of producer-country counternarcotics efforts.

Finally, we and our Andean colleagues agreed to urge all countries to ratify, as soon as possible, the UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. When ratified, the 1988 convention will foster worldwide cooperation in such areas as money laundering, asset seizure, precursor chemical control, extradition, investigation, intelligence gathering, and information sharing. I am pleased to report that President Bush signed the instrument of ratification for the United States on February 13. We deposited the signed instrument of ratification with the United Nations today.

Ratification by all countries will help us in regional efforts to combat cocaine and also increase worldwide cooperation against illicit drugs of all kinds.

A Strengthened Role for the UN System

By fostering worldwide cooperation, the United Nations plays a crucial role. It is imperative that we make maximum use of the UN instruments and the UN system as a whole to buttress our efforts at the national and regional levels.

There is no country here so proud or so great as to be able to rid itself of drugs without the help of other nations. Nor is there any country here so small that it cannot support in some way this important international effort. Together we can work more effectively than in isolation. We can accomplish more in concert than at odds with one another. This special session affords to us all, the community of nations, an opportunity to work together decisively against drugs.

We must seize this opportunity now. For if we let it pass, our inaction will condemn more children to suffering and want, more families to destruction, more governments to the assaults of drug cartels. And more of the threads that hold together the very fabric of civilized society will unravel.

That is why the President and I are convinced of the timeliness and efficacy of this special session. We have the opportunity to set an action-oriented course for the UN system.

It is my government's hope that adoption of the Global Program of Action, and the related Political Declaration, will take us considerably closer to ridding the international community of the drug scourge—provided, of course, that the program commits us to concrete activities, that it is fully implemented by the UN agencies of the system, and that it is backed by complementary efforts at the national and regional levels. Certainly we the member governments cannot ask the United Nations to do things that we will not do at home. Nor can we ask the United Nations to undertake ambitious programs without financial backing and a strong infrastructure with which to carry

them out. We must order our priorities in such a way as to accomplish our aims within the framework of a unitary approach to the entire UN system and through zero real program growth in budgets.

The Global Program of Action will reinforce the solid foundation which we have built already; by this I mean the two established international drug control treaties now in effect and the new convention against illicit trafficking which I mentioned earlier. In addition, we have other mandates such as those contained in the comprehensive multidisciplinary outline from the 1987 International Drug Conference and UN General Assembly Resolution 44/141, adopted in December 1989. All of these documents give us the legal and program basis as well as the clear authority with which to proceed. So let us use these tools effectively before we endeavor to write new treaties. We want to strengthen our systemwide efforts and ensure maximum cooperation, coordination, and efficiency in the conduct of all UN programs.

To be sure, there is a good case for improving and reinforcing our multilateral infrastructure. We agree that member countries should allocate more resources to UN antidrug efforts in order to complement domestic counternarcotics efforts. We are more committed than ever to working with other governments, so that the UN system may be a stronger, more responsive partner in the drug fight. With the help of the Secretary General and all member states, the President and I are hopeful that the Global Program of Action will energize a dynamic drug control effort of worldwide scope.

In our global war against drugs, we regard as natural allies all nations sharing the resolve to resist this scourge. Traditional friends and traditional adversaries alike must pool their efforts. Indeed, many of us already have joined forces, despite political and economic differences. Together we will combat the multinational drug empires on every front. Together we will hold to account any government that grants safe havens to drug profiteers, that actively permits the

laundering of money, that turns a blind and uncaring eye to drug abuse and drug trafficking. We will give no quarter.

Conclusion

I began these remarks by saying that we are living in promising times. Freedom and democracy are in the ascendancy, yet they face formidable odds. Undoubtedly drugs are among their mortal enemies, for freedom and democracy are universal ideals that speak to the dignity of every individual. And if these ideals are to be realized, every individual must make a contribution to his or her own society and to the world community. An individual caught in the grip of drugs becomes a slave—no longer a free or a responsible person. And the same thing can happen to entire nations.

But such tragedies do not have to happen—not to our citizens, not to our countries, not to the world community. It's up to us—each of us, all of us together. A great deal is at stake.

We know that we cannot cleanse the world of drugs in one generation. Yet I believe I am justified in ending on an optimistic note. More than ever before, nations all over the world are working together on the global drug problem. The United Nations has greatly helped to bring this about.

From the Soviet Union to Jamaica, from Spain to Malaysia, nations are joining forces in the fight against narcotics. We, the peoples of the world, must keep up the fight—in the deep jungles and mountain valleys where coca and poppies are grown, in the urban jungles ruled by corruption and cruelty, in shadowy back-rooms where drug-stained money is laundered, and in the dark recesses of the soul—there perhaps most of all.

Now—today—for the sake of our children and our grandchildren, we must do all that is humanly possible to rid God's good earth of the evil scourge of drugs.■

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The Andean Strategy To Control Cocaine



United States Department of State
Bureau of Public Affairs
Washington, DC

Following is a statement by Melvyn Levitsky, Assistant Secretary for International Narcotics Matters, before the Subcommittee on Western Hemisphere Affairs of the House Foreign Affairs Committee, Washington, DC, June 20, 1990.

I welcome the opportunity today to discuss the President's Andean strategy and outline our policy goals and objectives in this area. Cocaine control is our number one priority and our main focus has been, and will continue to be, the Andes.

The President's historic meeting in Cartagena, Colombia, in February signaled a new era in narcotics cooperation with our Andean partners. No longer is the drug issue simply a law enforcement problem. We are working with Colombia, Bolivia, and Peru to explore ways to strengthen law enforcement, military, intelligence, and economic cooperation, including opportunities for expanded trade and investment in order to attack the drug trade in a comprehensive way. The President's Andean strategy seeks to bolster these countries' capabilities on all fronts. The programs we have are cooperative programs. We cannot do the job without a strong effort from the Andean countries, the countries that surround the Andean region, and the transit countries through which cocaine passes.

The Andean strategy is a multifaceted approach to the complex problem of cocaine production and trafficking. Of course, the main front in this war is here at home. But as we work to diminish our own demand for and consumption of

drugs, we must also work hard to reduce the international supply; otherwise, it will be more difficult to sustain effective domestic programs in law enforcement, education, prevention, and treatment.

In 1989, the administration completed a comprehensive plan to work with the three Andean governments to disrupt and destroy the growing, processing, and transportation of coca and coca products within the source countries in order to reduce the supply of cocaine entering the United States. In September 1989, the President's National Drug Control Strategy directed that a 5-year, \$2.2 billion counter-narcotics effort begin in FY 1990 to augment law enforcement, military, and economic resources in Colombia, Bolivia, and Peru. After careful negotiations between the United States and each of the individual cooperating governments, implementation plans have been prepared to ensure effective use of the assistance.

The administration's \$2.2 billion plan provides a cooperative approach for working with the three major Andean governments to disrupt and destroy the growing, processing, and transportation of coca and coca products within the source countries in order to reduce the supply of cocaine from these countries to the United States. Congress has authorized and appropriated funds for the first year of this plan. For FY 1990, approximately \$230 million in economic, military, and law enforcement assistance is being offered to the three Andean countries for counter-narcotics-related initiatives. In 1991, we are asking for \$423 million, including narcotics-related economic assistance.

Objectives

The Andean strategy has three major objectives.

First, through concerted action and bilateral assistance, it is our goal to strengthen the political will and institutional capability of the three Andean governments to enable them to confront the Andean cocaine trade. With new governments in Colombia and Peru, it will be essential for the US Government to help them address the full range of their drug-related problems.

Second, we will work with the Andean governments to increase the effectiveness of the intelligence, military, and law enforcement activities against the cocaine trade in the three source countries, particularly by providing air mobility for both military and police forces and making sure they are well equipped and trained and that they cooperate in an integrated strategy. It has become clear that the Andean countries cannot conduct effective anti-narcotics operations without the involvement of their armed forces; this is especially true where the traffickers and insurgents have joined forces, as in Peru. Specific objectives include efforts to isolate key coca growing areas, block the shipment of precursor chemicals, identify and destroy existing labs and processing centers, control key air corridors, and reduce net production of coca through aerial application of herbicides when it is effective to do so.

Our **third** goal is to inflict significant damage on the trafficking organizations which operate within the three source

countries by working with host governments to dismantle operations and elements of greatest value to the trafficking organizations. By strengthening ties between police and military units and creating major violator task forces to identify key organizations, the bilateral assistance will enable host government forces to target the leaders of the major cocaine trafficking organizations, impede the transfer of drug-generated funds, and seize their assets within the United States and in those foreign nations in which they operate. Intelligence is a critical component of this strategy. We have worked closely with the intelligence community and law enforcement agencies to focus intelligence collection on these targets. In short, we have developed a strategy that is coherent, focused, and determined.

A major tenet of this strategy is the incorporation of expanded economic assistance beginning in FY 1991 and directed toward offsetting the negative economic dislocations we know will occur. This assistance will, in turn, strengthen the political commitment of the three Andean nations to carry out an effective counter-narcotics program. US economic assistance is, in general terms, linked to counter-narcotics performance and to follow-through with economic policy reform. In harmony with the views of the three Andean governments, our direct economic assistance and other initiatives support economic alternatives for those directly involved in the cultivation of and trade in coca. Examples of such assistance include crop substitution and other economic alternative activities, drug awareness, administration of justice, balance of payments, and export promotion. The assistance reflects our conclusion, incorporated in the Declaration of Cartagena, that a comprehensive, intensified counter-narcotics strategy must include understandings regarding economic cooperation, alternative development, and encouragement of trade and investment. As vigorous host government programs against the drug trade and economic policy reform initiatives become more effective, our economic assistance will increase in the outyears (1991-94) of the Andean strategy. We are not seeking to impose law enforcement, security, or economic assistance on these countries. These are programs that require cooperation and mutual agreement. Our intensive dialogue with the Andeans is refining a common understanding of what is needed and what is possible on both sides.

Misconceptions About Militaries' Roles

Let me deal directly with concerns which have been raised regarding the role of the Andean militaries in the drug war and potential human rights abuses. There is no reason to expect that US military aid will undermine democracy or civilian rule in the Andes. On the contrary, I believe it will help to strengthen both democracy and the international struggle against illegal narcotics for the following reasons:

- US security assistance will be negotiated with and delivered through the civilian governments;
- An impoverished, poorly trained and equipped military, unable to feed its troops, is far more susceptible to corruption and human rights abuses; and
- The military is far more likely to take a constructive approach if actively engaged in the drug war as opposed to being left to criticize civilian efforts from the sidelines. The involvement of the military, as in our own country, can bring a significant resource in the war against drugs if properly coordinated and directed by civilian authorities.

I would also like to set out a number of points that address misconceptions that have grown up in recent months about the so-called militarization of the US counter-narcotics effort. Like many slogans, the use of emotionally charged and sometimes politically motivated words like "militarization" is a gross oversimplification that does not do justice to the effort either to understand or deal with the complex problems of international narcotics.

In the first place, the level of our security assistance is only a part of our total effort. Of some \$129 million in counter-narcotics funds requested for Peru in FY 1991, for example, only about \$40 million is for military assistance, and much of that is for maintenance support and infrastructure improvement. Nor do we contemplate large levels of US military presence in the Andes. We have never maintained such a presence, and our strategy includes as one of our tenets the determination not to Americanize the effort to work with local governments.

Second, our decision to encourage greater participation of the local militaries in the counter-narcotics efforts parallels the evolution of our own policy that projects a greater role for the Department of Defense in the war on drugs in the United States. Indeed, the militaries in the Andean states are an important component of the governments

and their involvement is a sign of greater overall national commitment in dealing with the problem.

Third, while we believe the militaries of the Andean states need to play a more constructive role, we never have nor will force military assistance on these countries. Nor is the assistance we are providing of a nature to create large, new forces in the region. We are developing the specialized skills and units required to conduct or support meaningful counter-narcotics operations, not creating major combat units. We should remember the immense size of the countries we are dealing with and that the narcotics processing facilities and growing areas are spread over large areas, often in remote locations. Narcotics law enforcement units are neither equipped nor trained to address the increasingly paramilitary nature of the problem. Further, as the case of Bolivian military support for counter-narcotics operations demonstrates, military support in some cases can be an effective way to avoid duplicating a parallel military capability within police narcotics enforcement agencies.

The financial resources of the narcotics traffickers, such as those in Colombia, enable them to hire private armies and terrorists on a national and international scale. Their ability to buy manpower and equipment surpasses the police capability and, in some cases, calls into question even the military's ability to respond effectively. These capabilities permit the narco-traffickers to challenge or defy the sovereignty of local governments in a way unprecedented in our experience.

US counter-narcotics policy, therefore, should not be characterized as a "militarized" effort, but rather one that seeks to provide legitimate governments with the tools and assistance to help defend their political sovereignty.

But the problem does not end there. There is now a further complicating factor, and that is the degree to which so-called guerrilla organizations are becoming involved in narcotics trafficking, either in providing protection in return for profit or in engaging in the production and sale of coca.

The effort of the United States to help these countries deal with "narco-insurgents" has raised the specter of counter-insurgency—specifically, whether the United States should engage in supporting Andean militaries, some with past records of human rights abuses, in waging a struggle against insurgent groups which

are clearly involved in many aspects of narcotics trafficking. We cannot gloss over past abuses in some countries. We do not support these and never will. But neither should we succumb to the romantic notion of downtrodden peasant masses protesting in arms against social injustice, nor depict organizations like the *Sendero Luminoso* (Shining Path) of Peru or the FARC (*Fuerzas Armadas Revolucionarias de Colombia*—Armed Revolutionary Forces of Colombia) in Colombia as champions of human rights. Moreover, these groups are now becoming narcotics traffickers themselves, profiting from the environment of drugs and using drug monies to finance further violence.

In such groups, we are dealing with professional organizations of tight-knit cadres whose human rights abuses, indiscriminate bombings of civilian targets, use of torture, terrorism on a national scale, and barbaric brutality are plainly part of the public record in Colombia and Peru. While the US attitude toward these problems is well known, the United States has not provided significant financial assistance to any of the Andean nations to deal with these specific problems. We are focusing our effort on counter-narcotics, not on counter-insurgency, but we cannot lose sight of the fact that it is the insurgents who have become involved in narcotics and, along with the traffickers, created a militarized situation.

Let me also point out the following. At this point, we have not concluded a security assistance agreement with the government of Peru. We have done some advance planning and held discussions with officials of the government, but no programs of assistance can go forward without such an agreement. While it is our belief that the narcotics situation in the upper Huallaga Valley cannot be dealt with effectively without the involvement of the Peruvian military, this is a Peruvian government decision. And, of course, it will be a decision as to whether the counter-narcotics performance of the Peruvian institutions involved in the struggle will justify the provision of economic assistance. Our request for economic assistance for Peru in 1991 is based on the assumption of effective counter-narcotics performance.

Our counter-narcotics work in Bolivia does not create a significant military capability; it, too, focuses on improving the military's ability to support counter-narcotics efforts. This includes improvements in riverine programs by the Andean navies to interdict the flow of precursor chemicals and drugs on Bolivia's waterways.

The involvement of the Colombian military in supporting counter-narcotics law enforcement operations over the past 2 years proves the effectiveness of this approach. Recently, the Colombian military, using equipment supplied by the United States, with the police seized over 18 tons of cocaine in one transportation complex deep in the Colombian jungle.

It is basic to our policy that human rights remain under continuous review to determine whether government policies justify, reinforce, or call into doubt our continued assistance relationship. State Department human rights reports on Colombia and Peru have been candid in their criticisms and, in fact, received praise from human rights groups. We will work with the Andean militaries to eliminate human rights abuses as they increase their involvement in anti-narcotics operations. Our training, in fact, will emphasize human rights and civic action.

Involvement of US military personnel and organizations is clearly defined, limited, and subject to continuing review. The US military role is to provide support and development of host country capabilities. It will provide training and operational support, materiel, advice, and technological and maintenance support to cooperating nations' counter-narcotics organizations. Defense personnel will not participate in actual field operations.

Contrary to some media reports, the levels of counter-narcotics based economic assistance planned for in the President's Andean strategy outweigh the levels of military assistance being offered. Over the 5 years that the strategy covers, from FY 1990 to 1994, economic assistance will total over \$1.1 billion, versus approximately \$676 million in security assistance. Moreover, this does not include other economic assistance such as food aid and trade preferences for the Andean region.

Further Initiatives

We are, of course, living up to the economic commitments made at the Cartagena summit. We are implementing the initiatives contained in the President's November 1 Andean trade package, including working with the countries in the region to develop further initiatives:

- In February, administration officials met with representatives from the European Community, Canada, and Japan to discuss ways we can help the Andean countries improve their trade performance.

- In March, the Office of the US Trade Representative (USTR) announced that 129 products were accepted for review under the US generalized system of preferences (GSP) special Andean review. Final results of the review will be announced in July.

- We have also conducted successful technical seminars on the GSP program in Colombia, Bolivia, Peru, Ecuador, and Venezuela to help the Andean countries take full advantage of the GSP. A US team is in the Andes the week of June 18 to conduct seminars on the US textile program.

- We have scheduled a workshop in Washington for the Andean countries the week of July 9 on ways to expand US-Andean trade and investment opportunities.

- We are exploring areas of potential cooperation with the multilateral development banks and have emphasized US support for World Bank efforts in the area of trade policy reform.

- On May 8, the United States and Bolivia signed an agreement to establish the US-Bolivia Trade and Investment Council, whose objectives are to monitor trade and investment relations, identify opportunities for expanding trade and investment, and negotiate agreements where appropriate.

- We also renewed our commitment to seek a new International Coffee Agreement (ICA).

- We have offered to accelerate negotiations on tariff and nontariff measures in the international trade negotiations now going on in Geneva. Andean participants have not yet responded to our offer.

In addition to the bilateral aspects of the Andean strategy, we are also working with the international community to gain support for Andean initiatives. The strategy suggests that a consultative mechanism with other developed countries be established to encourage closer coordination of international counter-narcotics efforts. I will be travelling to Europe at the end of this month to further this goal.

We are pleased with the work of the G-7 Financial Action Task Force on money laundering; the United States hopes to expand the number of countries that embrace the action recommendations of the task force to ensure that all countries have comprehensive domestic programs against money laundering and cooperate to the maximum extent

possible in international money laundering investigations and prosecutions. Narcotics is also on the agenda of the Houston economic summit next month, and there we hope to gain greater G-7 support for precursor chemical control. As our own controls become more effective, the drug traffickers look to Europe and the surrounding countries for supply of these chemicals, and so we must bolster international efforts to limit their use to legitimate industry. Without essential chemicals, cocaine cannot be produced. We have just completed a State Department-Drug Enforcement Administration (DEA) mission to Europe to promote the control of essential and precursor chemicals. We will be conducting similar missions to Latin American countries.

In closing, I would like to take this opportunity to say that I believe that during the coming year, we and the Andean governments will have many opportunities for progress as we work together to attack all aspects of the cocaine trade. We are optimistic. The price of coca leaf is down in Peru and Bolivia. As a result, in Bolivia voluntary eradication of coca is up—this year has already surpassed last year's total—and increasing numbers of growers are moving out of the illegal industry. DEA laboratory analysis indicates that purity levels of cocaine at both the wholesale and retail levels are down and prices have increased at the wholesale level in many areas throughout the nation. Cartagena ended the argument over who is to blame for the drug crisis; we now have a consensus on the nature of the problems we face and a solidifying common front against the drug trade.

Success will not happen overnight, but we are beginning to see that our efforts are having an impact in the Andes, and on the streets of the United States. Provided we are prepared to sustain our activities and not allow our thinking to be clouded by false analogies and oversimplifications, I believe we will continue to make progress toward a goal the American people have made clear that they support. ■

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Latin America's Year of Freedom



United States Department of State
Bureau of Public Affairs
Washington, DC

Following are remarks delivered by President Bush to the Council of the Americas, Washington, DC, May 22, 1990.

[Introductory remarks deleted. . .]

I am pleased once again to speak to this most influential group—pioneers in the private-sector effort to expand trade and investment between the United States and Latin America. And I am delighted to address this gathering after what has been a remarkable year of change.

Over the past 12 months, it has sometimes seemed that the eyes of the world rest solely on Eastern Europe—on the miraculous transformation that has taken place there. Our friends in Latin America have watched these historic events unfold with inspiration and awe. But also, I know, with an unmistakable sense of anxiety [and] concern that our active involvement in Europe will mean a decline in US interest in Latin America.

I am here today to assure you, just as I have assured the many Latin American leaders I have met with, that the events of the past year have increased US interest in this region—strengthened our desire to forge a new partnership with the growing forces of freedom in Latin America. Because the fact is, the great drama of democracy is unfolding right here in our own hemisphere.

Think about the tremendous gains made for freedom this past year. When I spoke here last May, the people of Panama were preparing to go to the polls—even as the dictator of Panama was preparing to steal the election. In Nicaragua, civil war raged, the Sandinistas ruled, and the brave men and women of the Nicaraguan opposition were just beginning the long campaign that led to this year's great victory for democracy.

In Central America: Nicaragua and Panama; in South America: Paraguay and Chile, all across the Americas, today more people live under freely elected governments than ever before, and we are closer

than ever before to the day when all the people of the Americas, North and South, will live in freedom.

Even in Haiti, the scene of so much human suffering and anguish and turmoil, the provisional government has now announced its intention to hold free elections. This Thursday [May 24], I will be meeting at the White House with the new leader of Haiti [Ertha Trouillot], where we are sure to discuss ways we can support democracy in Haiti. In all of Latin America, only Cuba—Castro's island—remains isolated, out of step with the democratic tide. But today we are celebrating the anniversary of Cuban independence. Let me say with certainty that even in Cuba, the dream of democracy can only be pushed back a little, only be deferred—it will never be destroyed.

As we in the United States welcome our Central and South American neighbors into the ranks of democracy, we must offer them our

help and something more; we must offer them our respect, the respect due one free nation from another, and the outstretched hand of partnership.

I have been working to strengthen our ties. Just this year alone, I have met with Presidents Barco [Colombia], Paz [Bolivia], and Garcia [Peru], at the Andean drug summit in Cartagena. . . . Here in Washington, I have hosted Presidents Perez [Venezuela], Paz Zamora, Cristiani [El Salvador] and Endara [Panama], Collor de Mello [Brazil], Calderon [Costa Rica], and Callejas [Honduras], and Prime Minister Manley [Jamaica]. In each case, I have come away from our talks with a strong sense of optimism. And I believe every one of those leaders left the White House knowing that the United States is engaged as never before in the future of this hemisphere.

Democracy and Development

While from country to country conditions differ, we know now that our challenge is to consolidate democracy and accelerate development. That means advancing the intellectual revolution now sweeping Latin America, a movement away from stale, statist doctrines; away from dictatorships of the right and left; toward democracy, free government, free enterprise; toward the true political and economic empowerment of the people.

That means encouraging, for the first time in many cases, genuine free market reform. Even in countries that claimed no kinship with communism, true free enterprise did not exist. In practice, economies were often organized to ensure the prosperity of the people in power—not to open an avenue toward upward mobility for anyone ready and willing to work.

Peruvian economist Hernando de Soto describes the maze of bureaucratic barriers that stood in the way of the entrepreneur and stifled economic growth in his country. De Soto also shows how much Lima, Peru's capital, owed its economic vitality to what he calls the "informal sector"—the thousands of independent and enterprising individuals doing business without the consent of the State.

De Soto's prescription—and mine—is to free this economic force: unleash the million sparks of energy and enterprise; let the incentive of reward inspire men and women to work to better themselves and their families.

Already, Latin America is discovering this path. In Brazil and Bolivia, in Argentina, Venezuela, Mexico, Costa Rica, and Jamaica—free market reforms are going forward, creating space for private initiative to take hold and flourish. As they succeed and as they reap the rewards that will follow this—I would say what will certainly be a painful transition—these nations will bring others in their wake.

We in the United States must do all we can to ensure the future of free markets in the Americas because our nation has a stake in the economic health of this hemisphere. We know that since the late 1970s, Latin America's share of all US trade dropped from 10% of all US exports, down to 7%. And yet last year, for the first time ever, two-way trade between the United States and Latin America topped \$100 billion. As that trade continues to grow, so will the link between our prosperity and the prosperity of our Latin American partners.

Let me provide a few statistics to drive home this point: Last year, the Colombian economy grew 3%; US exports to Colombia rose 9%. Mexico's economy grew 3%, and US exports to that country climbed 21%.

In Chile, with an overall growth rate of 10%, US exports increased by triple that rate—more than 30 percentage points.

The most effective way to ensure expansion of trade between the United States and Latin America is for all countries of the hemisphere to support a successful Uruguay Round. The ambitious agenda in the Uruguay Round, including proposals for significant multilateral tariff reductions, will benefit our Latin American trading partners. We are committed to the expansion of trade and investment liberalization, and we seek Latin American support for these very important objectives. In addition, the strengthened debt strategy launched last spring has reinvigorated market-oriented economies and reinvigorated the reforms in Latin America. These economies help provide the needed foundation for democracy itself.

That's why I am so pleased to report on the progress we've made this past year under the Brady plan. Mexico, Venezuela, and Costa Rica have all reached agreements with their creditors on ways to reduce their debt; ways to complement their efforts to restructure their economies along free-market lines. Because in the long term, the free market remains the only path to sustained growth.

Role of the Private Sector

We all know the private sector plays a crucial role. Taking advantage of new investment opportunities is good for business, but at this critical moment there is something beyond the bottom line; something that cannot be measured simply in terms of GNP. The role the Council of the Americas can play—expanding trade and strengthening the private

sector—contributes not only just to economic growth but to the growth of democracy itself.

Now, there is an important role for government to play as well—especially during the difficult days of transition from dictatorship to democracy. That's why I have called on Congress to provide \$800 million in emergency economic aid to Panama and Nicaragua. We have a big stake in this. This aid is critical. A little over a week ago, I received a letter from President [Violeta] Chamorro—just weeks into her term in office—telling me that Nicaragua was bankrupt. And yet, for more than 2 months now, this emergency aid has been bogged down on Capitol Hill. To give you an idea of the magnitude of this problem, in March, I requested \$800 million for Panama and Nicaragua, asking that this bill be finished April 5. It is now May 22, and the funds for Panama and Nicaragua have been reduced by \$80 million—even though \$1.4 billion in extra spending has been added.

Finally, it appears the Congress may act this week on this vital measure. For the people of Nicaragua and Panama democracy hangs in the balance. So let me say to the Congress: The fate of freedom rests

in your hands. Do the work of democracy—and pass this emergency aid package now.

Personal Stories of Freedom

Today, I began by speaking about the changes that have riveted world attention on Europe. Part of the power of the story is that it can be told in intensely personal terms, as the story of the dissident playwright who is now president or of the electrician who came to symbolize his people's hopes for freedom. Democracy's advance in Latin America has produced its share of heroes—and today I will close with three from one country alone, Latin America's newest democracy, Nicaragua.

- For 4 years, beginning in 1979, the year the Sandinistas took power, Enrique Dreyfus was head of Nicaragua's supreme council of private enterprise—a private-sector group in many ways similar to this one. His criticism of Sandinista rule put him on the Sandinista black list and landed him in prison. Today, with the Sandinistas swept from power, Enrique Dreyfus is not just free from persecution—he is Nicaragua's new foreign minister.

- In 1985, members of the Sandinista internal security force beat Sofonias Cisneros for criticizing the

way the Sandinistas had politicized the schools. Today, Mr. Cisneros is minister of education.

- And on July 10, 1988, opposition leader Myriam Arguello was beaten, taken from her home in the middle of the night by Sandinista police, tried, and sentenced to 6 months in prison. Today, Myriam Arguello is president of Nicaragua's freely elected national assembly.

These three stories underscore in personal terms the truly revolutionary political change that has taken place not just in Nicaragua but across the Americas, change that proves beyond doubt that the day of the dictator is over and democracy's day has come.

For our part, we in the United States must do all we can to help secure for all the Americas the freedom, the peace, and prosperity we enjoy. Please keep up—more than ever—your important work in guaranteeing that democracy succeeds in this precious hemisphere of ours. ■

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The United States and the OAS



United States Department of State
Bureau of Public Affairs
Washington, DC

Following is a statement by Luigi R. Einaudi, US Permanent Representative to the Organization of American States, before the Subcommittee on Western Hemisphere Affairs and the Subcommittee on Human Rights and International Organizations of the House Foreign Affairs Committee, Washington, DC, May 1, 1990.

Potential and Uncertainty

Speaking last November to an Organization of American States (OAS) General Assembly filled with representatives of the elected governments of Latin America and the Caribbean, Secretary Baker said that he and President Bush believe that we and they "have it in our power to create, here in the Americas, the world's first completely democratic hemisphere—a hemisphere, as the charter of the OAS envisions, where human rights are respected and the rule of law prevails, where all nations live in peace and none lives in fear of aggression."

This is not a utopian vision. The bitter troubles of Central America are not over, but there is clearly movement toward conflict resolution

on a basis of democracy and national reconciliation. In the Caribbean, Haiti has fresh hope for democracy; only [Fidel] Castro's Cuba remains stubbornly resistant to the winds of freedom. In South America, Brazil and Chile this year completed democratic transitions with new presidents elected directly by the people. In January, Canada joined the OAS as a full member. This June, the annual OAS General Assembly will meet in Paraguay, whose government is a symbol of political and generational change.

Uncertainties abound, however. The hemisphere has largely rid itself of dictatorships, but even elected leaders still face ominous clouds of poverty and frustrated development. The momentous changes sweeping Eastern Europe are altering the structure of international politics as we have known it since the end of World War II, but the nature of the new order remains unclear. Where will the Americas fit? Many observers are pessimistic, both about Latin America after a decade of lost growth and about the outside world's continuing interest in the region's development.

Finally, [Western Hemisphere Affairs Subcommittee] Chairman [George W.] Crockett last July noted one problem central to this hearing. The OAS is financially broke, its relevance undermined by a generation of misuse and disuse by member governments.

This year marks the centennial of the first International Conference of American States (1889–90) in Washington, presided over by US Secretary of State James Blaine. The International Union of American Republics, staffed by the Commercial Bureau of the American Republics, became the Pan American Union in 1910. The modern Organization of American States is based on the 1947 Inter-American Treaty of Reciprocal Assistance (the "Rio Treaty") and the Organic Pact adopted in 1948 in Bogota and most recently updated at Cartagena in 1985.

Today, the OAS has 32 members. Its activities are consistent with Article 52 of the United Nations Charter, which recognizes "regional arrangements or agencies for dealing with such matters relating to the maintenance of international peace and security as are appropriate for regional action."

A Renewal Has Begun

Few observers thought a year ago that the OAS would be deeply involved in such weighty matters as Nicaraguan elections, [Manuel] Noriega, or effective peacekeeping and antidrug activities. Take just four examples:

- On April 18, 1990, the Sandinista government of Nicaragua and the Nicaraguan Resistance agreed to a cease-fire with the full participation and support of the incoming Chamorro government and witnessed by Cardinal Miguel Obando y Bravo. The cease-fire was negotiated and signed in the OAS offices in Managua.

The cease-fire calls for UN forces (the UN Observer Group in Central America—ONUCA—with Venezuela in a key role) to collect weapons. Meanwhile, OAS teams are to provide humanitarian assistance to the demobilizing resistance forces.

Earlier, OAS election observers were decisive in ensuring the freedom of the February 25 elections. Two Members of the US House of Representatives Subcommittee on Western Hemisphere Affairs, Representatives Porter Goss and Harry Johnston, were among the 434 international observers and experts mobilized by the OAS to create the climate of confidence that enabled the will of the Nicaraguan people to be respected.

- Last February, the summit between President Bush and the Presidents of Colombia, Bolivia, and Peru marked a powerful new antidrug consensus.

On April 17–20, 1990, Attorneys General and Ministers of Justice from throughout the hemisphere gave concrete impetus to the war on drugs. They agreed to complete ratification of the 1988 UN antinarcotics treaty by year's end. They approved specific legislation controlling essential and precursor chemicals and machines used in the manufacture of cocaine and urged individual countries to adopt it as soon as possible. And they established an experts group to develop model common legislation against money laundering and illegal assets.

The meeting was organized by the OAS Drug Abuse Control Commission (CICAD), which had earlier negotiated the model legislation on chemicals and will now develop the legislation on money laundering.

- On November 9, 1989, just as public attention focused on the opening of the Berlin Wall, the Inter-American Commission on Human Rights (IACHR) issued a devastating *Report on the Situation of Human Rights in Panama*. The OAS report systematically documented the Noriega regime's abuses of human rights after it suspended rights established in the Panamanian constitution on June 10, 1987. The IACHR's conclusion: The puppet government installed by Noriega on September 1, 1989, was "devoid of constitutional legitimacy."

- On October 6, 1989, a citizen of Trinidad and Tobago died in a shooting incident between a Trinidad and Tobago fishing trawler and a patrol boat of the Venezuelan national guard. At the request of the two governments, OAS Secretary General Joao Clemente Baena Soares appointed three experts, two from the OAS Secretariat and one from the Royal Canadian Mounted Police, to undertake an impartial investigation. By January, the recommendations of the OAS team had led to the conflict's resolution to the satisfaction of all concerned.

Trinidad and Tobago's minister of external affairs wrote that the OAS had again demonstrated its value as "the ideal forum of the Americas for the peaceful resolution of conflicts."

US Policy and the OAS

From the start of his Administration, President Bush and his Secretary of State have articulated a new emphasis on multilateral diplomacy.

On March 30, 1989, having just concluded a bipartisan accord between the executive [branch] and the leaders of the United States Congress, Secretary of State Baker told a distinguished assemblage of democratic leaders from Latin America and the Caribbean that "we need each other now as we have never before. . . . If we are together en-

gaged in a joint venture north and south to advance and defend democracy, then we must each do our part—collectively where possible—to create new mechanisms and strengthen existing ones to defend human rights, to guarantee the integrity of elections, and to establish sanctions against those who threaten democratically elected governments through violence or through coups."

"If you ask the United States," the Secretary said to his fellow members of the OAS, "to forego unilateral initiatives and to work, instead, in good faith with the democratic nations of Latin America in a new cooperative diplomacy to support democracy, then we ask you to join us in good faith to turn the promise of that diplomacy into a reality throughout this hemisphere."

On March 22, 1990, Assistant Secretary of State Bernard Aronson told the Committee on Appropriations of the House of Representatives that the United States perceived four tasks in its relations with Latin America and the Caribbean: "Consolidating and building on democratic gains, advancing economic development, promoting peace, and ridding our region of the scourge of drugs."

The OAS is contributing in all four areas. But the OAS also serves as a critical "environmental" factor. A climate of effective regional communication can only start with a clear statement of national interests. The precedent was established at the United Nations by Senator Moynihan and Ambassador Kirkpatrick. [Daniel Patrick Moynihan and Jeane Jordan Kirkpatrick, former US Permanent Representatives to the United Nations.] Silence is often not golden. There are cases to make, interests to defend. Words count. Resolutions matter.

By making clear our interests, we make them understood and position ourselves to seek as much common ground as possible with others to advance them. The OAS is an association of sovereign states. No matter what extraordinary changes are wrought in the world, this will still be a hemisphere of nation states. The OAS makes possible consultations and harmonization of interests

and instruments among the countries of this hemisphere on a basis of respect for sovereignty.

The OAS Fumble on Panama

On December 20, 1989, US military forces went into action to defend US citizens in Panama. The action was a sharp reminder that multilateralism does not always work. The OAS, to which the United States and other countries had turned after the brutal annulment of the May 7, 1989, elections, failed. Its actions did not begin to match the agony of the Panamanian people, their initial faith in the OAS, or the hopes of the international community.

A mission of foreign ministers expended much effort but was unable to negotiate Noriega's departure from power. The result left the people of Panama—and the US citizens fulfilling treaty obligations to operate and defend the Panama Canal—subject to abuse and, for some, death at the hands of the Noriega dictatorship. Disguised initially by appeals to the doctrine of nonintervention, this failure of diplomacy became evident to all when the United States was ultimately forced to military action.

The Noriega case did show that the OAS could be used by member governments to communicate their concerns to a broader public. On August 31, 1989, the eve of the September 1 deadline established in the Panamanian constitution and recognized by the OAS meeting of foreign ministers for the transfer of power, the United States called for a special session of the Permanent Council. Acting Secretary [of State] Lawrence Eagleburger delivered a powerful, detailed statement, "The Case Against Panama's Noriega." The US Mission distributed facsimiles of the Florida indictments and copies of Noriega bank records in Europe. Together with the damning OAS human rights report, these OAS activities led to the isolation of Noriega's Panama and the withdrawal of ambassadors from Panama by many OAS members.

Even so, OAS inaction was deeply disappointing. Part of the problem was Noriega's obduracy, part of it the

unwillingness of OAS member governments to make the admittedly tough decisions involved. The lowest-common-denominator approach that ensued made clear the hemisphere's distaste for Noriega and his brand of government, but failed to provide any visible consequences for his defiance of hemispheric opinion.

Our prolonged and patient effort to deal with the crisis in the OAS helped mitigate adverse reaction to the use of military force when it was finally required to defend the lives of US citizens. The OAS resolution of December 23 criticized the US action unequivocally, but "deeply regretted" rather than condemned. Conscious that responsibilities were shared, Venezuela and five other Caribbean Basin nations abstained.

The OAS Recovery on Nicaragua

OAS election monitoring in Nicaragua contributed decisively to the fair outcome of the February 25 elections. The presence of observers from the UN and the OAS as well as those organized by [former] President [Jimmy] Carter, the Center for Democracy, and other activist groups, permitted the voters to express their will without fear and made it impossible for the results to be ignored.

The OAS observation system was both the largest and the most pervasive of the various international efforts. It was supervised personally by Secretary General Baena Soares, who did not delegate his authority, but instead traveled repeatedly to Nicaragua to keep in touch with the many leaders involved.

The OAS established offices in all nine electoral Nicaraguan districts. This basic OAS infrastructure provided communications, housing, transport, data handling capabilities, and a parallel voting tabulation system nationwide. Beginning in August, 1989, personnel from the OAS Secretariat in Washington took turns in staffing the offices in Nicaragua.

Secretary General Baena Soares informed the Permanent Council that the success of the program was due to

the trust extended it by the people of Nicaragua, to the high standards of the technical infrastructure the OAS put in place with support from the Pan American Health Organization (PAHO) and the Inter-American Institute for Cooperation on Agriculture (IICA), and to the support of OAS member states who provided observers, technical experts, and advisers.

The United States contributed key financing (\$3.5 million) and technical advice. (Danny McDonald of the Federal Elections Commission was among the Secretary General's personal advisors, along with election tribunal members from Brazil, Costa Rica, and Venezuela). Last but not least, as noted earlier, Members of Congress joined legislators from other hemisphere countries as observers.

In response to requests from both incoming President [Violeta] Chamorro and outgoing President [Daniel] Ortega, Secretary General Baena Soares kept OAS observers in Nicaragua after the election. Meanwhile, he and UN Secretary General [Javier] Perez de Cuellar negotiated terms of reference for the joint Verification and Support Commission (CIAV) called for by the Central American presidents to verify compliance with the Tela and subsequent agreements. To assist with the voluntary demobilization, repatriation, and resettlement of the Nicaraguan Resistance, OAS-CIAV assumed responsibility for Nicaragua, UN-CIAV for Honduras and Costa Rica.

Participation in electoral observation and in the post-election transition subjected OAS staff members to numerous hardships, particularly in rural areas, but their common reaction was that in the wake of the demoralizing 30% reduction in force of early 1989, no better way could have been found to remind themselves and others of the fundamental mission of the OAS.

Human Rights

The independent OAS IACHR is the conscience of the hemisphere. OAS involvement in human rights is based upon the 1948 American Declaration of the Rights and Duties of Man and

the 1969 American Convention on Human Rights. The IACHR and the Inter-American Court on Human Rights (CIDH) give the OAS an active and at times forceful role in promoting and protecting human rights. Through both persuasion and published reports on human rights infringements, the commission has been instrumental in improving member government practices. On occasion it has directly helped resolve conflict situations.

Members of the IACHR are elected in their own right, not as representatives of governments. The autonomy of the commission is further enhanced by its prerogative to initiate human rights investigations without the approval of the Secretary General or the Permanent Council. A US citizen, John Stevenson, is currently one of seven commissioners; another US citizen is acting executive secretary.

The IACHR prepares an annual report with chapters on countries with human rights problems in general and on individual cases, as well as special reports. In its last 14 years, the commission has effectively challenged abuses in Panama, Nicaragua, Cuba, Chile, El Salvador, Guatemala, Suriname, Haiti, and Paraguay, among others. The 1989 special report on Panama was an important factor in galvanizing international public opinion against the Noriega regime. The IACHR also played a key role in the release of thousands of political prisoners in Nicaragua.

On February 23, 1990, the OAS Permanent Council adopted a resolution mandating an in situ visit on the human rights situation in Haiti. The IACHR visited Haiti April 16-20; its report will be part of a broad OAS and UN effort to support elections by the new Haitian government.

Other Key Activities

Drugs. The OAS Inter-American Drug Abuse Control Commission (CICAD) was established in 1986, first met in April 1987, and began its first activities in 1988. Under the leadership of Irving Tragen, an American citizen, the CICAD has

overcome the stereotypes associated with labels such as "producing, transit, and consuming" countries and galvanized measures such as those agreed upon at Ixtapa, Mexico, last month.

CICAD's programs focus on regional approaches to legal development, public awareness, and prevention. One project seeks to mobilize private sector support for antinarcotics programs, another to enlist schools in preventing drug abuse, yet another to strengthen national and international law on seizure of traffickers' assets and control of precursor chemicals. In addition to support via the OAS budget, the United States has made several special grants. The Inter-American Development Bank (IDB), the European Community, and the Italian, Japanese, and Canadian governments are currently considering grants to CICAD.

Technical assistance. Responding to a major demand of less developed members, OAS programs train over 2,000 specialists annually (91,000 since its inception), primarily in the US but also at 23 inter-American centers. The United States continues to be the major contributor, but Argentina, Brazil, Mexico, and Venezuela have joined the United States as net donors. OAS feasibility studies for large-scale projects in regional development, environment, and education are endorsed and funded by the IDB. Wider recognition of OAS effectiveness has attracted contributions from nonmembers, including Spain, Italy, Holland, Israel, and France, anxious to take advantage of the favorable cost-benefit ratio achieved by the OAS. The OAS manages a major program of feasibility studies on modernizing telecommunications throughout Latin America and the Caribbean. The US private sector has also joined in. An International Business Machines (IBM) contribution of \$1,500,000 (not including in kind contributions) has helped the OAS put together a highly sophisticated trade information program now at work facilitating an expansion of north-south trade.

Program development. The foregoing discussion illustrates the OAS's capacity to adjust priorities and institutional structure to meet changing demands and requirements. What is new is the Secretary General's success in mobilizing the other inter-American specialized organizations—PAHO and IICA—in joint efforts such as election monitoring in Nicaragua. The OAS, PAHO, and IICA are continuing their close cooperation with CIAV. OAS experts experienced in Nicaraguan conditions have prepared detailed projects for recovery in education, job training, health services, and agriculture.

Specialized organizations. The OAS directly supports:

- The Inter-American Defense Board (IADB), created during World War II to plan and coordinate collective hemispheric defense. It advises the OAS on defense matters, and has coordinated peacekeeping operations.

- The Inter-American Defense College (IADC) is supervised by and funded by the IADB. It strengthens military professionalism and augments US international military training programs. The college annually trains about 60 field grade officers, many of whom reach leadership positions in their respective services.

- The Inter-American Children's Institute (IACI) is concerned with problems of mothers, adolescents and families, including the growing number of "street children."

- The Inter-American Commission of Women (CIM) is concerned with women's rights and their integration into development and decision-making processes. CIM research and seminars have focused on women and politics (1988), women and employment (1989), and violence against women (1990).

Other organizations associated with the OAS are financed outside the OAS budget:

- The PAHO, with resources of \$67 million (1988), has contributed significantly to protecting the United

States from communicable diseases and promoting improved sanitation and health conditions throughout the hemisphere.

- The IICA, with resources of \$34 million (1989), has worked closely with the US Department of Agriculture in preventing threatening animal and plant diseases from entering the United States and in helping members develop food production.

- The Pan American Institute for Geography and History (PAIGH) has major geodetic and cartographic programs of its own and facilitates cooperative relationships between US agencies (such as the Defense Mapping Agency and the National Ocean Service of the National Oceanic and Atmospheric Administration) and other countries in such vital areas as safety of flight.

- The Inter-American Indian Institute (IAII) has been helpful in providing the US Department of Interior's Bureau of Indian Affairs with a vehicle for cooperation with other Latin American countries with major Indian populations.

Finally, one organization created and supported by the OAS receives financial support largely from US corporations and other private sources. The Pan American Development Foundation (PADF) is a Section 201(c)(3) entity with a subsidy from the OAS and some US Agency for International Development (AID) funds; corporate donors provide over one-half of its resources. It has channeled over \$100 million from the private sector into development projects which mobilize private sector support in recipient countries.

The OAS and its specialized organizations frequently carry out programs for other organizations, such as the UN Development Program (UNDP), the UN Environment Program (UNEP), and the World Bank, on a contract basis. The OAS has received some \$6 million annually in recent years for these purposes. External entities recognize the value of OAS management of technical assistance and its effectiveness.

The Financial Crisis Is Acute

A remarkable aspect of the enhanced role of the OAS in the past several months is that it took place despite serious underfunding. The US paid only \$18 million of its 1989 assessed quota payment of \$40 million to the OAS. (The US assessment for the OAS is 66%; the United States accounts for 85% of the total GNP of all OAS members.)

This caused a severe cash flow crisis which the OAS met by a 30% personnel cut in January 1989, combined with one-time reductions in program activities. From November 1988 to March 1989, 293 employees either resigned voluntarily (205), were on fixed-termed contracts allowed to lapse (76), or retired (12). The cuts, worked out in close cooperation with member states including the United States, fell roughly proportionately on nationals of all member countries. Total OAS personnel in 1974 numbered 1,577; by the end of 1989, the number was 654—a 55% reduction in 15 years. At present, the United States provides 14% of the entire OAS staff and 20% of its professionals—easily the largest national group among OAS personnel.

Despite these draconian cutbacks, arrearages and the consequent lack of reserves severely limit flexibility and threaten to undermine the work of the OAS on almost every front. For example, the \$1.5 million the OAS has received for its work facilitating the peaceful demobilization and reintegration of the Nicaraguan Resistance will run out later this month.

Just last week, Assistant Secretary of State John R. Bolton told the House Subcommittee on International Organizations that "we must reestablish America's image as a credible, reliable participant in international organizations. To do so we must fully meet our financial obligations when they are due."

The Administration is asking the Congress for full funding of our FY 1991 quota assessment to the OAS as well as \$38 million for arrears, which, if appropriated, would be paid in equal installments of 20% a year for 5 years. This would fulfill the Admini-

stration's determination to use multilateral diplomacy, where feasible and appropriate, to resolve regional problems and to engage our neighbors on topics of hemispheric concern.

Other countries are showing their commitment to the OAS. Argentina, Ecuador, Mexico, Paraguay, and Venezuela are all hosting important meetings this year. In September 1989, Argentina paid most of its \$12 million arrears. This year, Canada's accession to the OAS in January was testimony to the benefits of membership and will further enhance effectiveness.

The Second Century

Imagine the number of vital issues, from drugs to economic development, from mutual security to the environment, on which progress would be more rapid if we succeed in building on a democratic foundation where the rights of individuals and of governments are not in conflict.

As the OAS enters its second century, one of its enormous strengths is that its membership is overwhelmingly made up of states that organize themselves in ways that are democratic. The test of membership is becoming democracy as well as geography. This is a stark contrast to the situation just a generation ago. Moreover, the flexibility of democracy is a strength that is vital to today's rapidly changing world. This hemisphere has come a long way in the evolution toward democracy and in the suffering that any evolution requires. Compare the odysseys of Argentina, Brazil, Chile, or Nicaragua in the past decade to those of the countries of Eastern Europe now beginning to face the problems of attempting to construct a democratic polity.

Our challenge, a very difficult but inspiring challenge, should be to make the second century of the OAS the century of democracy. Already others in the region see the need to reconcile the principle of nonintervention, one of the traditional cornerstones of the inter-American system, with the principles of self-determina-

tion and representative democracy, both of which are contained in the OAS charter and both of which have been given new urgency by today's needs. Speaking at a special session of OAS Permanent Council on April 27, 1990, President Carlos Andres Perez of Venezuela declared himself a convinced believer in "collective unarmed intervention for the positive and peaceful resolution of conflicts."

On March 28, 1990, Assistant Secretary of State Aronson was explicit to the Senate Foreign Relations Committee: "The conventional wisdom holds that our historic mistake in Latin America has been interventionism. I would argue the opposite is true. Our historic mistake—when we have made mistakes—has been to fail to rally early and boldly and effectively to support and extend democracy in its hour of need."

The Organization of American States already serves as the basic sounding board of the western hemisphere. As an association of sovereign states, its structure makes it an inherently democratic sounding board. The OAS has no privileged members, no security council, no vetoes. Every member has one vote, the same opportunity to be heard. Visitors to OAS Permanent Council meetings sometimes comment that they can seem almost familial in spite of their formality. And that is another strength. Even with the entry to membership over the past generation of a dozen countries of the Commonwealth Caribbean, OAS membership is still small enough to be manageable. No one need be silenced in the name of efficiency. The OAS is the natural forum to turn democracy in individual countries into democratic solidarity as a source of hemisphere-wide strength.

Still Far to Go

For some years, important issues have been considered outside the OAS—or not considered at all. Now 100 years old, the inter-American system is turning a corner, and there is an exciting new focus for the 1990s and beyond:

- Promoting and assisting democratic transitions and strengthening democratic institutions are now a prime concern of the OAS.

- The IACHR—the most respected human rights organization of any multilateral body—must continue to keep human rights at the center of the hemisphere's collective conscience.

- In the drug wars, the OAS is strengthening multilateral cooperation and breaking new ground, most recently in precursor chemicals and money laundering. As President Carlos Salinas de Gortari of Mexico told the OAS ministerial conference 2 weeks ago, "We are encouraged by the spread of a generalized awareness that we have a common enemy and by the emergence of a balanced and mature vision of how to attack it internationally."

Similar cooperation is foreseeable in other areas:

The environment. The June 1990, OAS General Assembly will consider a proposal to create an "Inter-American System for Nature Conservation." Because of the great interest in environmental issues among member countries, the General Assembly might decide to call a specialized conference of experts to develop a program of action.

Education. Democracy, economic development, and cultural sensitivity require substantial investments in

education. The social, economic, and educational problems which cause so many young people to drop out of school waste human potential. Curricula need to be redesigned and teachers retrained. OAS multinational programs in basic education and education for work provide mechanisms for all member countries to share successes and to avoid repeating costly mistakes.

Integration. The Caribbean, Central America, the Andes, the Rio de la Plata area—the Americas have long been differentiated into natural subregions. So long as governments were despotic, so long as frontiers meant boundary disputes, and so long as individual countries could attempt to cut themselves off from progress, integration remained a dream. The spread of democracy gives the OAS new vigor as a forge of common consciousness and regional and subregional cooperation.

The OAS is by definition not a single-issue or single-country organization. But all these areas—plus the important work in trade promotion and democratically focused military education and training—are of deep national interest to the United States. All require positive, practical, productive, and patient contributions if we are to deal with the issues of the next century in a manner befitting the potential of the new world. ■

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Latin America at the Threshold of a New Century

Statement by Sally Grooms Cowal
Deputy Assistant Secretary of State for Inter-American Affairs
United States of America

Ministerial Session
Economic Commission for Latin America and the Caribbean
Caracas, May 9-11, 1990

Mr. President, heads of delegation, ladies and gentlemen:

It is a privilege and an honor to address the Ministerial Session of the 23rd meeting of the Economic Commission for Latin America and the Caribbean.

As ECLAC embarks on its fifth decade, profound change is taking place in Latin America. At this very moment, the Latin American and Caribbean countries are undertaking an historic transition toward democracy and the establishment of economies based on principles of the market place and competition.

Economic stagnation, unemployment, widening spreads in income distribution at the expense of the poor, and staggering inflation rates are the legacies of the discredited statist, inward-looking policies followed in the past. Rather than focus on the past, however, as we look to 1992, the next ECLAC meeting and the beginning of the sixth century of the New World, let us dare to look to the future. We stand at the threshold of a new century; fresh promise and possibility abound.

For the first time in history, the two continents of our Hemisphere are developing a shared economic vision. For centuries, the notion of the New World as the world of liberty has been a common and unifying theme for the Hemisphere. Now, more and more, we find a common understanding of the importance of the individual being able to make economic choices, as well as political ones. The authoritarian state has long been discredited in political thought; its economic parallel, the command economy, has likewise suffered a philosophical demise. Leading theoreticians throughout Latin America, as well as practical businesspeople and government officials, increasingly recognize the market as the mechanism through which the individual's economic choices are most effectively turned into reality. This is a revolution as profound as that of the ballot box.

These internal changes in Latin America have profoundly changed the U.S. relationship with the region. Leaders elected to office have the legitimacy and self-confidence to deal with their neighbors within the Hemisphere and elsewhere in the world as political equals. And countries which have freely committed themselves to a profound restructuring of their economic and social systems experience a justifiable sense of pride and self-reliance. We are therefore moving toward a relationship which for the first time in history is a natural and easy partnership. Theories of Latin America's economic dependency and marginalization -- so fashionable in the 1970s -- have been made irrelevant by the people of Latin America themselves deciding to take control over their history and responsibility for their future.

We have long talked of partnership in the Americas. I believe we can give that term a new and concrete economic meaning as we enter the new century. As our economies grow and change, and as technology shrinks the distances between us, the economic barriers which separate us become ever less relevant. We are all more and more part of a world economy in which goods, services, know-how, ideas from all parts of the globe are combined to serve a universal market. To grow, and to prosper, each of our nations will have to become increasingly open to that world economy, and to accept the notion of the globe as a single enterprise in which each nation plays a significant and interdependent role.

The next decade -- and the century beyond that -- will present us all with major challenges. Economic development means change, profound change, fundamental change. And history shows us that the rate of change is accelerating. To meet the ever more rapid changes that will occur in the next ten years, the economies of the region will need to be more flexible, efficient, and outward-looking. We need to encourage and cement in place the structures which have begun to emerge, for the world of the 21st Century will bring the most rapid and voracious change we have ever seen. Even more than in the past, the winners in the global competition will be those who have undertaken reform as a continuing process.

This is a formidable, perhaps even a forbidding challenge. At the same time, I am convinced that the necessary assets to meet the challenges of the 1990s already exist in Latin America and the Caribbean. The continent has the means to effect its own economic transformation.

- o The region has always been rich in natural resources. A land that for so long only supported one-crop cultures of sugar and coffee and not much else has turned to new and varied crops such as winter vegetables, cutflowers, soybeans, and citrus fruit, and to new industries of satellites and supertankers.
- o It is generally accepted that Latin American financial resources -- much of it flight capital in foreign banks -- are sufficient to pay off the region's external debt. This capital will return -- not in response to rhetoric, but when investment climates are healthy.
- o The labor force in Latin America and the Caribbean is already urbanized, largely literate, mobile, and increasingly organized.
- o And everywhere, there exist the energy and imagination which are the seeds of a dynamic, risk-taking private sector. Even in Nicaragua, which has suffered the ravages of a decade of civil war, there remain elements of an entrepreneurial private sector upon which to build. Increasingly, studies of the informal sector throughout Latin America show that the spirit of enterprise is strong, even under extraordinarily adverse conditions of poverty and stifling over-regulation.

These are indeed impressive assets. And we must add to that some impressive evidence of a growing will to undertake fundamental economic reform.

We now know, both from experience as well as economic theory, that growth and development flow from policies which inspire the confidence of investors and lenders, domestic and foreign. It is widely recognized that private initiative, and private savings and investment, are absolutely necessary.

In fact, in recent years, many Latin American countries have begun to move away from excessive government control, market intervention, and import substitution strategies of the 1960s and 1970s. They have moved toward more market-determined exchange rates, increased export orientation and better macroeconomic management. Many of these policies have been outlined by delegations present, who have provided vivid examples of change.

These examples are heartening signs of major progress. But the process is not complete. Governments in the region must continue to move forward to complete the reform process. They must commit themselves to the task of building a lasting political consensus which supports the notion that a prosperous future can only be built on a bedrock of sound economic policies and open trade and investment regimes. Even with sound policies in place, it takes time to build credibility, and to restore the confidence of potential investors, whether large or small.

We all know, of course, that implementation of economic policy reforms, while long overdue and absolutely necessary, is not painless. Change, even if ultimately beneficial, often brings with it temporary disruption and insecurity. Perhaps most importantly these policy reforms imply a fundamental change in the way people perceive their relationship with the state -- which has been an important point of discussion at these meetings.

These reforms demand a change in basic attitudes whereby individual enterprise is encouraged, and the state seeks to promote a stable economic environment that rewards initiative and provides proper incentives to work, save and invest. Under this philosophy, government provides a stable fiscal, monetary, and legal environment and then lets markets operate freely to determine the most efficient allocation of resources. Equity and social justice come not from the state assuring each citizen an appropriate livelihood or stable employment, but rather by providing basic investments in human capital (education and health) and establishing a fair and open framework within which citizens can exercise their economic choices.

This is a profound change in human psychology. It places the individual at the center of economic life, just as democracy places him at the center of political life. And as such it will release a new wave of entrepreneurial energy and economic dynamism. If the right economic institutions and incentives are in place and have proven their reliability, we know that people -- even the poorest -- will work and save and invest as a way of assuring themselves and their children a better future.

Crucial to the success of this system is equality of opportunity. This means a whole host of difficult but indispensable structural changes -- changes which I increasingly see in Latin America. It means, for example:

--Appropriate social investment, such as access of the poor to basic education and health;

--Dismantling the maze of regulation which keeps the informal sector out of the economic mainstream; and

--Realistic pricing of capital so as to encourage more labor-intensive industry -- and more jobs.

This economic philosophy also implies a fundamental change in how people look at external factors. No country is an economic island. What happens in the world economy inevitably changes what happens internally, even in large countries such as the U.S. But neither are countries merely passive victims of external circumstances. We have seen that wise economic management can make a major difference, even in the face of major international economic dislocations, and even for relatively small and less developed countries. I see a very healthy new sense of self-reliance in Latin America, a new appreciation of each country's ability to make its own way.

There may be some who are still inclined to blame economic problems on external factors like debt. Debt, of course, remains a problem. It is, however, more a symptom of a greater problem. As President Carlos Andres Perez has said: "If debt disappears and we continue managing our economies as in the past, inevitably we would continue in the same situation of unemployment and disaster."

Let me turn now to two major issues in the external economic environment faced by the region: debt and trade. In both these areas, I believe, we have made some important progress.

Notable progress has been made in the past ten months in implementing the strengthened international debt strategy which was reaffirmed at the World Bank/IMF spring meetings this week in Washington. Just yesterday, a 50 percent increase in IMF resources was approved by IMF officials and is likely to be approved soon by IMF members.

My country has been at the forefront of advocating the need to reduce debt and debt servicing for countries which are themselves active participants in economic reform. Named for Treasury Secretary Nicholas Brady, the so-called Brady initiative is really a set of proposals which can be flexibly applied. You are all aware of the key elements of this important initiative.

Recently, Venezuela and its creditor banks reached an agreement in principle on a comprehensive financing package which included both a significant new money feature as well as several debt and debt service reduction options. With this package, four countries in the region -- Mexico, Costa Rica, Chile, and Venezuela -- plus the Philippines have now taken advantage of the Brady initiative.

In the trade area as well, there is considerable basis for optimism. The United States and other industrial democracies have achieved stable growth in their domestic economies and have promoted the continued expansion of world trade. This has contributed to enhanced export opportunities for Latin America and the Caribbean.

In 1989, GDP in most of the G-7 grew in the range of 3 to 4 percent, which continues the strong trend of the past several years. Inflation has been kept in check at around the five-percent level in these countries. Further reductions have been achieved in many of the largest trade and current account imbalances.

The U.S. economy has continued its record peacetime expansion for the seventh straight year. Real GNP increased by almost three percent in 1989 and is forecast to rise by about two and a half percent in 1990 and by more than three percent in 1991. U.S. inflation in 1989 was 4.4 percent. Reduction of the federal budget deficit continues, and we remain committed to making substantial progress.

Despite many complaints and perceptions to the contrary, the U.S. market is remarkably open. Our tariffs, for example, average less than five percent. We take close to half of what Latin America exports world-wide.

But our policy is to go further, and to seek even greater openness; to create an ever-expanding global trading system based on clear and enforceable rules. President Bush has designed, and we are vigorously executing, a three-pronged strategy to achieve these objectives:

--First, we are committed to conclude successfully the Uruguay Round of trade talks by the December 1990 deadline.

--Second, in a manner that is entirely consistent with our Uruguay Round aims, we will pursue bilateral and regional market-opening initiatives.

--Finally, we will use the strength of our domestic market to further our objectives in the Round.

With respect to agricultural trade, the United States tabled the first comprehensive proposal on reform in this area. The U.S. proposal would allow farmers to grow what they want, when they want, and earn a decent income without government interference. Latin American and Caribbean countries would benefit considerably from our proposal.

On market access, the United States has challenged its trading partners to envision a future "tariff-free" world. We are ready now to work aggressively with others to achieve this in key sectors of the Uruguay Round.

Our new proposal on textiles would bring this sector within GATT discipline in a reasonable period of time. But we are not prepared unilaterally to liberalize our market. Other countries must participate.

In the new areas of services, investment, and intellectual property, we all have a major stake in creating rules of international fair play. Services are an increasingly important sector in all our economies, whether construction services, financial services, or computer software services. And, while services are important in themselves, agriculture and manufacturing would grind to a halt without them.

While seeking global trade liberalization, we are also committed to programs which recognize the special needs of developing countries. The Generalized System of Preferences (GSP) provides duty-free access on a wide range of products imported from developing countries. Further, the Caribbean Basin Initiative gives the small and particularly vulnerable countries of Central America and the Caribbean improved U.S. trade opportunities, which have helped create many new jobs in those countries that have adopted sound economic policies.

To sum up, we see tangible near-term opportunities for a major liberalization of world trade. Latin America can play an increasingly important role in this new trading system. More Latin American countries are becoming members of GATT, more governments are committed to full participation in world trade, more countries are dedicated to an economic model which would make them dynamic actors in this new system.

And yet, today some in Latin America and the Caribbean are questioning the place of the Americas on the world scene. There is concern about marginalization: being left out and left behind by change. Will they measure up, for example, to the challenge of Europe '92? There should be no reason to worry so long as the pace of economic reform continues unabated. European integration presents Latin America and the Caribbean

region with challenges and opportunities in terms of market access. Indeed, the EC single market, the most visible aspect of the integration process, may serve as a model for parts of the Latin American region.

Similarly, there is concern that the attention of governments as well as international business is shifting away from traditional economic interests in Latin America toward the new trading and investment opportunities opening up in Eastern Europe. Here again, the issue is how Latin American governments and entrepreneurs will respond to the new challenge. If Latin America continues and deepens its commitments to market-oriented policies and to international competitiveness, then the new Eastern Europe will not be a threat but an opportunity, providing a new market for Latin goods and services.

This is a time of great promise, but also -- let's face it -- of some confusion. There is a new consensus on the broad principles of development strategy, but governments have to translate these principles into specific, practical, cost-effective programs.

As more countries in the region implement reforms aimed at promoting greater private sector involvement in development; at building strong, responsive capital markets; at legitimizing the informal sector, and at stimulating more competition in both the public and the private sector, ECLAC can serve as an important advisor, helping to sort out what works best, disseminating successful experiences, and extracting useful lessons from not-so-successful ones. Working closely with member states and drawing from their real-life experience, ECLAC can recommend comprehensive domestic economic policies, with the aim of generating domestic investment and attracting foreign equity and voluntary lending.

Another important function for ECLAC is to tell the world the exciting story of change in Latin America and the Caribbean. The democratic revolution which the region has experienced is well known and justly well appreciated. But the parallel economic revolution, the seminal changes in economic philosophy which now underlie most governments' policies, this is less well known and less well understood.

There is also a certain amount of doubt on the part of many business leaders -- understandable perhaps -- that this new economic philosophy will take hold and prove durable enough to withstand political pressures. ECLAC thus has an important role in disseminating the track record of Latin American economic performance, in demonstrating the credibility of the new economic model. We need to aggressively market the attractiveness of Latin American and Caribbean countries as trading partners and as offering investment possibilities.

If the domestic and external challenges and opportunities are faced with perseverance, we can look forward to the 1990s as a new beginning. With commitment to the exercise of both economic and political freedoms, the new decade can be one of renewed prosperity in our hemisphere and full participation of Latin America and the Caribbean in the global economy.

In closing, I would like to repeat what World Bank President Barber Conable recently said about economic progress and prospects in Latin America and the Caribbean:

There are those who see only problems and crises in Latin America. I see instead a region blessed with abundant natural resources, and populated by peoples of energy, imagination and courage. I see a region where, since World War II, remarkable economic and social changes have taken place; where average income has more than doubled, and where average life expectancy has risen by one-quarter. I see a region where, even in a time of severe economic stress and painful but necessary reform, the transition to democracy has been successful.

I share this vision. In the turmoil of great change, it is easy to see only the strife and the confusion. But we need to remember where we are going and what we have already achieved. The United States and Latin America have a long history of mutual endeavor and mutual support. Today, we have a renewed partnership, based on a newly shared economic vision of open societies and open economies. With our traditions of friendship and mutual support, and with a new guiding vision, we can move into the new decade with confidence and hope.

Thank you.

U.S. DEPARTMENT OF STATE

Office of the Assistant Secretary/Spokesman

For Immediate Release

June 18, 1990

PRESS CONFERENCE BY
SECRETARY OF STATE JAMES A. BAKER, III
FOLLOWING MEETINGS WITH CENTRAL AMERICAN PRESIDENTS

Ramada Inn, Antigua, Guatemala
Monday, June 18, 1990

SECRETARY BAKER: Ladies and Gentlemen, I have a statement and then I'll be delighted to respond to your questions.

As I said to the six Presidents this morning, they have completed I think, an historic summit meeting, and it is a symbol of the changes that are transforming this region. For the first time in history, all of the Presidents attending their summit have been democratically elected. Also, for the first time, the principle subject for discussion is regional economic development, not the resolution of conflicts. And, of course, Panama is attending for the first time.

Here in Antigua, the Presidents have adopted a far-reaching agenda for regional economic integration and development and we congratulate them on this achievement. When President Bush took office this was a region in crisis and many argued that the United States faced only two choices -- accommodation to dictatorship or disengagement.

President Bush instead has pursued a new regional policy with four elements. First, support for the regional peace process begun in Esquipulas. Secondly, enlisting the cooperation of the Soviet Union to end the conflicts in this region. Third, engaging our European allies and Japan in support of regional democratization and development. And fourth, building a bipartisan base in the United States for our policy toward Central America.

We believe that this region has an historic opportunity today to realize three goals: democracy, disarmament and development. We also recognize that there are fears in Central America that the United States and the industrial democracies will be diverted by the changes in Eastern Europe and ignore this region at this moment of historic opportunity.

I'm here today at the request of President Bush to make it very clear that the United States will continue to be fully engaged and fully supportive of this regional peace process. That's why we are exploring with Japan, with the European community, Canada and other industrial democracies, possible ways to achieve more support for democracy and development in Central America. I have discussed these proposals with the six Presidents and they tell me that they welcome this effort. We will continue to consult closely about the best way to proceed.

The bottom line, I think, is this -- Central America is poised as never before to consolidate democracy, achieve lasting peace and disarmament, and create the conditions for growth and opportunity in which all of the peoples of this region, particularly the poor, can share.

The United States wants to do everything that it can to help this region's leaders seize this historic opportunity.

Any questions?

Q: An American official today said that he felt that the arms levels in Central America were excessive and pointed to Costa Rica as an example to be emulated in the future. I would like to ask you Mr. Secretary, if you agree with that and if you think that the help to be offered by the G-24 will have to be preceded by cuts in both levels in armaments and troops in the region?

SECRETARY BAKER: I would not anticipate that the G-24 would expressly condition their willingness to support democracy, disarmament and development, by requiring total disarmament in advance. So I would not see that as an absolute pre-condition. Costa Rica, of course, has a rich tradition of pursuing democracy and freedom and disarmament and it is a tradition that the United States has supported for many, many years in the past and continues to support.

Remember, there are three goals: democracy, disarmament and development. And in trying to encourage additional support from the G-24, we would be trying to encourage support for all three goals.

Q: I understand that the G-24 is not going to operate on the basis of pre-conditioning, but there will be some kind of ordering of assistance on the basis of pre-defined projects. Isn't that right?

SECRETARY BAKER: Yes, and there will be as it appropriately should be, conditionality with respect to G-24 efforts, just as there is conditionality with respect to the efforts the G-24 has made to support democracy and freedom in Eastern Europe. For example, there were certain events in Romania here during the course of the last several days which did not move in the direction of respect for human rights, freedom and democracy. And the G-24, at least for the time being, put on hold or temporarily suspended its efforts with respect to Romania.

Q: In the past when the United States participated in efforts of this kind it imposed a number of conditions, one of which was the establishment of democratic regimes. I would like to ask in this case, what requirements the United States intends to impose in order for countries to get assistance and get it on a timely basis, because the pressure of poverty and misery in the countries at this time does not allow them to continue under the present circumstances.

SECRETARY BAKER: First of all, if it was a cooperative effort through the G-24, whatever conditions were imposed would be imposed through the cooperative efforts of the G-24 countries and not just the United States. But, secondly, the United States conditions its assistance now on respect for human rights, freedom, democratic traditions and we make no bones about that. We're quite proud of that, because these are principles that we believe very strongly in. Furthermore, we believe these principles more and more are being adopted by countries around the world, not just in Eastern Europe, not just in Central America, but indeed in Africa and Asia as well.

Q: In order to cooperate in this disarmament effort is the United States willing to reduce its military aid to El Salvador, for instance, and the presence of its military advisors?

SECRETARY BAKER: Well, the United States only has 55 advisors there and that's the same number we had, if I'm not mistaken, when I first came to Washington with President Reagan in 1981. But further to the point of your question -- the United States is for the first time willing to condition its military assistance to El Salvador and we are in the process of having discussions with our Congress to that effect now. We should be careful not to interpret that in the wrong way. There is a major insurgency going on in El Salvador in which some are seeking to reverse the results of the ballot box with bullets and bayonets. That's not our idea of democracy and that's not our idea of an approach to freedom.

Q: Mr. Secretary, you mentioned the Soviet Union and I would like to ask you what might be the political and economic contribution of the Soviet Union to the development of Central America to which the United States and the other countries in the G-24 are going to be contributing?

SECRETARY BAKER: Well, hopefully, the Soviet Union will stop supporting regimes in this hemisphere that support attempts to reverse decisions at the ballot box with bullets and bayonets, as I said a moment ago. The Soviet Union has indicated to us that they are prepared to do this, and so we hope that's one contribution. We think it was a contribution with respect to what happened in Nicaragua. We've had discussions with the Soviet Union about the prospects of their continuing the assistance to Nicaragua that they furnished during the period of time of the Sandinista government. We make the point that it would be nice to see them support a freely, democratically elected government in this hemisphere since they themselves now profess to support the idea of democratization. We'll see whether or not they're able to do that although they've indicated to us some prospect that they will be able to continue some assistance to this freely elected democratic government in Nicaragua.

Q: Thank you.

THE PRESIDENT'S SEPTEMBER 16-22 TRIP TO SOUTH AMERICA:
THEMES AND RELATED MATERIAL FOR SPEECHES

I. OVERVIEW

- The President's major address in Brazil and his speeches in Uruguay, Argentina, Chile and Venezuela will provide him an unparalleled opportunity to stress the theme of partnerships based on the principles of free government and free enterprise. The speeches should highlight what we and the Latins have done to sustain the momentum towards stronger democratic institutions and rational economic development, and the challenges that face us in the future. We must be forthright, however, in telling the Latins that even though progress has been made, there is still a great deal to do.
- Governments and electorates in the five countries the President will visit are showing new determination and realism in pursuing economic opening and reform. If these reforms continue, economic progress in which all can participate becomes an attainable goal. The President's Enterprise for the Americas initiative is intended to give impetus to the economic restructuring which has begun -- to greater and lesser degrees -- in these five countries, and to sustain and deepen this process in tangible ways. Development is not a single event, but a continuous process of fundamental change; not just investment or trade reform, but a reshaping of the whole society and its world view.
- In the economic sphere, open markets not only generate growth to the benefit of all concerned, but also offer participation, mobility, opportunity and empowerment to all sectors of society. An overburdened state, trying but failing to perform the work of the private sector, is not the agent of social justice but rather an obstacle to its attainment.
development and to Latin America, they are part of any
- Just as change, competition and sound currencies are essential to ~~and successful economy. they are to Latin American development.~~ This is a lesson we in the U.S. are constantly re-learning. As the pace of technological change grows ever more rapid, only those economies which welcome change and actively seek out new opportunities will prosper.
- The President's initiative offers a vision of where we should aim to go over the next decade and what forms

our cooperation should take. It is not a detailed, comprehensive plan for development, nor a set of ready-made, short-term solutions to specific problems. Its aims to establish a long-term partnership, a process in which the details of our new economic relationship will be developed through consultation and accommodation.

- Attached on Tabs A through E you will find memoranda which describe the individual circumstances affecting each of the five speeches and proposes themes which should be incorporated into the President's remarks.

TAB A

BRAZIL (Sunday, September 16 - Monday, September 17)

- Suggested Venue: still undetermined, most likely a joint session of congress in Brasilia, but possibly a business group in Sao Paulo.
- Probably Audience: members of the Brazilian Congress, selected members of the GOB, representatives of the diplomatic corps, business interests.
- Local Color: (1) Brasilia, a starkly modern planned city, symbolizes Brazil's pioneering vision of the future and its potential as a world economic and political leader. President Eisenhower, whose centenary we celebrate this year, visited Brasilia in 1960, prior to its formal inauguration as the new capital of Brazil; (2) Sao Paulo, Latin America's largest industrial city, embodies the region's potential dynamism and projection toward world markets.
- Themes for the Major Address:
 - As we approach the quincentenary of Columbus' encounter with the new world, it becomes increasingly clear that in 1992 -- if not sooner -- the rest of the world will rediscover the Americas.
 - After more than a decade of economic stagnation and serious social and political problems the region now appears on the threshold of sustained economic growth, social development and a new level of political maturity firmly rooted in respect for democratic processes and human/political rights.
 - Regretably, the only anomaly in this revolution of freedom is Cuba, which still clings to outmoded political and economic models that put it more and more out of step with the rest of the hemisphere. We are confident that eventually Cuba too will realize the depth of the changes that are occurring all around the world and rejoin the inter-American community as a full partner.
 - The old idea of a Western Hemisphere that is different, separate and aloof from the corrupting

influences of the Old World must now give way to a new vision of the Americas as full and equal partners with the industrialized nations in the forging of a more cooperative, more peaceful, more interdependent world for the 21st century.

- With democracy largely achieved, the region now faces the challenge of its consolidation and deepening. This will require both economic growth and social modernization. We are prepared to help in this process.
- In the face of this daunting task we have the advantages of a young, vigorous population and abundant natural resources.
- We in the Western Hemisphere appear to be reaching a new understanding of the proper parameters of state authority over the individual and the economy.
- One of the most difficult steps remaining in setting these parameters is the creation of a sound currency and erasing the memory of inflation. Success in this area is galvanizing Germany's unity. Without it development in Latin America is unlikely.
- The balance between public and private sector power will be different from country to country, but throughout the hemisphere opportunities for the individual to speak, act and work according to his own conscience -- and to seek unlimited economic horizons free from the stifling intervention of the state -- now appear better than they have been anytime in this century.
- The Enterprise for the Americas (Iniciativa para las Américas) announced on June 27 -- proposing new ideas on trade, investment and debt -- is a clear indication that the United States is ready to be a full partner in this new American revolution.

Brazil-Specific Themes for the Major Address:

- Brazil, "known for its economic miracle" in the 1960's and early '70s, is now a regional political leader and major player in the international economic arena.

- President Collor's bold economic reform program, which we applaud and follow with close interest, can help serve as a catalyst in strengthening Brazil's economy and world role.
- With regard to the all-critical inflation hurdle, the U.S. is prepared to provide technical assistance and to encourage the multilateral institutions to become involved in this area. The challenge, however, is Brazil's.
- The United States attaches great significance to the 1992 U.N.-sponsored environmental conference which will be hosted by Brazil and plans to work closely with the GOB to insure maximum effectiveness.
- The U.S. endorses the establishment of an international fund to assist less developed countries to make the technological changes necessary to reduce chlorofluorocarbons emissions.
- We are working with Brazil through both bilateral and multilateral channels to address the major threats to the world's environment and global climate change.
- President Collor's personal commitment to combatting drug use will spur our joint narcotics interdiction and education efforts.
- Brazil and the United States share an intense interest in the successful outcome of the Uruguay Round of GATT.
- As large nations with global interests, the United States and Brazil have a common interest in international peace and security issues.
- We need to increase the level and frequency of our discussions on the subject of global arms and nuclear proliferation, particularly with regard to regional instability.

- Quotable Quotes:

(None provided by Embassy Brasilia.)

TAB B

URUGUAY (Tuesday, September 18)

- Suggested Venue: a joint session of the Uruguayan congress in Montevideo.
- Probable Audience: members of the Uruguayan Congress, selected members of the GOU, representatives of the diplomatic corps.
- Local Color: the Uruguay Round of the GATT was begun here, making it particularly appropriate for the President to note its successful implementation. President Bush will be the first U.S. president to visit Uruguay since Johnson participated in the Meeting of American Chiefs of State at Punta del Este in 1967.
- Themes:
 - Two facets of the Enterprise for the Americas initiative -- trade and investment -- are of particular interest to Uruguay. In addition to the successful completing of the Uruguay Round of GATT, the U.S. is pleased that Uruguay and its neighbors are actively considering the elimination of reduction of barriers to free trade through a regional trade agreement and through strengthening of ALADI, the Latin American Integration Association.
 - We also applaud President Lacalle's proposal for a hemisphere capital market as a stimulus to investment, and are encouraged by progress made here and else where on bilateral investment treaties.
 - President Lacalle's courageous implementation of a wide range of structural reforms will improve the economic environment, while other reforms will reduce the size of the state, bring greater stability to prices and to the currency, reform or eliminate costly state monopolies, and modernize labor relations to make Uruguay more competitive on the international labor market.
 - We are also encouraged by clear signs that Uruguay is willing to cooperate in controlling international narcotics trafficking, particularly money laundering and other types of criminal financial activity.

Quotable Quotes:

"The economic relationship between Latin America and the United States needs to be reconsidered. We do not believe that the solution is more aid but rather more trade, more investment ... we would also like to point out ... that our countries are undertaking profound transformations in their respective economies creating in this way, a favorable climate for investment. The restructuring of the state has been undertaken as a necessary goal by almost all of the American nations and it is proof of the will towards change which guides the Latin American governments, because we see and recognize that this is not a one-way street." (President Lacalle, OASGA, Asuncion, June 1990)

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TAB C

ARGENTINA (Wednesday, September 19)

- Suggested Venue: a joint session of the Argentine Congress in Buenos Aires.
- Probable Audience: members of the Argentine Congress, selected members of the GOA, representatives of the diplomatic corps.
- Local Color: President Bush will be the first U.S. President to visit Argentina since Eisenhower in 1960. It comes at a time of a 180 degree shift in Argentine attitudes toward the world at large, including the United States, and the causes of their national problems. Once the eight ranking economy in the world, Argentina now ranks 58th. President Menem speaks openly of his friendship and admiration for President Bush. He seeks to integrate Argentina fully into the international community while abandoning statist, protectionist economic policies. The magnitude of economic reform needed is greater in Argentina than in the other countries the President is visiting and resistance to Menem's efforts is strong.
- Themes:
 - Argentina is enjoying one of the longest periods of constitutional rule in its recent history and the protection offered to human and civil rights has increased.
 - Argentina led the hemispheric move away from military governments to democracy in the 1980's.
 - The United States supports President Menem's courageous economic reform program, including restructuring of the public sector, and other policies leading to a modern, growing, market-oriented economy.
 - Economic reform will encourage greater individual initiative, thereby improving the prospects of prosperity for this and future generations.
 - The increasing attention paid to the establishment of a sound currency merits hope and further encouragement by those who have supported Argentina's past efforts in this area.

- President Menem's determination to divest monopolistic enterprises, especially the privatization of the national telephone system, sets an example for the other nations of Latin America.
- The Bilateral Investment Treaty which we have signed will encourage United States investors to join Argentines in a cooperative partnership that will result in greater productivity, more exports, more jobs and a return to the level of optimism and the standard of living that Argentina enjoyed in the past.
- The Mutual Legal Assistance Treaty we have signed is a further step forward in our close cooperation in the fight against narcotrafficking and other transnational criminal activity
- In this spirit of reform and modernization, the United States welcomes Argentina's decision to help halt the proliferation of dangerous missile systems and to cooperate more fully with the international community in nuclear safeguards within the spirit of the Tlatelolco Treaty.
- As President Menem's economic reform policies develop and are implemented, they may provide the potential for voluntary, negotiated debt and debt service reduction as a compliment to new commercial bank lending.

• Quotable Quotes:

"To take advantage of democratic experiences to propel economic growth and progress is the principal crossroads and challenge for our peoples and governments."

"We Argentines must abandon this fabled mental colonialism that tells us that all of our problems come from elsewhere. Because if we think that way we'll come to the conclusion that we have no solution within our own means, by our decisions, by our courage. The people will do it; through the people is how its done. People think of opportunities rather than excuses, of possibilities rather than risks, or new horizons rather than old dangers." (President Menem, Congress, May 1, 1990)

TAB D

CHILE (Thursday, September 20)

- Suggested Venue: the GOC very much wants the President to address a joint session of the Chilean Congress at its new headquarters in Valparaiso. This would pose logistical and security problems. Alternative venues are the old congress building in Santiago, the University of Chile and the Diego Portales Building, headquarters of the previous military government, all of which pose political problems.
- Probable Audience: in Valparaiso, members of the congress, selected members of the GOC and representatives of the diplomatic corps.
- Local Color: After more than 16 years of estrangement in U.S.-Chilean relations, the President's visit will be interpreted by most observers as a strong endorsement for democracy and for the kind of market-oriented economic reforms that have made Chile's economy one of the strongest in the region. According to an independent study, Chile has transferred twice the value of state-owned assets to the private sector than has Britain, and in half the time.
- Themes:
 - Latin America, like Eastern Europe, is shedding failed political and economic ideologies and rediscovering the power of individual citizens seeking their own and collective interests within a free and open society.
 - The United States joins all Chileans in celebrating the return to democracy and renewed respect for the sanctity of individual liberties and is ready to play an active, positive role in this process.
 - Chile's economic achievements serve as a guide to economic planners in other countries. Recent economic growth is the envy of the rest of Latin America, fully one third of national output is devoted to international trade, a tribute to the openness of the economy and the productivity of the Chilean people.

- Chile's uniformly low tariffs, simplified investment rules, efficient procedures and honest civil servants combine to give Chile a significant advantage in the new, more integrated world that faces us in the 21st century.
- As a result, Chile stands to benefit more from more open international markets than any other country in Latin America.
- Similarly, Chile's sound, innovative management of its foreign debt, which appeared overwhelming only a few years ago, has been impressive and serves as a model for the rest of Latin America. Through hard work and sacrifice the debt has been reduced from 14 billion to 5 billion dollars, making Chile the first country in the region to regain normal access to sources of international finance.

Quotable Quotes:

"Chileans, with a tradition of democratic institutions, of respect for human rights, of the rule of law, have chosen to remake their society, based on those values which honored their country in the past ... at the same time we want to seek progress and economic development, based on an open and competitive system, in which all creative initiatives find space for expression." (President Aylwin, Expomin'90, May 15, 1990)

"We need to grow if we want to overcome poverty. This requires that we stimulate savings, investments, creative initiative and the entrepreneurial spirit. Government policies must reconcile the spirit of social justice and the legitimate requirement to satisfy essential needs with the unavoidable demand for growth and development." (President Aylwin, Inaugural Address, March 12, 1990)

TAB E

VENEZUELA (Saturday, September 22)

- Suggested Venue: breakfast meeting of the Venezuelan-American Chamber of Commerce (VENAMCHAM), at the Hilton.
- Probable Audience: members of VENAMCHAM and representatives of other appropriate Venezuelan and U.S. organizations.
- Local Color: Venezuela is one of South America's most stable democracies, with a long tradition of free, openly contested elections and respect for civil and political liberties. The oil bonanza is over, however, and Venezuelans are adjusting to the new reality of austerity. Although this has tempered somewhat Venezuelans' image of themselves as regional leaders, President Perez still aspires to play a leading role in hemisphere affairs and can be counted on to be generally supportive of U.S. interests.
- Themes:
 - The VENAMCHAM venue is an ideal forum for emphasizing the U.S. role as Venezuela's largest market and, reciprocally, our role as its principal supplier.
 - The recently concluded free trade agreement with Canada, ongoing negotiations with Mexico for a similar accord, and the recently announced Enterprise for the Americas initiative bode well for economic growth in the hemisphere and the expansion of Latin American trade to non-traditional markets.
 - Venezuela, which has implemented an innovative economic reform program which includes reduction of trade barriers, free market discipline and export oriented growth, is poised to take advantage of these opportunities.
 - Venezuela's role in international cooperation to eliminate narcotics production and trafficking is also important. Although not a producing country, we need Venezuela's help in suppressing transshipment, the uncontrolled use of precursor chemicals and money laundering is crucial to regional anti-narcotics efforts.

- Quotable Quotes:

"President Bush has thrown down a positive challenge to us Latin Americans, to which we cannot, nor should we, respond with the same old suspicions which have generally fed the misunderstandings of the past. If we think what he proposes is easy, it is not. We have to bridge that gap between our beliefs and understanding of Latin America's realities and the concepts that we still hold to with regard to the role our peoples and economies must play in the wake of the industrialized world. Yet never has the United States taken an initiative of such enormous importance for the region. The dialogue we are offered opens up paths so far not explored." (President Perez' Independence Day address, July 5, 1990.)

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American Problems

By
Theodore Roosevelt



New York
Charles Scribner's Sons
1926

Address by
former Pres. T.
Roosevelt prior
to his S. Amer.
trip. He was
in Montevideo on
Nov. 3-4, 1913

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THE UNITED STATES AND THE SOUTH AMERICAN REPUBLICS¹

I APPRECIATE very deeply this farewell dinner given to me on the eve of my departure for South America. I am going in response to the invitations of certain learned bodies in the three great republics, the three prosperous and progressive commonwealths of Brazil, the Argentine, and Chile. I gladly accepted the invitations when once I understood that I was asked because these great democracies wished to hear my views on democracy, and in addition wished to hear me, as a private citizen who once held a position of prominence in this Republic, speak of the questions that peculiarly concern all the peoples of the western hemisphere. Tonight I wish to say a word to you on these questions and it is particularly appropriate to speak to the Progressive party, because that party alone is now taking the proper attitude toward foreign questions; for our position is sound in regard to foreign as in regard to domestic affairs; and unfortunately for the last four years and a half the attitude of both the old parties in foreign affairs has been discreditable to our national self-respect and to our ability to serve either our own true interests or the true interest of foreign powers.

It is continually growing less and less possible for any great civilized nation to live purely for and by itself. Exactly as steam and electricity and the extraordinary agencies of modern industrialism have rendered more complex and more intimate the relations of all the individuals within each nation, so the same causes have rendered more complex and more intimate

¹ Address at New York, October 3, 1913.

the relations of the various civilized nations with one another. In the western hemisphere each nation has been in the past so busy developing the new resources of its own new soil that it has tended to let the representatives of Old World peoples have complete charge of what these resources produced in the way of commodities in international business. This period is now drawing to a close. We are no longer content to see all the international business of all the American commonwealths transacted through European hands. In particular we feel that there should be closer business and economic relations between our own great business Republic, our great industrial Republic, of the United States, and the republics that have been growing so fast in prosperity and stability and power in South America.

Our forefathers were wise and foresighted in laying the foundations for our great internal development. The time has clearly arrived when we must be equally wise and foresighted in laying the foundations for our external development. We are now a people of one hundred million. We are a nation among the nations. Our forefathers could but dimly see how great a place we were to hold; yet they builded wisely; and now in our turn let us build no less wisely for our children and our children's children.

As all inhabitable parts of the globe are now known, this is pre-eminently the time for us to gain, and not release, wherever we can, a commercial footing on a "live-and-let-live" basis; a footing that will furnish an outlet for the most characteristic trait of our American men, namely, executive and organizing ability in business. There is no better or more worthwhile field for this than in Latin America and the Far East. Other nations are already keenly alive to their need for commercial outlets. Already we are behind the European countries in our trade and commerce with the countries to the south of us. The latest figures I have been able to obtain show that in 1911 the sales of Mexico, the West Indies, Central and South America to the outside world aggregated over

one billion three hundred million dollars; while the sales of the outside world to those countries aggregated about one billion two hundred million dollars, a credit balance to those countries of over one hundred million dollars. And yet in the same year the sales of those countries to the United States aggregated over four hundred and fifty million dollars, while the sales of the United States to them aggregated only two hundred and ninety million dollars, a balance against the United States of one hundred and sixty million dollars. There are many reasons why this condition should be changed, and pre-eminent among them is the importance of more permanent employment and better wages for those actually engaged in raising and making the wares that we have for sale.

Our relations with the other republics of this hemisphere must necessarily be both political and economic. As, in the years now opening, they will certainly be closer than ever before, it is eminently desirable that they should be on a better basis than ever before. Let me speak of the economic relations first. Fortunately, the time has gone by when it was believed that a business transaction was normally beneficial to one party and detrimental to the other. Exactly as no private business is healthy unless on the average both parties to the transaction are benefited, so no international business can ever be on a really flourishing basis unless it is to the advantage of both the nations engaged.

We wish to open the countries of South America to our business, we wish to create a market for the products of our business men, the farmers, and wage-workers in South America. This cannot be done at all unless it is to the advantage of the various peoples of South America to have such products. It cannot be made a striking success unless the South Americans find that it is very much to *their* advantage to deal with us, and unless they so thrive and prosper that it will be greatly to *our* advantage to extend our dealings with them. In private life a man's only customers who are worth anything are those who can pay for what they get, and his

best customers are those whose prosperity increases so that they can get a great deal; in other words it is self-evidently to the advantage of every business man to have a prosperous community with which to do business.

In just the same way it is to the advantage of us as a nation to see the nations with which we do business thrive, prosper, and enormously to increase their material well-being, and therefore their wish and their ability to enter into business relations with us. If we are decent people we ought in any event to be glad to see prosperity come to our neighbors. But in addition to this, if we possess an intelligent appreciation of our own material self-interest, we shall rejoice for our own sakes at the marvellous economic and political growth in such nations as the three I have mentioned and am about to visit, Brazil, the Argentine, and Chile. We could not be useful to them if we were not ourselves prosperous, and their usefulness to us in return is largely conditioned upon their prosperity. The material well-being of both sides is helped by any increase of material well-being on either side.

Don't misunderstand me. I am the last man who would preach the doctrine, and this is the last audience that would tolerate the doctrine, that material prosperity is or can ever be the be-all or end-all of national life, or that international relations should be based only on material considerations. But it is absolutely necessary that there should be a foundation of material prosperity in order to achieve greatness, national or international. Sane and healthy material prosperity in a man's neighbors benefits the man; and prosperity in neighboring countries benefits the country that deals with them. We Progressives preach within our own nation the doctrine of social consciousness, the doctrine that in the long run each of us is helped to go up if all of us are helped to go up. So likewise we preach the doctrine of an international social consciousness, the doctrine that teaches us, not a spirit of sentimentalism but with cool-headed sanity, to understand that in the long run it is good for each nation of mankind to see the other nations

of mankind go up and not down. We no more believe in weakness in dealing with international offenders than in dealing with criminals within our own limits. We no more intend to do away with the American navy and abandon the fortification of the Panama Canal, than we intend to do away with the New York police. But we do intend to do all we can to help all the nations of mankind, including our own, to rise, away from barbarism and savagery and the brutalities of physical violence, toward an orderly self-respecting and law-abiding civilization, to which brutality and fraud are as alien as weakness, and where justice and fair dealing are accepted ideals not only as among the individuals within the nation but in dealing with all other nations.

A concrete instance of what I mean and the way it benefits others by benefiting ourselves is afforded by the Panama Canal. The digging of that Canal will be a help to this country as a whole, and of course notably to the Pacific coast and the Gulf and South Atlantic States. But it is almost or quite as great a benefit to other countries as it will be to us. I gravely question whether the United States itself will benefit more by the building of the Canal than such countries as, for example, Chile and Australia. It will be our own fault if to the great benefit that Chile gains from speedier communication with Europe is not also added the great benefit both to Chile and to ourselves of speedier and better communication between our Atlantic coast States and the coast of Chile, and indeed all of the republics along the Pacific coast of South America. In matters of this kind our nation should copy the example of Germany. The German Government has made itself a most efficient influence in developing markets for German merchants and business men, and our own National Government should in similar fashion be turned into an instrument for developing and helping American business everywhere, but especially in the countries of South America.

When countries are thrown into economic relations, it is inevitable that they should have political relations also, and

in one case as in the other the relations should be based on the spirit of justice and of fair play. In the present stage of the world I do not believe that any foreign policy will be permanently advantageous to any country, unless together with the proper and necessary regard for its own interests it combines regard for the interests of the other country to which the policy applies. I do not mean that there should be any neglecting of our own interests. In actual practice it would be hypocritical to say that there should be such neglect, because no policy could be permanently maintained that did not contain an element of benefit to our own people. But I do most emphatically say that in international policy, the nation, while free from every taint of weakness, or of that foolish sentimentality that sacrifices reality to pretense, should also show a genuine and effective regard for the rights of others, genuine heed to what I believe to be the sound principle of mutuality of benefit and obligation in international precisely as in internal dealings. Above all we should make no promises that we do not keep. It is dishonorable for a nation as for an individual to break promises; and the most dishonorable way is both to break them and at the same time to make mere promises which cannot and ought not to be kept. This especially applies to international questions such as arbitration treaties. At this moment we are not living up to the treaties we have made, and yet are indulging in magniloquent talk about making new treaties, which in their turn would be promptly repudiated if ever the time came to reduce them to practice. Such a course justly exposes us to derision. It is as if in the business world a merchant repudiated his just debts, and at the same moment announced that he would like to incur new debts which there was no possibility of his paying. Only very silly people would be taken in by or approve such conduct. So it is with our nation and the question of arbitration treaties. We already have arbitration treaties. Let us continue them and live up to them, and until we have done so let us remember that it is idle folly to talk of making new treaties—that is, new promises—

especially when these promises are themselves foolish. It is a mean morality which breaks a promise, and then as a substitute for keeping it proposes to make a new one which would certainly in its turn be broken.

I ask your especial attention to the Monroe Doctrine. That doctrine has been formulated for some eighty years, and although unformulated it was to a certain extent appreciated and acted upon for eight or ten years previously, that is, ever since the time when the Latin-American colonies began to assert their independence. The central thesis of the doctrine is that this hemisphere shall no longer be treated as a region in which Old World powers shall seek territorial aggrandizement. There are certain necessary implications in this doctrine; such as, for example, that Old World powers shall not be permitted to enter on a course of action which will be likely to lead to territorial aggrandizement on their part; and that New World powers shall not be upheld in wrong-doing which will provoke and justify such territorial aggrandizement. But these are mere necessary details of the application of the theory with which we need not at the moment concern ourselves.

The main thesis was that there should be no territorial aggrandizement on this continent at the expense of or to the jeopardy of any commonwealth by Old World powers; this doctrine being advanced both in our interest, in the interest of our own safety and protection, and also in the interest of the other peoples of this hemisphere. Now no such doctrine, no such policy is worth the paper on which it is written unless there is ability to back it up. The one efficient guaranty of the Monroe Doctrine in the past has been the more or less general acceptance abroad of the belief that the American people were willing and able to back it up. If the United States stopped building up its navy, the Monroe Doctrine would be the emptiest of empty phrases. At the time that the doctrine was promulgated the only power on the western hemisphere to which foreign nations paid any heed at all was the United States. As soon as the United States became involved in Civil War, so that its

power in the face of other nations vanished and became for the time being a negligible quantity, all respect for the Monroe Doctrine also vanished. European powers invaded and took possession of American soil, and finally they actually set up a foreign empire just south of us, an empire that fell as soon as the United States again became an undivided nation.

In the past then, it was an absolute necessity that the United States should treat the Monroe Doctrine as being within its special custodianship and to be invoked by it as regards all sections of the continent. As rapidly, however, as the other nations on this continent achieve political and social stability, and the economic prosperity that goes hand in hand with such stability and power, the need for treating our country as the sole and special guardian of the Monroe Doctrine just to that extent decreases. I believe that the century that is opening will see South America, will see Latin America, so grow in power and prosperity as to make this growth the central feature in the growth of the world in the twentieth century, precisely as the growth of North America was the central feature in the growth of the civilized world during the nineteenth century. As the several countries of Latin America thus grow in orderly strength and well-being, they will themselves naturally and inevitably assume for themselves the guardianship of the doctrine; and if, and so long as, this orderly growth continues, our responsibility for the doctrine and the need for exercising the responsibility will gradually, step by step, cease until we either share it with many others or the need for its assertion altogether vanishes. As yet such result is not within the ken of our vision for large portions of the territory in question: including for instance the lands and waters through which the Panama Canal and its approaches run, where our interests are vital, and can be defended only by a power of the first class.

But already this result has in my judgment actually come to pass in the southern half of South America. Brazil, the Argentine, Chile, have achieved positions of such assured material and political progress, of such political stability and power

and economic prosperity, and have shown by their actions in reference to one another such power of efficient and unified effort for a just and common end, that in my judgment it is safe to say that there is no further need for the United States to concern itself about asserting the Monroe Doctrine so far as these powers are concerned. Their progress in all ways has been so great that they neither invite attack by wrong-doing to others and by disorder, nor yet invite it by inability to defend themselves. Under these conditions, the enforcement of the principle of the Monroe Doctrine as far as they are concerned can be safely left to their own initiative and interest; and in this matter as in all other matters henceforth the dealings of this country with them should be merely those of an equal dealing with equals who are able to guard their own interests and who are desirous of dealing honorably with all men. In short, as regards these three great commonwealths our attitude should be substantially what it is as regards the great Canadian commonwealth north of us. In the utterly, the well-nigh impossible event of any one of them being attacked by some outside power, and in jeopardy of conquest, the United States with all its strength would stand ready to offer its aid, but with no thought of further interference than is implied in such action.

I ask you, my hearers, to remember that such a policy as I have outlined must rest on a basis not only of good intentions and sincerity but also of strength. There is no mental attitude more mischievous than the confounding of folly and weakness with virtue. I have spoken above of the Panama Canal, and of the enormous benefits its building, now so nearly accomplished, will confer upon us and upon the nations of mankind. Remember that the Canal could not have been built if I and those men about me ten years ago had paid heed to the counsels of folly and weakness masquerading as virtue. What this country wished was to see that Canal built. It did not interfere as long as there was a chance that it would be built by outside effort in such shape that it would not be in any way under the control of any non-American power. If any of the

three countries I have already mentioned in this speech, if Chile, if the Argentine, if Brazil, had possessed the Isthmus, the Canal would undoubtedly have been built under the direction of the government owning the Isthmus, and with a hearty Godspeed from the United States. In the actual event I was finally faced by the alternative of seeing the building of the Canal indefinitely postponed, or else of having America, in the interest of the people of Panama through whose territory the Canal was to pass, in our own interest, and in the interest of the nations of mankind, take hold and build it.

I have not the time this evening to go into details of my action. Any of you who are interested in those details will find them set forth in full in an article of mine that will soon be forthcoming. Suffice it to say that the course of events reluctantly forced on me the conviction that the then owners of the Isthmus, whose action was unanimously repudiated by the people dwelling on the Isthmus, were proceeding in bad faith toward us and with both folly and prospective bad faith toward outsiders. We were faced by the likelihood of seeing a great and formidable Old World power forced to take possession of the Isthmus and itself undertake the work of building the Canal; the alternative being that the Canal would not be built at all. Under the circumstances, and in accordance with the highest ethical conceptions of my duty toward this people and mankind, I acted. If I had not acted precisely as I did, and at the precise time I did, there would have been no canal to-day, and not only this country but the nations of mankind would be by so much the poorer and more backward.

So it is in other international matters. I do not believe in the attitude this country has taken in the Far East during the last four and a half years. But I am not now discussing that question. I am speaking of the affairs of this hemisphere. The United States has but one request to make of each of its neighbors, the request that that neighbor shall prosper; for such prosperity can only come on a basis of order, of stability, of just regard for the rights of others, and of power to insist

upon one's own rights. In the long run anarchy reduces a country to impotence both abroad and at home, impotence to do justice to the strangers within its borders, and impotence to protect itself from aggression. No such condition can permanently endure in countries which are obviously within the sphere of action of the United States. The United States is disinterestedly anxious to see its neighbors do well. All it asks of them is that they do well, that they themselves show the qualities which will enable them to grow and to prosper. But this much it must ask, and with less than this it cannot permanently be contented.

Mind you, the words that I now use have been made good by my deeds while I was President of the United States. We had freed Cuba from a foreign yoke, and had said that we would make it an independent nation. While I was President this promise was made good. We started Cuba on her career of self-government. Then there came a revolution, and anarchy threatened the island. We interfered, restored order, stayed in the island until it was once more started on a career of stability and prosperity, and then left it so that it was again an independent and sovereign republic.

Again, take what happened in San Domingo. In that island revolution succeeded revolution until the position became one of utter anarchy, and American interests and the lives of the Americans in the island were jeopardized. Remember that I never said that I would refuse to run the risk of shedding a drop of blood to protect American property, that doctrine if carried out logically would mean that no policeman ought ever to arrest a burglar or a pickpocket, for burglary and highway robbing are only offences against property, whereas interference with them undoubtedly means incurring the risk of bloodshed. Nor did I say that all American citizens should leave the country, abandoning their property to the good-will of the contending factions. My position was the direct reverse. My position was that if Americans had a right to be in a country, they could stay there, and every resource of the government

would be exhausted to protect them. Nor did I refuse to act at all until foreign powers acted, nor either ask or accept their co-operation in action; still less did I follow a course which was certain to produce anarchy and make existing conditions worse, so as to force intervention. I protected the rights of our own people, while nevertheless examining their claims so carefully as to insure us against protecting any of them in wrong-doing. I no less carefully acted in the interest of the people of San Domingo. Every step I took was carefully considered so as to strengthen and not weaken the government of the country, and to make it easier for the country to pay its debts, to maintain order, to preserve its integrity, and to avoid outside intervention. I arranged for the administration of the custom-houses under one or two trained experts, guaranteeing the custom-houses against any interference. Of the amount collected forty-five per cent. was turned over to the government to enable it to run, and the remaining fifty-five per cent accumulated to pay off the various debts and the interest on the debts. This arrangement produced peace in the island, was of immeasurable benefit to the people of the island, and it secured justice for the strangers in the island. I at once deprived the foreign powers (which were preparing to take the custom-houses) of both the opportunity and the need for so doing, and thereby prevented any outside interference with the island. The action greatly reduced the likelihood of revolutionary disturbance by withdrawing the chief hope of pecuniary reward from possible revolutionists. It saved us from any need of military interference in the island, enabling us to withdraw our war-ships from the waters after a very brief period, so that we only had one or two custom-house officers left, these officers being in the service of the native authorities. We immensely benefited the government, not only by giving it stability, but because forty-five per cent of the revenues efficiently and honestly collected by us actually surpassed the total amount that had formerly been collected when all in theory went to the then government. Finally, it satisfied all honest creditors, and

made the dishonest creditors understand that they would not be allowed to get a penny to which they were not entitled.

I have mentioned Panama, Cuba, and San Domingo because the incidents took place under my administration. Not a drop of American blood was shed in any one of the three cases, nor was a drop of blood shed by any American. Absolute justice was done in each case. Cuba, Panama, and San Domingo were all alike immensely benefited by what we did, all excuse for interference in American affairs by foreign nations was removed, justice was done to all foreign nations, the rights of every American citizen were protected, the interests of the American nation were preserved, and all this was done in strictest compliance with the eternal laws of righteousness and of honorable dealing as between man and man, nation and nation.

INTERNATIONAL PEACE¹

IT is with peculiar pleasure that I stand here to-day to express the deep appreciation I feel of the high honor conferred upon me by the presentation of the Nobel Peace Prize. The gold medal which formed part of the prize I shall always keep, and I shall hand it on to my children as a precious heirloom. The sum of money provided as part of the prize by the wise generosity of the illustrious founder of this world-famous prize system I did not, under the peculiar circumstances of the case, feel at liberty to keep. I think it eminently just and proper that in most cases the recipient of the prize should keep for his own use the prize in its entirety. But in this case, while I did not act officially as President of the United States, it was nevertheless only because I was President that I was enabled to act at all; and I felt that the money must be considered as having been given me in trust for the United States. I therefore used it as a nucleus for a foundation to forward the cause of industrial peace, as being well within the general purpose of your committee; for in our complex industrial civilization of to-day the peace of righteousness and justice, the only kind of peace worth having, is at least as necessary in the industrial world as it is among nations. There is at least as much need to curb the cruel greed and arrogance of part of the world of capital, to curb the cruel greed and violence of part of the world of labor, as to check a cruel and unhealthy militarism in international relationships.

¹Address before the Nobel Prize Committee, delivered at Christiania, Norway, May 5, 1910.