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SENIOR REVIEW GROUP  
MEETING

Latin American-NSSM 108  
and Military Presence Study

August 17, 1971

Mr. Kissinger

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MEMORANDUM

NATIONAL SECURITY COUNCIL

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ACTION

August 17, 1971

MEMORANDUM FOR: DR. KISSINGER

FROM: ARNOLD NACHMANOFF *an*

SUBJECT: SRG Meeting on Latin America and  
Caribbean - August 17, 1971

I suggest that you use the SRG meeting this afternoon to accomplish the following:

LATIN AMERICA

1. Approve the recommendations in the Military Presence Study (pp. 11-12 of the Analytical Summary) and approve a \$9.3 million grant MAP materiel program for FY 1972 (either programmed or earmarked from the Contingency Fund--whichever is feasible).
2. Note that the three economic issues raised in NSSM 108 (encouragement of private investment, US position on IDB loans, and trade policy) have been overtaken by events and pass these issues on to Pete Peterson for further consideration following the expropriation policy decision.
3. Note that current realities make it impossible to implement much of the Latin American policy approach adopted in 1969 (e.g., tariff preferences, full IDB replenishment) and there is a danger that we are slipping into a degree of disengagement which will adversely affect our interests. Note that anti-US nationalism is inevitable no matter what we do, but that our approach should be to contain or limit its effects. We cannot do so either by empty rhetoric or total neglect. Therefore, you should focus the discussion on what we can do now to maintain a degree of influence in countries and on issues (e.g., Law of the Sea, Cuba, Soviet presence) which are important to us.

-- In what areas can we realistically be responsive to the Latins? What conditions should we set for our responsiveness? Should we downplay Hemisphere approaches and emphasize bilateral relationships on a differentiated basis--which would allow us to play the Latins off against each other, rather than unify against us?

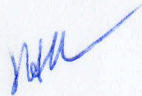
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4. Ask the IG to prepare scenarios for specific steps we can take over the next few months--e.g., policy statements; bilateral representations; position at the IA-ECOSOC meeting in September; strategy for differentiated bilateral approaches.

CARIBBEAN

1. Refer the bauxite issue to Peterson for further handling after expropriation policy is set.
2. Seek agreement on the general proposition that our interests in the Caribbean (geographic proximity, access to routes to the Panama Canal, requirements for strategic materials and bases) are sufficiently important to warrant a special policy approach.
3. Suggest that a Working Group be established (perhaps under Peterson) to see if we can find ways to give additional economic benefits to the Caribbean countries (either trade or aid measures).
4. Approve a study of the need for increased ASW capability in the Caribbean.

Concurrence: Col. Kennedy 

MEMORANDUM

NATIONAL SECURITY COUNCIL

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ACTION  
11 August 1971

MEMORANDUM FOR: DR. KISSINGER

FROM: ARNOLD NACHMANOFF *AN*

SUBJECT: SRG Meeting on Latin America (NSSM 108 and Military Presence Study)

The SRG is scheduled to meet at 4:00 p.m. on Friday, August 13, to consider the Study prepared in response to NSSM 108 (tabbed) and the Military Presence Study prepared in response to your memo of December 8, 1970 (tabbed). NSSM 117 on the Caribbean is also on the agenda for consideration immediately following the Latin American review. (Separate Briefing Book)

NSSM 108 and the request for the Military Presence Study were issued in December, following the Chilean elections. They were given short deadlines, but a series of extensions were requested and granted. NSSM 108 was submitted on April 1, but has been bumped from the SRG agenda several times for various reasons. In view of the amount of work that went into producing these studies on a priority basis, there is some resentment in the bureaucracy over the delay in their review.

An analytical summary of the NSSM 108 Study (which incorporated the Military Presence Study recommendations) is tabbed. The Study includes a comprehensive review of current developments and trends over the next 3-4 years, an attempt to explicitly define our interests in the region, and an analysis of the impact of current and prospective developments on those interests. The Study then draws some policy implications and presents recommendations and, in some areas, options for meeting the policy issues.

Except for some specific recommendations on how to improve our contact and influence with the Latin American military, the Study contains an accumulation of hortatory recommendations that we continue what we are doing or do what we said we were going to do in the areas of trade and aid, proposals for a series of further studies, and options on three economic and one military issue. On pp. 21-30 of the Overview section (which I recommend you read) the recommendations and options are listed under four broad issue headings:

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- A. How to ameliorate anti-US nationalism or at least eliminate its negative effects on US interests.
- B. How to (1) contribute to greater economic progress, and (2) encourage more realistic expectations of such progress.
- C. How to encourage a clearer perception of the mutuality of US and Latin American interests.
- D. How to limit or protect against the increasing Soviet diplomatic, trade and military presence in the region.

Most of the recommendations are so general or innocuous that they do not warrant discussion. The paper proposes four specific operational issues for SRG consideration. These are:

- Should we restore a programmed grant MAP materiel program in FY 1972 for Latin America? (Discussion on pp. 13-15 of Analytical Summary; pp. 5-7 of the Military Presence Section of paper.)
- What attitude should the US Government adopt toward new US private investment in Latin America? (Discussion on pp. 15-17 of Analytical Summary; pp. 7-11 of Investment Section of paper)
- What position should the US adopt on proposed loans in the IDB (i. e., should we give up our veto, adopt a solely technical stance, or continue to apply selectively political criteria)? (Discussion on pp. 17-19 of Analytical Summary; pp. 17-23 of Development Assistance Section of paper.)
- Should the US give some measure of discriminatory treatment in our trade policy in favor of Latin America. (Discussion on pp. 19-20 of the Analytical Summary; pp. 10-14 of Trade Section of paper.)

I believe the grant materiel issue can and should be decided by the SRG on the basis of the Presidential directive to improve our contacts and influence with the Latin American military. It may not be possible to program grant materiel in FY 1972 because legislation has already gone to the Congress without such a provision. However, a clear decision to take such funds out of the Contingency Fund in FY 1972 would be satisfactory with the understanding that materiel would be programmed in future years.

The three economic issues are discussed in detail in the Analytical Summary. Two of these issues-- the US attitude toward private investment, and the US position in the IDB-- are related to the Expropriation Study (NSSM 131) and probably cannot be resolved in this meeting. Moreover, doctrinal decisions would have little meaning in the areas of trade and foreign investment given the strong views of Secretary Connally, Secretary Stans and others, and the President's apparent intention to take a tougher line. There are very important foreign policy interests for Latin America in these areas, but I believe that in the present environment these foreign policy interests probably can only be protected on a case-by-case basis with strong leadership in the bureaucracy. Therefore, I do not think it possible or useful to try to reach a decision on these issues in the SRG.

### Broad Policy Alternatives

The general assessment of our basic policy which the IG made as a result of the Study is essentially a favorable one. The Study concludes that the basic policy is valid as a continuing guide for the next 3-4 years, recognizing that it is essentially "damage limiting." The forces at work in the Hemisphere are bound to result in some prejudice to our interests, but the IG concludes that if the policy is adequately supported this prejudice will be less than it would otherwise be, ~~id be~~ and can be contained. The basic problem with this assessment is that it reflects developments in the Hemisphere, but does not reflect the impact of changed domestic, economic and political conditions, or other international developments such as the worsening of our international economic position. Changes in these conditions have become increasingly apparent since the NSSM 108 Study was completed several months ago. It is clear that these factors have and will continue to constrain us from effectively implementing the central elements of the Latin American policy which the President set forth and committed himself to in 1969. The shifts in domestic conditions and attitudes undoubtedly have contributed to his recent decision to delay and modify tariff preferences legislation, to the Congressional refusal to appropriate funds for the IDB replenishment, and to the intensified concern with protection of economic interests which is so evident in the Executive and Legislative Branches. 2 Meeting

The most useful thing the SRG can do is (a) to consider what our broad policy alternatives are now in the light of our inability to implement the policy we have set forth in our rhetoric, and (b) stimulate development of scenarios of what we can do over the next few months. The

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The basic issue is whether the importance, in geo-political terms, of maintaining a position and degree of influence in Latin America should be the overriding consideration of our policy, or whether it should be subordinated to the more immediate problems of protecting our special economic interests. Our policy until now has been based on the former concept, and the premise that it is in our interest to maintain close <sup>and</sup> constructive relationships with the Western Hemisphere nations, both as a positive way to protect our interests and as a means to prevent the growing intrusion of Soviet influence into a region traditionally considered our backyard.

The broad policy options I see are to:

- Continue to base our approach on the premise of the value of close and constructive relationships, reiterating the rhetoric of our commitment to Latin American development and the inter-American system. We would continue to press the Congress for liberalized trade measures and expanded multilateral aid, recognizing however that little progress can be made in actual implementation.
- Continue to base our approach on the premise of a special relationship, but tone down the rhetoric and initiate a frank dialogue with the Latins, explaining the constraints we are under and indicating the kinds of reciprocal actions (e. g. , with regard to US investment) which they must take in order to make it possible for us to be responsive in some measure to their development aspirations.
- Abandon the concept that a close and constructive relationship with the nations of the region is in our interest, and abandon the rhetoric of our commitment to Latin American development. We would de-emphasize our participation in the inter-American system, and essentially treat Latin America as any other part of the developing world, using our leverage bilaterally primarily to protect and advance our economic interests.

The first option would be a continuation of what we are doing today, but with much more emphasis on gestures and demonstrations of interest. It would be most consistent with our public commitments, and would tend to reassure the Latins that they have not been abandoned. To some extent, the President could shift the onus for inaction to the Congress, though the credibility of his commitments still would be questioned. The problem with this approach is that it is probably not sustainable given the pressures for linking trade and aid policy to the protection of our economic interests.

*What does it all mean in practice?*  
*Tuxing*

The third option probably reflects most accurately the realities of domestic economic and political life, and a philosophical mood which prevails in this country. It would, however, be a complete reversal of past commitments, a serious blow to our credibility with the Latins, and would undoubtedly contribute to the intensification of anti-US nationalism and accelerate trends in Latin America toward neutrality and/or closer ties to the Soviet Union. In the long run, it would probably result in our alienation in the region; and it probably will not be effective in protecting our specific economic interests.

The middle option (in accordance with Kissinger's law) would probably be the most realistic and effective way to adjust to current realities without abandoning our broader political and security interests. If accompanied by the right style and gestures, a clearer definition of what the US is prepared and not prepared to do, and of what it expects of the Latins, might even be welcomed by the Latin Americans since it would provide some guidelines for those elements which want to maintain a constructive relationship with the United States. Although it would be seen by many as reneging on our commitments, this option would in effect be more consistent with the "mature partnership" concept.

These broad policy options, of course, were not considered in the NSSM 108 study in terms of the changed domestic environment, and hence the agencies cannot be expected to be prepared for a detailed discussion of pros and cons. However, it would be useful for you to pose the issue to see if there is general agreement on the need for an adjustment in our broad policy direction. It would also be useful to see how the broad options--or at least those the SRG considers realistic--play out in terms of specific actions or initiatives over the next few months. Therefore, you might want to conclude the discussion by asking the IG to prepare quickly some alternative scenarios, including possible Presidential statements, initiatives at the IA-ECOSOC or other appropriate meetings, and bilateral representations.

In summary, I suggest that you use the SRG meeting to:

- Approve the Military Presence Study recommendations (pp 11-12 of the Analytical Summary), and resolve the grant MAP materiel issue.
- Briefly review the economic issues raised in NSSM 108, but not seek to reach any decisions.
- Discuss the broad policy alternatives outlined above and request the IG to quickly develop implementing scenarios.

Your Talking Points (tabbed) follow this format.

I am tabbing (Tab A to this memo) for your background a section of a previous version of this briefing memo, which offers some general comments on the Paper and a proposal for giving more bureaucratic and political clout to our Latin American foreign policy interests. The thrust of that suggestion, developed a couple of months ago, is to strengthen the implementation of our policy. Events since then have convinced me that we must realistically consider some adjustment of our broad policy, as suggested above. However, the proposal for a National Advisory Council on Latin America would still have some validity as a gesture of interest by the President, and as an instrument for making whatever little progress we can on implementing our policy.

Attachments:

Tab A -- pp 4-10 of 17 June briefing memo  
(previous version of this memo)

Briefing Book

cc: R. Kennedy  
R. Hormats

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The NSSM 108 Study is a serious and comprehensive effort at assessing our interests, the prospects for those interests, and the alternatives for US policy. Yet the conclusion does not provide any meaningful operational choices for policy. It seems to me that there are three reasons for this:

1. The assessment of interests and the threat to interests was too narrow and short-term.
2. The Study was written and staffed principally by ARA, and is, therefore, somewhat defensive of current policy and reflects an unwillingness to pursue some questions which challenge our traditional approach.
3. Much of what needs to be done has already been determined; the problem is that we have not been able to perform on the policy directions already adopted. Latin America is not so much a "policy" problem as it is one of bureaucratic and political leadership.

I. The Assessment of Interests and Threat

*do we  
any further?*

The statement of interests in NSSM 108 (pp. 6-7 of Analytical Summary) is a reasonable one, though the language of some of the interests is somewhat convoluted and imprecise. In essence, the Study concludes that we have no vital interests in the region (i.e., nothing which threatens our survival) and that all of our interests are best served by the evolution of a community of predominately independent, self-sustaining states well-disposed to the US. In assessing the impact of developments and trends on our interests, the Study concludes that the damage to our interests over the past 18 months has not been serious, and that while the prospects are for further prejudice to our interests, such prejudice will be limited if we pursue the right policies. (pp. 8-9 of Analytical Summary; pp. 17-21 of Overview)

This assessment is a fair one from the perspective of Latin America alone. The very low possibility of a strategic threat from any Latin American country (excluding Cuba) over the next 3-4 years, the possibility of populist/nationalist regimes and experimentation with radicalism in some of the smaller countries, growing independence from the US of most of the countries of the region, but their retention of essentially Western orientation, add up to a tolerable situation. However, the Study does not really consider where Latin America fits into our global foreign policy. The Study suggests that we should reconsider the utility of our "special relationship" with Latin America. However, that relationship is a fact; it cannot be abrogated unilaterally. It exists and because of it US relations with Latin America have

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global significance. The loss of US influence in Latin America and an increase of Soviet influence in what is perceived throughout the world as our backyard, will affect the global balance of power in political and psychological terms, if not necessarily in strategic terms. The Rockefeller Report recognized the significance of this point: "Beyond conventional security and economic interests, the political and psychological value of the special relationship cannot be overestimated. Failure to maintain that special relationship would imply a failure of our capacity and responsibility as a great power." Moreover, this perception of US-Latin American relations is one which affects our own citizenry. If Southeast Asia is the most imminent test of the Nixon doctrine, Latin America may well be its most serious test in time. The pressures for intervention should there be two or three Chiles or Cubas in our backyard would undoubtedly be high.

Another shortcoming of the NSSM 108 assessment is that it projects the threat to our interests over a relatively short term (3-4 years); however, if the trends were projected over a longer term, and there is no reason to foresee a reversal, the picture is even bleaker and the threat greater. The combination of growing frustration with the inadequate pace of economic and social development and rising expectations which accompany rapid urbanization and the spread of modern communications, will increase the likelihood that more countries will turn to radical solutions and extreme nationalism. The continuing inability or unwillingness of the US to expand trade opportunities and increase its assistance for Latin America, combined with a probable decline in foreign investment in the region, will mean that we will not be able to help alleviate the frustration. The probability is that points of conflict with Latin American nationalism will increase rather than decrease; i.e., foreign investment disputes which will prejudice state-to-state relations; the use of our leverage in international agencies; conflict over fisheries; and the protectionist trend in our trade policies. As a result, the US will be increasingly vulnerable as a scapegoat for Latin American frustrations and inability to progress. The decline in US influence may thus be more extensive and more rapid than the Study suggests. Similarly, the vulnerability to Soviet influence will be higher (though the Study and a recent NIE on Soviet Role in Latin America (Tabbed)) correctly note that there is not a one-for-one correlation; i.e., nationalism can work against the Soviets as well as for them, and they are not likely to meet the Latins' aspirations either).

In sum, then, our interests in Latin America are more significant in terms of our overall foreign policy than the Study suggests, and the threat to those interests may be more serious over the longer term than the Study suggests.

## II. Some Questions Avoided

The Study correctly states that the policy adopted in 1969 is based on the premise that US hegemony in Latin America is no longer possible nor desirable, and that some decline in US influence is inevitable. The difficult question the Study does not face directly or with any precision is what degree of influence should the US seek to retain, in what countries, and in what functional areas.

The Study recognizes that as US influence declines, other powers, including Western Europe, Japan and some of the larger Latin American countries themselves will seek to fill the vacuum. A greater role for these other countries may be the most effective way in which Soviet influence can be preempted. However, we have traditionally resisted the intrusion of extra-Hemispheric powers to prevent dilution of our political influence and loss of our markets for trade and investment. (In recent years we have encouraged the Europeans to provide more aid, however.) We have also not encouraged the larger Latin American countries to play a greater role vis-a-vis their neighbors for fear that expansionist ambitions would destabilize or destroy the inter-American community. However, there is already evidence that Brazil and Mexico, for example, see the US low profile as an opportunity for expanding their influence with their neighbors.

The question of whether we should encourage the Western Europeans and Japanese to play a greater role in the Hemisphere, i. e., to trade off some loss of markets to help preempt Soviet influence, is avoided in the NSSM 108 Study, which recommends that we conduct a further study of this question. (You should support initiation of this study.)

The question of whether we should encourage or work with some of the larger Latin American countries for the same purpose is also avoided. The Study discusses the possibility of differential approaches (ARA did this reluctantly under pressure), but its conclusion is a waffle; we should maintain essentially a Most-Favored Nation approach to the Hemisphere countries, but pragmatically differentiate among them (however, without determining in advance the criteria for differentiation). The Study does not really consider (a) whether in view of the environment we face, we should not consider tolerating or perhaps encouraging a breakdown of the Hemispheric community (e. g., OAS) to prevent Latin unification against the United States, (b) to what extent should we try to use friendly Latin American countries as proxies, to help develop blocs more consonant with our interests.

Another point to be noted is that NSSM 108 does not deal with several important specific issues which are being dealt with elsewhere--i. e., Cuba (NSSM 32 in suspense for the past year), Chile, and the Caribbean (NSSM 117, which should be submitted shortly.)

### III. Policy Approach Correct; Performance Poor

I concur in the Study's judgment that the basic policy approach adopted in 1969 is correct. The basic problem is not to develop new policy alternatives, or to restate the old ones more explicitly (which is what the Study attempts to do) but rather to give more clout to our Latin American policy interests in the bureaucratic and political process. The approach adopted in 1969 of trying to maintain US influence in light of the changing environment in the hemisphere was to (a) be responsive to Latin American aspirations for development and national dignity by expanding trade opportunities, providing development assistance with fewer strings and a greater role in decision-making for the Latins, and responding to their reasonable requests for modern military equipment; (b) deal pragmatically with significant political elements seeking to maintain constructive relations wherever possible; and (c) avoid actions which exacerbate anti-US nationalism.

Our performance from any perspective has been less than good:

- In the trade area, nothing actually has been done for the Latin Americans in our commodity policies; we have given greater weight in the allocation of meat quotas, sugar quotas, textile quotas, etc., to the protection of domestic interests and our other foreign clients.
- On generalized tariff preferences, which was perhaps the most significant and historic initiative taken by the President in favor of Latin America, we have yet to submit legislation and the outlook on the Hill is dim. Meanwhile, the EEC is scheduled to implement its scheme July 1, and Japan in October.
- In the area of development aid, our program has been lethargic and relatively directionless as AID awaits its replacement by the new organizations proposed by the President.
- Our contribution for the expansion of the Inter-American Development Bank's lending program has been sharply cut by the Congress, which is reluctant to lose control of US funds by channeling them through the multilateral agencies.

- Until recently, Congressional restrictions on military sales, and the legacy of our own executive restrictions, have not enabled us to be responsive to Latin requests for modern equipment. There is still strong congressional pressure to impose our moral judgments on what the Latin countries should or should not buy to meet what they conceive to be their defense needs.
- Our approach toward nationalization of private investment has been patient, and with the exception of IPC, settlements of nationalization disputes have been or are being negotiated. However, we are increasingly using our leverage, both in the Executive Branch and the Congress, to secure better treatment for private US companies.

What all this adds up to from the Latin American perspective is a clear demonstration that our interest in assisting development in Latin America, or even our interest in constructive relations with the countries of Latin America, is of far lower priority than the protection and promotion of our domestic private interests. To the Latins, as the Brazilian Ambassador mentioned to you the other day, our foreign policy toward Latin America appears to be a "Junior Chamber of Commerce approach". We appear to allow the tail of private interests to wag the dog of state-to-state relations. The Latins fear that we have allowed mature partnership to slip into disinterest and disengagement. Our poor performance in effect gives the Latin Americans less and less reason to see why a constructive relationship with us is in their interest, and more reason to increasingly look to other sources and other solutions.

This is not to argue that the commercial and other interests which have weighed so heavily in these decisions are not legitimate or important. The problem is that they have been given disproportionate weight in the bureaucratic and political decision-making process, while the Latin American foreign policy interests have been pushed aside. The President's policy statements on Latin America, ranging from the October 31, 1969, speech to the most recent foreign policy message, give clear direction on the approach he wishes to follow in Latin America. The issue, therefore, is not how to restate doctrine, but how to provide greater weight to that policy in the bureaucracy and at political levels.

The recommendation in the Rockefeller Report for a Secretary of State for the Western Hemisphere was in part a gimmick to demonstrate our interest and concern, but it was also a recognition of the fact that an effective Latin American policy would require strong leadership in the face of all the conflicting pressures. The President's modification of

the Rockefeller proposal--for an Under Secretary for Western Hemisphere Affairs--would have helped, but that bogged down in the Congress (and State has yet to resubmit the legislation in this session.)

What to do

Since the passage of the Under Secretary legislation is unlikely, and barring significant personnel changes, I suggest another bureaucratic/political solution. It is not ideal from a managerial point of view, but with the right people it can make some difference. My proposal is that the President appoint a National Advisory Council on Latin America, composed of a small number of prestigious individuals, chaired by a high-level political figure. The Council would not be another study commission, but rather a permanent entity reporting directly to the President for the purpose of advising and assisting him in formulation and implementation of Latin American policy. The Council would have an Executive Director, who would be linked to you, and could meet monthly to review significant Latin American issues and weigh-in with its views at the Cabinet level or with the President.

The advantages of a Council of this type would be:

- It would be a demonstration of interest by the President. Although it might be regarded as a gimmick in the US, I believe the Latins would see it positively. (You will recall that there was a unanimously favorable response in Latin America to the President's Under Secretary proposal.) The President could announce the formation of the Council on the occasion of the tenth anniversary of the Alliance for Progress (this August) which the Latins consider an important occasion.
- It would be a counterweight in the Executive Branch to other pressures and interests which now carry disproportionate weight in relation to our Latin American interests.
- It could help the President by lobbying with the Congress and public opinion for measures of importance for our Latin American policy; e. g., generalized tariff preferences, the IDB replenishment appropriation, more rational arms policy.

Creating an entity of this kind would of course have disadvantages by building another layer in the bureaucracy, and another source of pressure on the President. It would undoubtedly be resented by State. There is some

risk that it might get out of control, but with the right people this would be manageable. My own candidate for the Chairman, naturally, is Governor Rockefeller. In fact, it is difficult to think of another figure who could do the job. Three or four representatives from business (e. g., someone like J. Irwin Miller) and academia could round out the Council.

This is obviously not something you would wish to discuss at the SRG meeting. However, if the idea appeals to you, it seems to me that some of the issues which have not been faced adequately in the NSSM 108 Study could be held up and given to the Council rather than debated in the NSC or returned to the bureaucracy for further staffing.

TALKING  
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HAK TALKING POINTS FOR SRG MEETING  
NSSM 108

TO OPEN THE MEETING

- The NSSM 108 Study represents a Herculean effort to review and assess our Latin American policies.
- Some of the problems raised in the Study have been or are being considered in other contexts--the fisheries problem, expropriation, Chile, for example--and I recognize that in some respects the Study has been overtaken by events.
- Before we discuss the assessment of interests and general policy alternatives, I think we can deal rather quickly with the four operational issues surfaced by the Study.

TO DISCUSS THE OPERATIONAL ISSUES

1. Grant Materiel Assistance (pp. 13-15, Analytical Summary)

- The question of whether we should try to program grant MAT materiel for Latin America in FY 1972 and beyond, I gather, is the only unresolved issue to come out of the Military Presence Study which was folded into NSSM 108
- [To Irwin or Meyer] Is my understanding correct? If so, we can approve the recommendations of the Military Presence Study, which are summarized at Tab A of the Security Section of NSSM 108.

(Irwin may raise a question on the number of MilGroup slots to be authorized. If so, you may want to affirm that the President's desire to expand US influence and contact with the military argues for 290 slots as opposed to a lower figure.)

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- The issue with regard to MAP grant materiel for FY 1972 is whether to (a) program a \$9.3 million grant materiel program, (b) rely on the Contingency Fund to meet unanticipated needs, or (c) earmark \$9.3 million of the Contingency Fund for Latin America.
- Is there a consensus to seek a \$9.3 million grant materiel program for FY 1972 if this is feasible?
- What are the problems?

(It will be pointed out that the President's FY 1972 budget has gone to the Hill without a grant materiel program for Latin America on the assumption that urgent Latin needs could be met from the \$100 million worldwide Contingency Fund.)

- -- What are the advantages of programming grant materiel for Latin America over relying on the Contingency Fund?
  - Could we live with a decision that we would give priority to Latin America in the Contingency Fund for FY 1972 (Option C), but try for a Latin American grant materiel program for FY 1973?
- (If there is a consensus that this is the only feasible alternative, you may want to resolve this issue now; otherwise you can indicate that you will take this one to the President, and note that he will want to do what he can to maintain good relations with the military in Latin America.)

2. Encouragement of US Investment (pp. 15-17 of Analytical Summary)

- This issue seems to go to the heart of many of our current problems. It is obviously related to the considerations we are considering in the NSSM 131 review on expropriation.

-- The options are whether to pursue a policy towards new foreign investment in Latin America of (a) selective encouragement, (b) neutrality, or (c) selective discouragement.

-- I gather the IG recommends that we should continue and publicly affirm our current policy of selective encouragement of foreign investment in Latin America.

[To State] What would be the selectivity criteria? What kind of public statement would be desirable?

-- What do the others think?

(Commerce and AID will probably suggest that we need to encourage and support US investors to (a) protect our economic position in the region and (b) contribute to economic development.)

-- Won't continued encouragement (i.e., investment guarantees) inevitably embroil the US Government more deeply in sensitive private investment disputes which cost us politically in our State-to-State relations?

Aren't we just creating more expropriation problems for ourselves in the future?

(Irwin will be sympathetic with this line of reasoning; he will probably favor a very restrictive approach, though not a totally neutral one.)

-- What we ultimately decide to do in NSSM 131 about expropriation problems may have some bearing on what we should do about future investment, and vice versa.

[To Peterson] I suggest that CIEP take a look at this issue after expropriation policy is set. In the meantime, can we agree to continue

the selective encouragement approach?

(There will probably be general agreement.)

3. Use of the US Veto in the IDB (pp. 17-19 of Analytical Summary)

-- This issue, it seems to me, has been overtaken by events. The mandate for NSSM 131 makes Option B--vote strictly on technical and developmental grounds and Option C--seek legislation to eliminate the US veto on soft loans (Fund for Special Operations) unrealistic.

-- Is it agreed that eliminating the US veto is not a feasible option?

And that a strictly technical/developmental approach which would not in some way take into account expropriation problems, would cause difficulties with the Congress--which has already cut the IDB appropriation? If so, isn't something like Option A--continue to delay loans to countries with which we have significant problems, but avoid formal use of the veto to the extent possible--the only feasible course for the present?

(There will probably be general agreement on Option A, though State and AID may argue for an approach based in large measure on technical economic criteria. Treasury will probably find Option A agreeable, provided it is consistent with the "presumption" option it tabled at the NSSM 131 review.)

-- General policy guidance on this issue will be provided by the President's decision on the expropriation policy options. Beyond that, it seems to me each case will have to be considered by whatever mechanism is assigned to deal with expropriation problems.

4. New Measures to Promote Latin American Exports (pp. 19-20 of Analytical Summary)

- I get the impression our plate is rather full of unfulfilled promises to the Latins. We have a long way to go to catch up with existing Presidential statements (on general tariff preferences, IDB replenishment, Under Secretary for Western Hemisphere, debt burden study, reduction of non-tariff barriers).
- Are the options presented really meaningful enough in operational terms to be presented to the President?
- Realistically, don't these trade issues have to be resolved on a commodity-by-commodity basis? We have said that we will try to give special attention to Latin America in our trade policies, but where specifically can we do so in the present environment?

(State will probably push for a new statement of policy for internal use vis-a-vis Treasury, Commerce, Agriculture on quotas and other trade restrictions. Those agencies, in turn, will probably oppose such a statement. We do not feel it would be particularly useful to have a new statement, since protectionist attitudes in both the Legislative and Executive Branches will make it virtually impossible to implement.)

TO CONSIDER BROAD POLICY OPTIONS

1. I don't think it would be useful to get into a long theological debate, but we should consider our broad policy alternatives in terms of the assessment of interests, threat, and policy implications provided in the NSSM 108 Study.

-- The Study presents a very comprehensive and methodical assessment of current developments and trends in the region and their impact on our interests. It concludes that forces operating within Latin America have been far more responsible for events than were US policies and actions, and while there probably has been an impairment of our interests, the damage has not been serious. Leaving aside the expropriation question, is this judgment generally shared?

-- The Study projects trends for the next three to 4 years, suggests that we have to accept some prejudice to our interests in Latin America, but that this "can be contained within tolerable bounds against the day when the consonance we see between our interests and the interests of the Latin Americans will become more apparent to them." Is there any reason to think that the factors leading to increased radicalism and anti-US nationalism are likely to be reversed rather than intensified? [Ask Irwin and Helms] If not, shouldn't we anticipate a sharp decline in US influence and an increase in vulnerability to Soviet influence if we project these trends beyond three to four years?

2. Perhaps because it has been overtaken by events since it was written, the Study does not seem to take into account the change in domestic economic and political conditions, as well as changes in our international economic position since October 1969.

- Is there any reason to think, given these changed conditions, that the US will be in a position to make significant trade concessions or increase significantly its development assistance contributions to Latin America in the near term? Isn't it also dubious that foreign investment flows to Latin America will increase over the next few years? If so, what basis do we have for hoping that the Latin Americans will see a consonance between their interests and ours?
- Our Latin American policy has been based on the assumption that we could best protect our long-term geopolitical interests in the region by maintaining a close and constructive relationship, and that in order to do so, we would have to be responsive to the Latin Americans' own aspirations for accelerated development and greater national independence. However, if changed conditions in the US severely constrain our ability to be responsive in the areas of trade and aid, and we are under increasing pressure to confront economic nationalism in the region in order to protect our specific economic interests, shouldn't we consider some modification of our present broad policy approach?

3. It seems to me that we have three broad policy options:

- A. Continue to base our approach on the premise that close and constructive relationships with the nations of Latin America are of overriding importance to us. Under this approach we would reiterate our commitments to Latin American development and the inter-American system; continue to press Congress for trade preferences and the

IDB replenishment, recognizing, however, that little progress can be made in actual implementation.

- B. Continue to base our approach on the overriding value of constructive relationships, but tone down the rhetoric and initiate a frank dialogue with the Latins--either in inter-American forums or on bilateral bases--explaining the constraints we are under and indicating the kinds of reciprocal actions (for example, with regard to US investment) which they must take in order to make it possible for us to be responsive in some measure to their development aspirations.
- C. Abandon the concept that constructive relationships are our overriding interest in the region, and eliminate the rhetoric of our commitment to Latin American development. We would de-emphasize our participation in the inter-American system, essentially treat Latin America as any other part of the developing world, and use our leverage bilaterally to protect and advance our specific economic interests.

-- Is there general agreement that these are our broad policy choices?

(You may want to call upon State and Treasury first for comment, since they are likely to present the most divergent views. State will probably lean towards the first option, emphasizing that it would be most consistent with our commitments and tend to reassure the Latins they have not been abandoned. Treasury probably would lean toward the third option, though it might consider it a more extreme statement than its actual position. The middle option obviously attempts to reconcile the maintenance of our geopolitical interests with domestic realities that now constrain us, and will probably continue to constrain us in the next couple of years. The agencies will probably be in general agreement that a reconciliation along the lines of the middle option is probably the most realistic course we can follow.)

4. Is it generally agreed that we should take this kind of broad policy choice to the President? If so, we should develop more detailed scenarios as to what we would do over the next few months. For example, should we have a Presidential or other high-level policy statement? What would it say? What should be our position in the IA-ECOSOC meeting in September? What should be our position in other inter-American meetings? What kind of bilateral representations should we make? What kind of new initiatives or legislative strategy might make sense?
- We should keep in mind that we have to explain our approach to a domestic audience as well as to the Latin Americans.
- I suggest that the IG/ARA develop some alternative scenarios which we can put to the President soon. Is there general agreement on this?

ANALYTICAL  
SUMMARY

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ANALYTICAL SUMMARY OF NSSM 108 --

U.S. Policy Toward Latin America

I. THE REQUIREMENT

NSSM 108 requested a review of overall U.S. policy and programs in Latin America in light of recent developments in the Hemisphere. (Though not specifically mentioned in the NSSM, the election of the Popular Unity (UP) Government in Chile and growing Soviet presence in the Hemisphere were among the developments referred to.) In addition to assessing our interests and objectives in the region, the NSSM directed that special consideration be given to:

- ways of improving bilateral political relations;
- the role of our trade and development assistance policies;
- the role of our security assistance policies;
- ways of strengthening the inter-American system;
- ways of relating private investment to our political and security interests.

An initial due date of January 20, 1971, was assigned and subsequently extended in a series of steps until the study was submitted on April 1. Though no explicit cutoff date is cited, the study does not reflect events occurring later than early March.

II. ORGANIZATION AND METHOD

The study is divided into four sections:

- Statement of Current Policy;
- Assessment of the current situation and trends in the Hemisphere;
- A statement of U.S. interests in Latin America and Latin American interests with regard to the U.S.;

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by NARA on the recommendation of the NSC  
under provisions of E.O. 12958  
RS

17 June 1971

- A series of six sector papers on functional topics (Political/ Psychological, Security/Military, Development Assistance, Trade, Investment, and the Inter-American system).

The four divisions of the paper are tied together by an overview which also summarizes the conclusions and recommendations of the study.

[I recommend that you read the first 20 pages of the overview more to get a flavor of the study than to absorb its contents, since I have summarized both the overview and the various divisions and papers below.]

In addition to the NSSM 108 study, we are reviewing simultaneously the study on military presence in Latin America directed by the President in December and completed in early January. By the time the Military Presence Study had been completed, NSSM 108 was underway and, since the larger study would necessarily cover some of the same ground as the Military Presence Study, it was decided to fold the latter into the NSSM 108 response. The conclusions and recommendations of the Military Presence Study were, as it turned out, included bodily in the NSSM 108 response supplemented by additional conclusions and recommendations on subjects not already covered.

### III. STATEMENT OF CURRENT POLICY

The study states that two basic assumptions underlay the Administration's current Latin American policy:

- A fresh approach was needed.
- A "special relationship" existed and ought to exist between the U.S. and Latin America.

The study notes that the setting for policy choices included:

- the stresses and strains to which the American republics were being subjected by the process of change;
- frustration with slow rate of progress;
- growing spirit of nationalism;
- as a result of all of the above, growing anti-Americanism.

The study comments that, faced with the above conditions, the Administration considered the alternative policies of "activist involvement" and "laissez-faire pragmatism." Both the Rockefeller Report and NSSM 15 recommended a policy approximating the latter alternative which the President has called "a more mature partnership."

With respect to development, our policy was committed to:

- maintaining the overall levels of assistance to the region;
- placing increased reliance on multilateral channels for making resource transfers;
- responding to constructive initiatives from others, but severely limiting our own initiatives;
- lowering our profile and, where possible, reducing our visible presence.

In the trade and investment areas our policy favored:

- a liberal system of generalized tariff preferences for all developing countries;
- multilateral reductions in non-tariff barriers and other measures to help Latin American countries expand their exports;
- encouragement of U.S. investment in Latin America, but only where it was desired and local political conditions did not present unwarranted risks.

On the security side, our policy resolved to

- continue to provide assistance and work carefully with the Latin American military, but in ways which would lower our profile;
- continue to avoid becoming a party to arms escalation in the area;
- continue to encourage the allocation of resources to economic and social development rather than to military expenditures;
- be responsive to reasonable requests for equipment needed to modernize obsolete inventories;

- continue military missions but at a much lower manning level;
- continue public safety programs designed to serve developmental as well as security interests.

With respect to the Organization of American States (OAS) we saw the system as a useful mechanism for blunting the problems created by overwhelming U.S. power in the Hemisphere. As a result, our policy:

- declared a firm commitment to the inter-American system;
- indicated that future U.S. assistance for development would be placed increasingly on a multilateral basis within the inter-American system.

#### IV. SITUATION AND TRENDS

With respect to the current situation in Latin America, NSSM 108 concludes that:

- governments have survived disruptive effects of radicalism without suffering serious threats to their stability;
- in Cuba economic deterioration has increased Castro's dependence on the USSR and further eroded his appeal in Latin America;
- the USSR has managed to expand its contacts and presence in Latin America in a variety of ways including increased diplomatic presence, expanded trade, and a growing naval presence in the Caribbean area.
- the election and consolidation of the Allende Government in Chile has altered both power relationships and the entire atmosphere in the Hemisphere, and offers the Soviet Union opportunities for significant further expansion;
- in the Caribbean area, the Central American War of 1969 set back economic integration, while growing black nationalism has caused a new restlessness;
- economically, many Latin American nations have enjoyed considerable prosperity for the last several years but

*Value?*

generally favorable statistics mask sluggishness or reduced growth in some countries, and many serious social problems remain;

- West Coast adherents of 200-mile territorial sea limits were joined by Argentina, Brazil, and Uruguay.

The study comments that the forces operating within Latin America have been far more responsible for events than were U.S. policies and actions. U.S. assistance contributed to good economic performance but other factors were more influential. Though we have continued programs in the social sector, many Latins believe U.S. interest in social progress has declined. Our policies towards private investment have allayed some nationalistic fears of foreign domination but sensitivity to investment and our policies remains high. In sum, the Latin reaction to our policies has been ambivalent. On the one hand their fears have been allayed by our lower profile and declining involvement, but on the other, they are alarmed that we may be losing interest in Latin America.

NSSM 108 identifies the following as key trends affecting U.S. interests over the next three or four years:

- violent extremism will remain a disruptive force but extremists are unlikely to seize power in any country;
- however, in one or more countries extremist tactics and other factors could erode institutions to a point where revolutionary crises may occur;
- under extremist pressure some governments may take anti-American positions and perhaps positions more friendly to the USSR;
- cooperation among insurgent groups will probably increase;
- the military will continue to play an important political role;
- the USSR will continue to press expansion of its presence in the area, but with the object of reducing or displacing U.S. influence rather than creating communist governments;
- the inter-American system can perform some useful functions, but will be hampered by definite limitations;

- overall economic conditions will be only fair;
- awareness of the extent and difficulty of the area's social problems will increase as will pressures for reform;
- new modalities of private investment will be increasingly employed.

V. U.S. INTERESTS IN LATIN AMERICA AND LATIN AMERICAN INTERESTS WITH REGARD TO THE U.S.

NSSM 108 concluded that while the U.S. has no vital interests in Latin America, some of our interests could become vital in the future and even now several could cumulate in various combinations to become of vital interest. The study defined the following interests as very important:

- preservation of a predominance (by a combination of numbers and importance) of independent, self-sustaining countries favorably disposed to the United States;
- denial of Latin America as an area from which strategic attack could be launched against the United States.

The following interests were considered important:

- maintenance of the confidence of Latin America and of the world in the effectiveness, maturity and responsibility of our leadership as a great power in our relations with Latin America;
- continued access, protection and control of the Panama Canal;
- the existence of a strong inter-American system including an effective collective security function;
- freedom of transit on the high seas and in international air space;
- reasonably favorable trade and investment climates;
- denial to hostile powers of bases in Latin America that would enhance their strategic military capabilities;
- continued access to bauxite in Jamaica and petroleum in Venezuela;

- protection of U.S. citizens;
- continued access to certain naval and air bases facilities in the area.

Economic and social progress, freedom of communications media, and maintenance of internal security are significant but are considered to be means rather than ends.

Latin America's principal objectives with respect to the United States are considered to be:

- maintenance of the flow of U.S. capital and technology;
- liberal trade policies respecting Latin American exports;
- adequate economic assistance;
- gaining control of key natural resources now controlled by U.S. firms as a means of demonstrating and maintaining independence;
- maintenance of an effective inter-American system as a shield against external aggression, and as a means of restraining possible U.S. intervention.

The study engaged in a rather inconclusive consideration of the consonance of U.S. and Latin American interests and the difference between real and perceived interests in both cases. It was apparent, however, that our interests in Latin America are primarily oriented toward political and security matters while their interests in the U.S. are concentrated in the trade, aid, and investment areas.

The study notes that in one sense all countries in the area are equally important to us because bases for offensive strategic weapons in any of them would complicate our defense, while subversive activities and related anti-Americanism in any country could contribute to the erosion of U.S. influence and leadership. At the other extreme it notes that none of the countries is a great or even a middle power on the world scene, and only Brazil has the potential to become such a power. Within these parameters, the study concludes that Brazil and Mexico are of particular importance to us because of their size and economic potential (as well as contiguity in the case of Mexico). It also notes the importance of Colombia, Argentina, and

Venezuela for the same reasons. Venezuela, Panama, Jamaica, and the Bahamas are regarded as significant because of natural resources or key base facilities. In a negative sense the importance of Cuba and Chile is underlined, and Peru is regarded as especially significant as a potential offset to Chile. The study observes that 7 out of 11 countries mentioned are in or around the Caribbean.

VI. GENERAL POLICY CONCLUSIONS

On the basis of the assessment above, the NSSM 108 study reached the following broad conclusions:

- the basic policy direction was, is, and will continue to be sound in its essentials;
- it is attuned to current and projected realities;
- some adjustments are required in order to correct misinterpretations of its meaning or to correct instances where its execution has not gone far enough.

The study made the following observations with respect to our mature partnership policy:

- while the policy implies an overall reduction in our profile, it does not require reduction in all respects in all countries;
- the policy does not require a retreat from discreet and selective leadership when required;
- the recommendations put forward by the study represent a somewhat more activist stance in some respects and a slight raising of our profile, but they avoid paternalism and the directive style that had contributed to our problems heretofor;
- strong support for economic development and social progress should be maintained;
- we should continue strong support for military assistance;
- more emphasis should be placed on style, information policy, and traditional diplomacy.

*A really profound statement*

The study concludes that while the basic policy is valid as a continuing guide for the next 3 or 4 years, we should recognize that it is "damage-limiting." Some prejudice to our interests is bound to occur, but if the policy is adequately supported this prejudice will be less than it otherwise would be and can be contained.

[The study does not project trends far enough. There is little reason to believe that the conditions leading to increased experimentation with radicalism and statism and growing anti-US nationalism are likely to be reversed, rather than intensified over time. If so, the impairment to our interests--and particularly Latin vulnerability to Soviet influence--may be greater than the study concedes.]

[More importantly, the study does not take into account US domestic economic and political developments, and our worsening international economic position. These changing factors--which have become more evident since the study was written--have severely constrained our ability to implement the central elements of our Latin American policy-- e. g., trade preferences, expansion of IDB lending. These constraints are likely to continue, and we will be unable to be responsive to Latin aspirations for accelerated development. Growing pressures within the Executive and Legislative Branches to protect our specific economic interests--private investment, fishing boats, trade restrictions--will force us to confront, rather than avoid exacerbating Latin nationalism. Thus, the imperatives of our domestic realities are likely to lead us on a course which will increasingly alienate us from Latin America, rather than produce a recognition of the "consonance of our interests."]

[Present policy, which cannot be implemented, therefore, does not seem to be an adequate guide for the next 3-4 years. We should consider some broad policy alternatives, which hopefully can reconcile with least damage to our broad geopolitical interest in maintaining US influence in the region--and limiting Soviet influence there--with the need to do more to protect our specific economic interests.]

## VII. ISSUES AND RECOMMENDATIONS

The study identifies four broad issues confronting U.S. policy and makes the following recommendations. [These are non-controversial IG/ARA conclusions and do not require detailed consideration by the SRG. The four operational issues for which options were formulated are discussed separately in Section VIII below.]

### 1. How to ameliorate anti-U.S. nationalism or limit its impact on U.S. interests

#### a. Political/Psychological

- Continue to emphasize the "mature partnership" concept, playing down U.S. predominance in the style and content of our information programs and our diplomacy, and exercising discreet leadership in the OAS.
- Be as responsive as possible to Latin American trade needs, avoid new legislative encumbrances on the flexibility of our aid, and consider making an effort in Congress and the Hemisphere to achieve an interim arrangement on fisheries jurisdiction.
- Continue our present policy of "pragmatic differentiation" in our relations with Latin American countries, and continue present policy vis-a-vis Chile.

#### b. Economic

- Continue the current policy of selective protection of U.S. investment in Latin America.
- Initiate a review of U.S. investment problems in Latin America by representatives of the USG and the private sector.
- Continue the move to multilaterality in our development assistance, but retain sufficient bilateral aid flexibility to meet our political and foreign policy requirements in the region.

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c. Security/Military (See issue 3 below)

2. How to contribute to greater economic and social progress, and encourage more realistic expectations of such progress

a. Political/Psychological

- Continue to demonstrate a special interest in Latin American progress through our aid and trade policies.
- Stress positive aspects of progress already being achieved, avoid contributing to inflated expectations by extravagant promises.

b. Economic

- Promptly submit generalized preference legislation to Congress, and strongly support its early enactment. The study terms this "fundamental to our hemispheric policy" and judges that failure to submit legislation would "cause a sharp reaction and reinforce anti-American sentiment in Latin America."
- Make a strong effort to comply with the "standstill" commitment to avoid new restrictions on Latin American exports, and continue to give priority to assisting Latin American export development.
- Improve procedures for advance consultation on measures which might adversely affect Latin American trade.
- Maintain at least current levels of U.S. aid, secure Congressional approval of our IDB replenishment pledge.

c. Security/Military (See also issue 3 below)

3. How to encourage a clearer perception of the mutuality of U.S. and Latin American interests

a. Political/Psychological

- Continue to emphasize positive aspects of U.S. role and presence and our continuing concern for the Hemisphere. Explain the contribution of U.S. technology and capital flows.

- Emphasize and improve our "style" in relations with Latin America -- e. g., demonstrate our respect and emphasize the personal touch in our relations.
- Continue and expand our diplomatic and intelligence-exchange programs, raising the security implications of Soviet, Cuban, and other subversive activities.

b. Security/Military

[These are the conclusions of the Military Presence Study which were incorporated into the NSSM 108 response. They are non-controversial and require only a general blessing by the SRG. Grant materiel assistance, the only controversial issue raised by the Military Presence Study, is discussed in Section VIII below, with options, pros and cons.]

- That the Departments of State and Defense send guidance to the field removing any doubts about the propriety and desirability of utilizing mission personnel and attaches for purposes of influencing host government military leaders toward U. S. foreign policy objectives.
- That a new ceiling of 290 slots be established for Milgroup assignments in the region. [In a January 19 memorandum to you, the IPMG proposed two lower level options -- 270 or 236 slots -- which were rejected by the IG/ARA. State, in effect, could not make up its mind. This is really a non-issue, given the President's desire to increase our contact and influence with the military.]
- That small increases in several attache offices recommended by the Ambassadors be approved.
- That Department of Defense take concrete measures to improve the quality of military group and attache personnel assigned to the region.
- That the Administration make concerted efforts to eliminate from the Foreign Military Sales Act burdensome legislative restrictions, and that the present \$75 million regional ceiling with respect to Latin America be eliminated or raised. [The latter has already been accomplished.]

- That FMS credit be accorded to the region at a level no less than \$70 million annually for FY 72 and subsequent years.
- That training programs for Latin American military personnel and the information program for foreign military trainees continue at at least FY 72 level (\$10 million).
- That the Inter-American Geodetic Survey (IAGS) continue at at least \$2.9 million per year.
- That the United States be responsive to Latin American requests for naval vessels, emphasizing sales of excess naval vessels rather than ship loans.
- That related military programs (conferences, ship visits, liaison programs, and combined exercises) be continued and supported.
- That those activities of the Bureau of Educational and Cultural Affairs, and USIS that provide maximum opportunities for influencing the military be expanded as far as possible within the context of their primary purposes and legal restraints.

4. How to limit or protect against the increasing Soviet diplomatic, trade, and military presence in the region

a. Political/Psychological

- Take a strong stand with Latin American governments against increases in Soviet military presence that threaten our interests.
- Continue to underline to Latin American governments the hazards of the Soviet diplomatic and trade presence, but avoid pressing our views on countries that appear unlikely to be receptive to such views.

b. Security/Military

- That DOD examine the possible need for increased submarine surveillance and ASW capability in the Caribbean.
- Undertake contingency planning concerning the possible establishment of Soviet bases in Latin America.

VIII. OPERATIONAL ISSUES, OPTIONS, PROS AND CONS

[The IG/ARA recommends that four issues be specifically addressed by the SRG. The first one (on grant materiel assistance) probably can be resolved by the SRG. The other three are economic issues, on which the choice of realistic policy options is limited (e. g., issues on use of U. S. veto in the IDB), or bureaucratic and other constraints are such that a doctrinal decision would have little utility (e. g., issues on encouragement of U. S. investment and new measures to maximize Latin American export earnings). Therefore, we do not think it necessary for the SRG to reach decisions on the three economic issues.]

1. Grant Materiel Assistance

The IG/ARA endorsed a recommendation of the Military Presence Study that we modify the present policy of phasing out grant materiel in order to permit materiel programs for selected countries, concentrating on high impact items. It calls for a \$9.3 million program for FY 1972 and recommends that the program continue in future years.

*That's really daring*

[The IG/ARA makes this recommendation despite the fact that the President's FY 72 budget does not contain programmed funds for materiel aid-- the budget assumes that urgent Latin American needs would be funded from the \$100 million worldwide contingency fund. Based on the President's directive to improve contact influence with the military, we recommend that an effort be made to get a \$9.3 million program for FY 1972. Should this prove impossible, we can rely on the contingency fund, but we should work for a grant materiel program for FY 1973. The pros and cons of this and two other options follow.]

Option A. Permit grant materiel program for FY 1972

Pros:

- Provides leverage to increase U. S. influence in key countries, by demonstrating U. S. concern for local security problems.
- Assists Latin American forces to carry out internal security and civic action programs.
- Permits advance programming of military aid for countries of greatest need.
- Could, to some degree, discourage third country supplies.
- Consistent with the President's decision of October 15, 1969, to "continue to provide assistance and work carefully with Latin American military . . ."

*Why more than contingency fund? what if we ask for it + it is rejected*

Cons:

- Could arouse Congressional opposition and jeopardize acceptance of any liberalization of existing sales restrictions.
- Could be seen as inconsistent with our desire to lower our profile and encourage self-reliance and budgetary discipline.
- Would be difficult to explain in cases where recipient nation had recently purchased substantial amounts of hardware.
- Could associate the U.S. more visibly with repressive or otherwise unpopular regimes.

Option B. No programmed grant materiel for Latin America, but the President would draw upon a worldwide contingency fund to meet unanticipated Latin American needs. [This option is most consistent with recent budgetary decisions.]

Pros:

- Would provide greatest flexibility, subject to global priorities, since no dollar ceiling would be involved.
- Conforms with the President's intention to streamline and integrate security-related programs.

Cons:

- Important, though relatively small, Latin American requirements could tend to be overshadowed as in the past by emergency requirements in more active or critical regions.
- Would preclude enhancing our influence with the Latin American military through continuous dialogue over grant materiel programs.

Option C. Earmark up to \$9.3 million of the President's contingency fund for use as necessary in Latin America.

Pros:

- Would enable the U.S. to respond to emergency needs on a contingency basis.

- Would demonstrate U. S. concern for local security problems in selected countries.
- Would be less likely to draw Congressional criticism than programmed assistance.
- Could, to some degree, discourage third country military supply.

Cons

- Might reduce the Administration's flexibility in response to worldwide needs.
- Could draw Congressional criticism as an effort to circumvent scrutiny of regular grant programs.

2. Encouragement of U. S. Investment

The IG/ARA recommends that we continue our present policy of selective encouragement of U. S. private investment in Latin America, and that State draw up explicit selectivity criteria for U. S. implementing agencies and U. S. representatives in international financial institutions. Two other options considered but rejected are neutrality and selective discouragement.

[This issue poses serious doctrinal questions: there may be merit in a position (i. e., neutrality) which lowers the USG profile on investment matters in order to avoid jeopardy to our overall interests. Continued use of OPIC guarantees will lead the USG to a position of claimant against other governments, requiring us to make private investment disputes a matter of State to State relations. There will probably be general agreement to maintain the current approach of selective encouragement. However, this issue should be considered by CIEP in light of the NSSM 131 (expropriation study) outcome.]

Option A. Selective encouragement (current policy)

Pros:

- Consistent with the President's statement that we should encourage "new modes . . . of needed investment . . . without challenge to national pride and prerogative."
- Explicit description of the policy and its criteria would influence investors and host countries to consider an investment more carefully than at present, forestalling potential embarrassment and resentment in the future.

Cons:

- Would ensure early USG involvement in investment disputes which could lead to further political problems and outweigh the "deterrent" effect of such involvement.

Option B. Neutrality on all new investments, cessation of new OPIC activities, continuation of present Ex-Im operations

Pros:

- Recognizes that the primary burden of attracting investment should fall on host countries.
- Minimizes USG role as advocate and, subsequently, protector of investment, thereby increasing our flexibility and reducing the risks of encouraging investment on, in part, political grounds.

Cons:

- Eliminates one means of gaining greater control over important materials.
- Would require immediate and visible cessation of new OPIC activity, with a probable negative effect on investment and possible critical comment from Congress.
- Would reduce USG influence on the modalities and nature of new U.S. investment in Latin America.

Option C. Selective discouragement of new investments except those which would serve current and longer-term U. S. interests.

Pros:

- Would reduce potential disputes and lower our profile even more than neutrality while retaining flexibility to accommodate special situations.

Cons:

- Would open us to the charge of actively injuring Latin American development prospects and could undermine the environment for existing investment in some countries.

3. Use of the U. S. Veto on Proposed Soft Loans in the IDB

The IG/ARA recommends that we continue current practice of delaying loans to countries with which we have important policy differences and avoiding formal use of the veto to the extent feasible. The issue is that our veto exposes us to the risk of Latin America-U. S. polarization in cases (i. e., Peru or Chile) where legislative requirements, Congressional pressure, or overriding national interest may require that we oppose a loan. Though we have avoided confrontations to date, we cannot indefinitely postpone loans short of using the veto.

The IG/ARA considered and rejected the alternative options of (1) voting strictly on technical and developmental grounds, or (2) working to eliminate the U. S. veto:

[The alternatives to the current approach are unrealistic and infeasible given attitudes in the Executive and Congress. The first alternative would be consistent with the Peterson Task Force approach toward foreign assistance, and probably best from the point of view of minimizing conflict with the Latins. However, it would be inconsistent with current policies towards Chile and Peru. Given these constraints, our view is that it would be best to continue on a case-by-case basis, recognizing that we are pursuing essentially holding actions with particular countries which eventually will bring us to a point of choice between confrontations or easing up on credit restrictions. We feel therefore that the only realistic option is to continue present practice, though this too is an issue which will depend on the outcome of the NSSM 131 decision.]

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Option A. Continue present practice

Pros:

- Permits continued differentiation in cases of important bilateral policy issues.
- Will not result in confrontations so long as the use of our veto can be avoided.

Cons:

- Perpetuates tensions in the IDB and exacerbates bilateral political issues.
- Cannot be continued indefinitely without use of veto.
- Undermines the IDB's credibility and our commitment to multilateralism.

Option B. Vote strictly on technical and developmental grounds, consistent with U.S. legislation

Pros:

- Would largely avoid damage to IDB and U.S. credibility.
- Would increase the credibility of U.S. actions based on technical grounds.

Cons:

- Unrealistic in light of Congressional concern that we might be aiding countries with which we are at political odds.
- Would prevent our demonstrating our displeasure at potential borrowers with whom we are at odds.

Option C.      Work to revise IDB Charter and U.S. legislation to eliminate the U.S. veto on soft loans

Pros:

- Would reduce our exposure in the IDB.
- Would enhance IDB's multilateral nature as well as our credibility as a strong supporter of the multilateral framework.

Cons:

- Could imperil the survival of the IDB because of likely Congressional reaction, and would jeopardize the IDB replenishment legislation.
- Would greatly reduce, if not eliminate, our ability to deny loans in cases of important political differences, and would limit our influence in the direction of greater technical acceptability.

4. New Measures to Maximize Latin American Export Earnings

The IG/ARA recommends that we develop new measures in the fields of tariffs, non-tariff barriers, commodity policies, joint action in international forums, and export development. The study describes, without taking a position, four options distinguished by the degree and nature of selectivity in treating Latin American exports.

[This issue is essentially an attempt to obtain a more explicit restatement of the President's policy to give special consideration to Latin American in our trade policies. It is difficult to see how another doctrinal statement can have very much utility. Our problem has been our inability or unwillingness to give effect to this policy direction as each trade policy question comes up. What we need to do is deliver on our outstanding commitments on a case-by-case basis and not delude ourselves by making more statements. In any event, Commerce, Agriculture and Treasury probably will not be willing to be as forthcoming on this question as State, and it is thus unlikely that a consensus could be reached. We see no reason to try to bring this to a decision.]

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- Option A. Develop measures (which could be transitional) favoring all (or some) Latin American countries and discriminating where necessary against other countries. This would have the advantage of providing quick and large benefits to Latin America and giving substance to our "special relationship." However, it would breach MFN principles and could seriously prejudice trade relations with other countries. Nor is there evidence of domestic support for such a policy. In addition, it would tend to increase Latin American dependence on the U. S. and would run counter to our long-term goal of a free international trading community.
- Option B. Develop transitional measures providing special benefits for all LDC's. This would bring some immediate tangible benefits to Latin America, and would demonstrate our commitment to developing nations. However, it could lead to higher import levels (and thus domestic criticism) and would produce hostile reaction from certain developed country exporters. It could lead other developed countries to restrict U. S. exports of certain products, and lead to a spiral of retaliation.
- Option C. Develop measures favoring all (or some) LDC's without discrimination against other countries. This could encourage a beneficial multilateral liberalization of trade. But there are few measures available to achieve this goal, and the results for Latin America would be slow in coming and diluted by the lack of preferential treatment.
- Option D. Take no measures specifically designed to help Latin American or LDC exports, but continue to work for multilateral trade liberalization on an MFN basis. This option would encourage a general freeing of world trade over time but would achieve a little in the near term for Latin or LDC exports without a substantial increase in import levels. It could lead to charges that the U. S. had reneged on its commitments to take measures reflecting the special needs of Latin America and the LDC's, as a whole.

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IX. OTHER RECOMMENDATIONS

The study urges that further studies be undertaken in the following areas:

- A review of "whether the concept of a special relationship, however modified to accommodate Latin sensitivities, is still essential to United States interests and indeed whether it is consistent with the concept of a mature partnership."
- Continuing review of Cuban policy in light of possible increasing pressures among Latin American countries to reexamine OAS policy toward Cuba.
- A technical study of the strategic requirements for bauxite (currently underway), oil, and possible other resources from Latin America.
- A review of U. S. arms supply policy and a study of the feasibility of an arms limitation agreement for the region, including the possible U.S. role therein.
- Studies of the implications for U. S. interests of increased Western European and Japanese trade investment and military assistance and arms sales in Latin America.

[This is a central issue which the NSSM 108 Study avoided; it should be addressed soon.]

BASIC  
STUDY



UNITED STATES INFORMATION AGENCY

WASHINGTON 20547

July 2, 1971

*Differential  
approaches*

OFFICE OF  
THE DIRECTOR

MEMORANDUM FOR: The Honorable  
Henry A. Kissinger  
The White House

A confluence of events is developing in the U.S. and Latin America which, if allowed to continue unabated, could significantly impair our interests in that area. NSSM 108 documents the steady expansion of Soviet activity -- political, military, economic and cultural -- in the hemisphere. At the same time, the Latins are daily witnessing what they consider to be our lessening interest:

- There has not been a Presidential address on Latin America in nearly two years (since October 1969).
- We have not submitted the generalized tariff preferences to the Congress even though we have repeatedly given the Latins assurances of our intention to do so.
- The Sugar legislation which affects several Latin countries has encountered rough sledding.
- Our long-heralded policy decision to switch from bilateral to multi-lateral assistance program has begun to sound hollow in the wake of Congressional resistance to appropriate funds for the Inter-American Development Bank and other international financial organizations.
- The coffee legislation involving 41 producing countries around the world including 17 Latin American nations is bogged down in the House.

The Latins are not terribly concerned about defense against a Soviet threat. Rather they tend to think of their interests as deriving from their aspirations for economic and social progress. This preoccupation in turn affects their thinking on political and even security matters.

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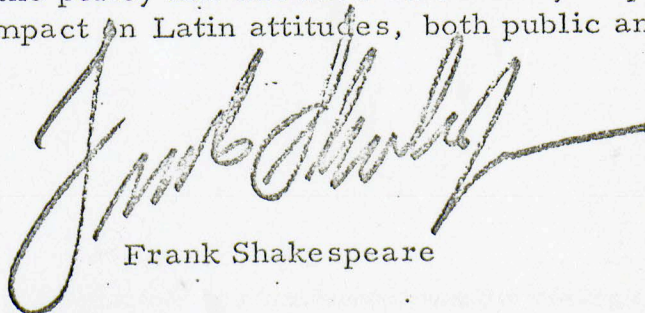
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These issues may well come to a climax at the forthcoming Inter-American Economic and Social Council (IA-ECOSOC) meeting scheduled for Panama in mid-September. We feel a major effort is needed to improve our position in the hemisphere and thereby offset the steadily increasing influence of the Soviet Union. Specifically we suggest:

- A Presidential address re-affirming our policy of mature partnership and reviewing the steps we and the Latins have taken and will take to implement it.
- Submission of the tariff preference scheme to Congress. Even if the legislation fails, we will be in a better position psychologically for having seriously tried to make good on our earlier commitments. For tactical reasons we would suggest the submission be announced a few days prior to the September meeting.

In order to prepare the groundwork for our position at the IA-ECOSOC conference, we would plan to work closely with State to undertake a coordinated press and audio-visual build-up in the weeks preceding the meeting. Once the conference starts we would build on our momentum with a major public affairs effort keyed to the themes included in the agenda and stressing the advantages of an inter-American approach to the problems.

In sum, we think the Administration has adopted the correct policy toward the hemisphere and we have done our best to support it. But we are deeply concerned that the policy has not been sufficiently implemented to achieve the necessary impact on Latin attitudes, both public and official.



Frank Shakespeare

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**REVIEW  
OF  
U.S. POLICY TOWARD  
LATIN AMERICA**

**RESPONSE TO NATIONAL SECURITY  
STUDY MEMORANDUM 108**

**Prepared by National Security Council  
Interdepartmental Group for  
Inter-American Affairs  
(NSC-IG/ARA)**

**MARCH, 1971**

**GROUP 3**

**Downgraded at 12-year intervals; not automatically declassified.**

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REVIEW OF  
U.S. POLICY TOWARD LATIN AMERICA

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## OVERVIEW, ISSUES, AND MAJOR RECOMMENDATIONS

The accompanying documents constitute the response by the IG/ARA to NSSM 108. In order to make its address to the NSSM as comprehensive as possible, the IG/ARA was expanded to include all interested Departments and agencies. The response, therefore, has benefited from a broad range of contributions and views.

### I. Methodology

In undertaking the comprehensive review requested by the NSSM, the IG/ARA followed a methodological sequence which called for:

(a) a statement of current policy toward Latin America and of the assumptions and analyses that had given rise to that policy (Tab IV);

(b) an assessment, prepared by the Intelligence Community in the first instance, of the current situation in the hemisphere, the effect of current policy in bringing about the current situation, and the trends over the next three to four years which will have significant implications for policy (Tab V);

(c) a statement of U.S. interests in Latin America more explicit and more carefully defined than that which was used inferentially in the 1969 review of policy (Tab VI); and

(d) an analysis by operational sector -- political/psychological, security/military, development assistance, trade, investment and the inter-American system -- of the impact of current and prospective developments in Latin America on our interests; an examination of the policy implications of that inter-action; an identification of the consequent issues for policy; the presentation of realistic alternative policies and courses of action for meeting the issues; and, where appropriate, recommendations for choice among the options (Tabs A through F).

With respect to certain policy issues, the IG/ARA limited itself to a summary treatment either because they are being considered in detail in other NSC modes (e.g., Cuba, which is the subject of NSSM 32, now before the NSC, and Chile of which the SRG is specifically seized) or because their complexity requires an examination in greater depth than this response to NSSM 108 permitted (e.g., the establishment of a definitive position on what constitutes a "reasonable" response to "reasonable" requests for arms).

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II. U.S. Interests and Their Consonance with Latin American Interests

A. General

Because a definition and understanding of U.S. interests are indispensable to a coherent address to policy, we have made a special effort to identify those interests. We present them below in full awareness that reasonable men differ widely in their appreciations and ordering of interests and goals and that the version of this controversial subject that we have arrived at may deserve modification and refinement -- a task which the IG/ARA will undertake as part of its on-going work on the CASP system.

B. U.S. Interests in Relation to Latin America

The U.S. has a number of major interests in Latin America, which are listed below in rough order of priority. Some of these major interests could become vital<sup>1/</sup> interests in the future; and a number of them, including one of the most important ones, could cumulate now or in the future in various combinations to be a vital interest.

1. Very Important

a. Preservation of a predominance (by the combination of numbers and importance) of independent, self-sustaining Latin American countries favorably disposed to the U.S.

b. Denial of Latin America as an area from which a strategic attack could be launched against the U.S.

2. Important

c. Maintenance of the confidence of Latin America and of the world in the effectiveness, maturity and

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<sup>1/</sup> A vital interest is understood to be one which directly concerns a nation's ability to survive, or at least to survive in its existing essential character. A major interest is at the next level; it is one which significantly affects a nation's well-being.

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responsibility of our leadership as a great power in our relations with Latin America, with due consideration for the "mature partnership" concept.

d. Maintenance of access to the Panama Canal, including, under existing circumstances, its protection and control by the U.S.<sup>1/</sup>

e. The existence of a strong inter-American system, including an effective collective security function.

f. Unimpeded transit for U.S. forces on the high seas and in international air space in the area.

g. Mutually beneficial economic interchange, including reasonably favorable trade and investment climates.

h. Denial to hostile powers of bases in Latin America that would enhance their non-strategic military capabilities.

i. Continued access to bauxite in Jamaica and petroleum in Venezuela.

j. Protection of the large number of U.S. citizens who live in, have economic ties in, or visit Latin America.

k. Continued access to certain naval and air bases and facilities in the area.

Economic and social progress, freedom of communications media, and maintenance of an adequate measure of internal security in Latin America are very significant, but are considered to be means of advancing U.S. interests in Latin America rather than interests in themselves.

C. Relative Importance of Countries and Sub-Regions in Latin America

In a sense all countries of the region are of considerable significance to the U.S. because (1) bases for offensive strategic

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<sup>1/</sup> ISA and JCS prefer "Protection and control of the Panama Canal as essential to maintaining our access to its use."

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military weapons in any of them would complicate the defense of the U.S., and (2) extremist political and economic solutions and related strong anti-U.S. nationalism in any of them and the U.S. reaction to these phenomena could contribute to erosion of the U.S. position of influence and leadership in the world. Certainly they are all significant when their populations, resources, economies and political and strategic potential are cumulated. And they are significant because they form part of the inter-American system.

At the other extreme none of the countries is a great or middle power on the present world scene and only Brazil has the potential to become such a power in the middle-term future.

There are, however, degrees of significance which may be usefully stated. Brazil is the most important country of the region, because of its size, its potential, its current economic dynamism, and its sense of mission. Mexico is large enough to be a significant middle power over time, is self-confident, and is of particular importance because it borders on the U.S. Colombia and Argentina also have size and potential, and Venezuela has the requisite economic resources. The remaining countries of particular significance to the U.S. are other strategic resource and base countries -- Panama, Jamaica and the Bahamas -- and, from a negative point of view, those countries which have adopted left extremist regimes -- Cuba and Chile. Peru also is especially important as a potential offset to Chile.

Seven of the eleven countries mentioned are in or around the Caribbean. The Caribbean area has the additional special importance of being on the access routes to the Panama Canal and very close to the U.S.

D. Latin American Interests in Relation to the U.S.

In the belief that it was important in reassessing policy toward Latin America to understand the degree to which the interests of Latin America coincided or conflicted with our own, we made a parallel effort to identify what we considered to be Latin America's principal interests in its relations with the U.S. They are:

1. To maintain the flow of U.S. capital and technology and obtain liberal trade and aid treatment as a contribution to economic and social progress.

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2. To develop offsets to the pervading U.S. presence and to gain control of key natural resources as means of demonstrating and maintaining independence.

3. To avoid, at the same time, dependence on another power.

4. To maintain an effective inter-American system, with U.S. participation.

5. And finally to maintain the U.S. security umbrella against potential future extra-hemispheric attempts at incursion.

E. Consonance of Interests

The foregoing lists array the objective interests of the U.S. and Latin America with respect to each other. There is nothing necessarily inconsonant between these objective interests. Perceived interests, however, are different from objective interests in both cases. The perceived interests of the U.S. and Latin America are inconsonant. As will emerge from subsequent parts of this overview, this inconsonance derives from: (a) Latin American nationalism directed mainly against the U.S., (b) different perceptions of the external threat, (c) the different priorities or weights that each side gives to its interests, and (d) inter-interest conflicts for both.

III. The Current and Prospective Environment for U.S. Interests

A. Current Situation

In the period since the policy determinations of 1969, the environment to which those determinations were addressed has continued essentially as forecast in studies prepared at that time. Developments since 1969 that were either not fully apparent then or not perceived in their current scope have been the increase in Soviet military activities, especially in the Caribbean, and the installation and dynamism of a Marxist coalition in Chile.

In the broadest sense, frustration and a sense of inadequacy continue to characterize Latin America. The factors which lie at the root of this frustration and sense of inadequacy -- the failure of Latin America to achieve its aspirations for economic and social progress, its dependence upon the U.S., and the confusion

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and tensions created by rapid change itself and by the mass of information and new concepts flowing over modern communications media -- all persist. As a consequence, reactive Latin American nationalism, directed principally but not solely against the U.S., continues. So do its corollaries, the readiness to experiment with radicalism and relative indifference to the preservation or extension of free institutions. Accompanying these tendencies is Latin America's current failure to think of the Soviet Union as a significant threat.

As these strong and basic attitudes continued to shape events since mid-1969, Latin American governments have survived the disruptive effects of radicalism and terrorism without suffering serious threats to their stability. The Central American war in mid-1969 and growing black radicalism in the Caribbean have weakened political stability in those areas. In Cuba, further economic deterioration has increased Castro's dependence on the USSR and further eroded his appeal in Latin America.

The USSR has managed to expand its contacts and its presence in Latin America in several ways. The rapid movement toward consolidation by the Allende regime in Chile since November offers the Soviet Union opportunities for significant further expansion.

Economically, many Latin American nations have been at high points in their economic cycles, but overall statistics mask sluggish or reduced growth in some, as well as uneven income distribution, and many serious social problems remain.

Latin American leaders have viewed trade opportunities in the U.S. market, as well as other markets, not only as the best hope for substantial resource transfers but also as the most economically effective and politically acceptable vehicle for such transfers. Prompt introduction of a generalized tariff preference system is considered essential, and the President is regarded as committed to this objective. New foreign investment has a major role to play in making it possible for the Latin Americans to take advantage of such new export market opportunities.

With respect to U.S. private investment, operating conditions have worsened in the past two years as economic nationalism has continued to grow, but confiscation has not occurred to the extent that many feared. The need for development assistance from the public sector has continued in order to ease foreign exchange constraints not fully met by trade

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or private sector inflows and to act as a catalyst in influencing the recipient countries to identify and pursue developmental priorities.

The OAS is becoming more disparate and less cohesive in its membership, particularly with the advent of radical military regimes and the Marxist government of Chile, making it more difficult for the United States to align support in the political/security and economic fields. Yet the OAS has continued to provide a forum for constructive dialogue bridging differences. The number of Latin American countries claiming 200-mile territorial sea limits has increased and our response to Latin American seizures of U.S. fishing boats in these waters has caused the ensuing dispute to be introduced into the OAS.

## B. The Effect of U.S. Policy

### 1. Political and Military

Forces operating within Latin America itself were far more responsible for events in Latin America during 1969-70 than were general U.S. policy and specific U.S. actions.

The Latin American view of changed U.S. policies during 1969-70 is ambivalent. On the one hand, Latin American governments approve of opportunities for an increased role in hemispheric affairs; on the other, they are uneasy over their capacity to meet their new responsibilities, and are concerned that "low profile" really means that the U.S. is losing interest. Those who approve regard themselves as the rightful arbiters of developments in their own continent. They are confident of their capacity to meet new responsibilities and see the reduction of U.S. presence as creating new opportunities for the exercise of their own influence. On the other hand, some of those who are disquieted by what appears to them as American disengagement are fearful that the reduction of the U.S. presence has created a vacuum which could tempt other powers, both hemispheric and extra-hemispheric.

U.S. restrictions on sales of military equipment have been regarded as paternalistic and have led to resentment on the part of the Latin American military. At the same time, nationalistic trends among the military have contributed to their desire to be more independent of us, and their

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growing political role has led them to see their relationships with the U.S. in broader terms than the provision of military equipment. Nevertheless, the overall effect of these restrictions, combined with the reduction in military mission personnel, the suspension of grant materiel programs and the lack of FMS credit have contributed to a diminution of our security cooperation with the Latin American military, at least in the larger South American countries. They have probably implied to some Latin American military establishments a U.S. intention, not contemplated in U.S. policy, to disengage.

Latin Americans are ambivalent, too, concerning the U.S. position regarding the internal politics of Latin American countries. Most welcome the non-intervention cast of our decision to deal with countries as they are. But at the same time they are concerned when this U.S. pragmatism is seen as weakening support for their own particular ideological preferences.

The U.S. image in the OAS has remained favorable, given our continuing style of "discreet leadership" and our willingness to participate in constructive dialogue in the economic organs of the Organization.

U.S. restraint with regard to the newly elected Allende administration in Chile has generally met with Latin American approval.

The USSR probably views any changes in U.S. policy toward Latin America as largely rhetorical. In the Soviet view, Washington continues to maintain a "neo-colonial" relationship with its southern neighbors. Moscow probably hopes that United States reverses both inside and outside the hemisphere will cause the U.S. to retrench in its attempts to strengthen its ties with Latin America. The USSR is pleased with manifestations of economic and political nationalism, accompanied by anti-Americanism, which will continue to undermine U.S. influence and open opportunities for an augmented Soviet position. Moscow hopes the U.S., frustrated and alarmed by the problem of dealing with instability, will become so identified with status quo "reactionary" forces that it will come into increasing conflict with forces for "progressive" change, with opportunities for expanded Soviet guidance and support for the latter.

2. Economic and Social

Although U.S. economic relations, including direct U.S. economic assistance, have been important, other factors (some of which were affected by our assistance) were more

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influential, taken together, in Latin America's relatively good economic performance. Some of these factors were a high cyclical point in world market prices, better financial policies, improved export promotion programs, increased private investment and aid from multilateral sources. New U.S. efforts to lower trade barriers and remove irritants, both bilaterally and multilaterally, have been useful, but fell considerably short of satisfying Latin American aspirations.

With regard to U.S. trade policies, the Latin Americans have become increasingly impatient and critical at what they perceive to be the potentially widening gap between our commitments and our actions and increasingly worried by protectionist sentiment in the Congress. For them, our attitude on trade, despite the very substantial effort by the Administration to respond to specific problems, is now one of the crucial tests of our real intentions. This is particularly true with respect to our commitment to prompt submission and strong Administration support for early enactment of generalized preference legislation.

Prudent U.S. policies toward private investment have to some degree allayed Latin American nationalistic fears of foreign domination, but sensitivity to our policies remains high. The non-application by the U.S. of the Hickenlooper Amendment in the IPC case in Peru contributed to maintaining reasonably good U.S. - Peruvian relations, had a net beneficial effect on U.S. relations in Latin America, and did not stimulate a wave of similar expropriations throughout Latin America, though it may have encouraged some countries in imposing tougher curbs on U.S. firms.

In the Bolivian Gulf expropriation case, adept company negotiations, supported by a helpful but low-key U.S. Government approach at the diplomatic level, defused a potential issue in overall relations. Latin American anxieties were also allayed by the President's statements that Latin American governments must make their own decisions about whether they wished private investments, and that the U.S. would not encourage U.S. private investment where it was not wanted or was faced with unwarranted risks.

Although U.S. assistance programs in the social sector received continuing emphasis, many Latin Americans believe that the U.S. interest in social progress has declined. In spite of the good U.S. record in the last two years of support for the social sector, Latin American failure to achieve many aspirations in the social field, the lesser amount of public attention given to Latin American social issues by the U.S. compared with the 1960's, and the

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problem of defining social progress have contributed to Latin American skepticism.

C. The Outlook

1. Political and Military

The political imperative of economic and social progress, and nationalism and its accompaniment, a desire for independence of the U.S., will remain extremely important factors in the political, security and economic spheres, both bilaterally and multilaterally. The increasingly nationalist but reasonably responsible leadership of the larger and more developed countries, often including their military establishments in important political roles, will be less influenced by the U.S. This will not necessarily mean that in every case such countries will be anti-U.S. It does mean that, although they will pay close attention to their relations with the U.S. and will be concerned with developments elsewhere, such as in Chile and Cuba, their main concerns will be internal and directed toward modernization and development of their own societies.

The governments of even these larger countries will not have an easy time of it. Their attempts to combine economic growth with stability will be increasingly vulnerable to a number of factors, including popular demands, social pressures, economic fluctuations, impatient dissident elements and subversion supported by the Soviet Union, Cuba or homegrown radical extremists. They will resort to continued authoritarian and centralizing methods. Many of our erstwhile friends, including elements of the military, the media, business elites, and technocrats, will at times sound ultranationalist and stridently anti-U.S. Our relations with these governments will be increasingly prickly. Aside from the merits of specific issues between the U.S. and Latin American countries, there will continue to be a tendency for the Latins to use the U.S. as a scapegoat when convenient to relieve internal pressures or to cover failures.

All these problems will be magnified many times over for the smaller countries in the area, far less equipped with the institutions to deal with the modernization process which they too want to see take place. Occasional explosions can be expected as nationalism, combined with latent frustrations, pushes situations to the boiling point. Even here, however, revolutionary outcomes are by no means certain: governments, as in the recent past, will be able to deal with their problems, by repression in some cases, and under reasonably free conditions in others, but without necessarily resorting to solutions flavored with ultranationalism.

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Particularly in the Caribbean area, historically the part of Latin America of greatest sensitivity to us, outbreaks in small countries are likely to have a strong anti-U.S. flavor. What they do will often make no rational sense, and will have to be seen as the accumulation of years of smoldering grievances. The continuing British withdrawal from the area and its proximity to the U.S. will make unrest here of increasing sensitivity to the U.S.

In Panama, Torrijos' latent hostility and impatience for early successful canal talks with the U.S., reinforced by growing economic problems, may result in his making some ostentatious move toward the Soviet Bloc if negotiations are long delayed or become deadlocked. He may also threaten to unleash students and others in anti-U.S. demonstrations.

The Latin American nations claiming 200-mile territorial sea limits can be expected to assert their claims with increasing vigor and to seek more support from other LDC's in preparation for the UN Law of the Sea Conference beginning in 1973.

Nationalism will also be manifest in regional efforts. The view that this hemisphere's nations share basically identical interests within the inter-American system can be expected to face continued erosion as the Latin Americans increasingly emphasize their own underdevelopment, cultural similarities, and common desire to assert their independence of the U.S. as being more meaningful to their present situation. Chile will exert a negative influence on the inter-American system.

Violent extremism will be a disruptive threat throughout the region, but will be unlikely to result in actual seizures of power by extremists; cooperation by Latin American insurgent and terrorist groups across national boundaries has not been extensive, but will probably increase in the next few years. In one or more countries extremist tactics, together with specific rallying causes that might arise, could erode institutions to a point where increasing repression might generate widespread disorder and eventual revolutionary crisis. Some governments, under extremist pressure and in an effort to gain or hold extremist support, may take anti-U.S. positions, and perhaps positions more friendly to the Soviet Union.

Though the potential for rivalry between Cuba and Chile exists, a "brotherly" axis between the two seems likely. Possible

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future Cuban-Chilean cooperation in the export of revolution is likely to be circumspect. If at least moderately successful, Chile's experiment would make the peaceful route to independent Marxism more respectable to other Latin Americans; the reverse would also be true.

Castro's well developed military-security apparatus is almost certain to assure him continued control. Moreover, any Castro successors would be still more subservient to Moscow. No early improvement in the Cuban economy is in prospect.

Continuing Castro overtures to selected Latin American governments, the decline of Cuban material support for violent revolution, the general Latin American trend toward demonstrating independence of the U.S., and their sentimental identification with Cuba as another Latin American country, will probably further reduce antagonism against him among governments which have already begun to waver on the Cuban issue. Their attitudes are not likely to be affected by Soviet-Cuban military ties, highlighted by Cienfuegos, since many Latin Americans regard such ties as primarily a problem for the U.S.

Some governments will move to reestablish ties with Cuba, diplomatic or otherwise, which will in turn increase pressures to reexamine hemispheric policy toward Cuba. If a key country -- like Venezuela -- should reconsider its policy, sentiment for lifting OAS sanctions and restoring bilateral relations with Cuba would snowball.

The Soviet Union will continue to expand its presence in Latin America. Though Latin America will remain a relatively low priority area for the Soviets and their ability successfully to influence Latin American developments is likely to remain much less than that of the U.S., (which is itself highly circumscribed), they will continue to engage in a broad range of activities, not neglecting promising opportunities for encouraging subversion if they can do so without endangering their more respectable tactics.

Some Latin American governments might sound out the USSR for various types of military equipment, particularly if the U.S. were completely closed out as a source of such equipment.

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Any substantial expansion of the Soviet military presence would probably take place only if a regime receptive to Soviet influence were in power. The Soviets will not hesitate to take advantage of any Latin American receptivity for support of their worldwide military operations. Soviet military activity outside of Cuba can be expected to consist of "foot-in-the-door" operations such as the establishment of various kinds of civilian air and sea transport facilities (which could have a potential military application for the Soviets); port and airfield visits and military exercises designed to show the flag and to demonstrate support for sympathetic regimes; military aid and arms sales; collaboration in developing scientific facilities to assist in space tracking, navigation, and communications; and cooperation with friendly Latin American countries in support of Antarctic operations.

Specifically in Chile, the Soviets could provide some military equipment, along with technical missions, if the Allende regime asks. A military base or other major overt Soviet military presence would, however, be considerably less probable because of Soviet and Chilean awareness of the likely adverse reaction of Chile's neighbors, as well as some internal Chilean constraints. In the future, should the Allende regime be receptive, however, the USSR might attempt to secure the use of facilities for the maintenance and replenishment of Soviet combatant ships and submarines.

U.S. presence and influence in Chile, regardless of the domestic course of events, are certain to decline, and if present trends continue, a serious deterioration in relations can be expected. Chile will develop new relationships with other major powers, the most important for the U.S. being those with the Soviet Union. A complete substitution of Soviet influence and presence for that of the U.S. is not likely, however, because Allende and many of his "Chilean nationalist" supporters will seek to avoid becoming wedded to the Soviet Union. In turn the Soviets, though they will be ready to provide significant assistance over the long term to prevent the economic collapse of Allende, are more interested in using Chile as a cornerstone for the gradual long-term expansion of their interests in Latin America than in duplicating Cuba's total dependency.

To maintain his leftist credentials and to accommodate internal pressures, Allende is likely to facilitate some activities of insurgent movements against the governments of neighboring countries. This support is likely to be limited in scope, however, since Allende is unlikely to risk provoking his neighbors. Nevertheless, Allende probably will

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be unable to prevent more extreme members of his coalition from utilizing his regime's powers and resources in efforts to provide more significant aid.

The military can be expected to continue to play important political roles. Their role of influencing or making decisions is likely to be effective over time only if they have broad civilian support or at least tacit approval. To the extent that popular demands are not met, they will feel pressed to move to one or a combination of alternatives, including increased populism, increased repressiveness, a return to traditional politics, or development of a one-party system. Polarization of political forces, coupled with economic difficulties in a number of countries and anti-U.S. nationalism, could provide opportunities for development of a wider Soviet presence. Resulting radical nationalist regimes might be open to Soviet arms offers, sowing seeds of internal discord and fanning the flames of inter-American tensions. In the face of these problems, particularly in the presence of a Marxist regime in Chile, closer ties are likely among military leaders in southern South America.

The Latin American military will proceed with arms modernization programs whether the United States likes it or not. If the United States makes these modern arms available, or at least refrains from attempting to prevent them from obtaining these arms from other sources, strains over this issue between the U.S. and, particularly, the larger South American countries, will be lessened. In most cases, specific U.S. policies regarding arms, missions, etc., will do less to determine military attitudes in major countries than overall relations between the United States and host governments, or than the military perception of threats, e.g., from neighbors, insurgency, or the changing Soviet presence. However, relations between the U.S. and the Latin American military will provide an important channel of access to them, especially during crisis periods.

At the same time closer relations by the military with leading Western European arms suppliers can be expected, possibly resulting in the establishment of at least a few European military missions (perhaps repeating patterns which go back to the past century) and withdrawal of U.S. missions.

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The inter-American system, including the recently restructured OAS, can perform a number of useful functions in hemispheric relationships despite the limiting factors inherent in multilateral organizations. The basic limitation is, of course, that it can only undertake what its members choose to delegate to it, its policy organs being representative, deliberative bodies, comprehending often widely divergent points of view. Moreover, Latin American devotion to the principle of non-intervention and Latin American misgivings over preponderant U.S. power combine to explain the reluctance of most members to see the OAS play a more significant "political" role in the Hemisphere or to strengthen its relatively ineffective permanent military-security machinery. Nevertheless, the inter-American system plays a significant role in collective security and peacekeeping; a useful but limited role in the peaceful settlement of disputes; and -- of particular relevance to the Latin Americans -- an increasingly important role in developmental assistance, including developmental lending and technical assistance.

The inter-American system faces important challenges in the years ahead, with a greater diversity in the character of its membership and with increased Latin American assertiveness toward the U.S. These challenges will test its strength and utility, particularly as a forum for dialogue and a mechanism for airing and bridging differences.

The rapid expansion and technological advances in communications in Latin America will both widen and deepen the composition of the opinion leader groups in each country, with a commensurate effect on policymakers. Latin governments will be under increasing pressure to respond to demands from elements of society heretofore largely excluded from influence because of a lack of awareness.

2. Economic and Social

Latin American economic conditions for the next three to four years are expected to be only fair overall. Contributing factors which are likely to keep the growth rate lower than in 1969-70 include: (a) political and institutional instability and growing nationalism, resulting in a slower rate of growth of new private foreign and

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domestic investment, (b) declines in export prices of key commodities reinforced by limitations on capacity and competing domestic demands for manufactured products, (c) greater outflows of funds for debt repayment and profit remittances, (d) slowness in developing a competitive manufacturing sector, and (e) continuing pressure of population on resources. Imposition of new trade restrictions by the U.S. would slow growth still more.

Trade will continue to be central to our relations with the rest of the hemisphere. The Latin American perception of trade as a key factor in our relations will continue to give it high political significance. The chances for improvement in our political relationship with the Latin American countries will be affected to an important degree by the extent of progress in the trade field.

Patterns of trade are likely to continue to shift toward Western Europe, Japan and Communist countries and away from the U.S., but this movement is likely to be slow. Trade between countries of the region is also likely to increase slowly. For the period of this study, there is no real present alternative to Latin America's existing direction of trade, in which the U.S. is the single largest partner and Western Europe and Japan divide up a portion about equal to the U.S. share.

Investment is likely to continue to flow to the larger and more dynamic economies in the area, provided that political conditions remain reasonably stable. Almost everywhere, however, economic nationalism is going to be an increasing problem for U.S. and other foreign investors. The emphasis of the Latin Americans will be on a greater share of control and profits, particularly in the extractive industries, and they will insist that the investments be in fields and on terms which will be of primary benefit to their modernization process, although there will be marked differences in the policies followed by individual countries. Investment in manufacturing which offers the transfer of modern technology will be more welcome than bank or public utility investments.

Alternatives to traditional patterns of direct foreign investment will be increasingly employed. Takeovers of majority control and creeping nationalizations,

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by legal or ostensibly legal means, will become more common, but outright expropriations are not expected to be widespread. Individual actions could, however, cause serious problems. In some cases, such as Chile, local governments may go through an ultranationalist phase of complete rejection of foreign -- especially U.S. -- private investments; however, restraint on the part of the investors and governments affected may keep the door open for modified forms of foreign -- though in the case of Chile, probably not U.S. -- participation after nationalist passions have run their course.

Latin Americans will look increasingly to Western Europe, Japan and Communist countries, and to some extent to multilateral lending agencies, in an attempt to diversify their sources of investment. Those sources will be responsive, and new forms of mixed public-private international consortium arrangements will be used increasingly. The agencies and countries concerned, however, have other commitments and will drive hard bargains. The U.S. as a source of public and private investment will remain very important. U.S. investors can be expected to show increasing flexibility necessary to adapt to changing circumstances.

Awareness of the extent and difficulty of the area's social problems will probably rise, thus increasing the pressures for political, juridical and economic reform. The radical Peruvian and Chilean efforts will be watched closely and will have at least an initial, although not necessarily longer-term, attractiveness to many in Latin America, influencing even relatively conservative governments to pay more attention to social issues.

As U.S. assistance funds are increasingly channeled through multilateral assistance agencies, U.S. decisions regarding international agency lending will be more difficult than heretofore in cases where countries have struck at private U.S. interests and/or where politically radical regimes have assumed power.

#### IV. Implications for Policy

##### A. General

It is evident that the conditions in Latin America which produced in 1969 the policy decisions guiding us today have continued to exist and will persist, quite possibly in an accentuated form, in the next three to four years. The decisions taken in 1969 to move from a posture of "uneasy hegemony"

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to one of "mature partnership" and "low profile" were intended to safeguard our interests by adjusting to and trying to influence, rather than resisting, the strong forces at work in Latin America. Implicit in the decisions were two judgments: first, that efforts to resist would be fruitless and, worse than fruitless, destructive of our interests over time; and, second, that many past policies designed to adapt to the forces and, in adapting, to guide them into safer channels, had in practice proven ineffective and indeed hurtful to our interests.

The historic change in policy in the fall of 1969 was made in full consciousness of the risks that it entailed. It was recognized that some of the Latin American nations, sensing new impulses to experiment with political models of an extreme character, might adopt courses that ran counter to our interests. It was also recognized that the new policy would be difficult to carry out, requiring as it did the shedding by both sides of deeply ingrained attitudes and habits. Nonetheless, the careful study of optional policies led to the conclusion that the alternatives carried even greater risks.

The experience of the past eighteen months has shown that some of the risks accepted in the 1969 policy have become realities. In the net, there probably has been an impairment of our interests. In the judgment of the IG/ARA, however, such prejudice as we have suffered was almost certainly inevitable as a product of the basic forces operating in Latin America. In any case, the damage to our interests has not been serious.

B. The Increasing Challenge to U.S. Interests

The projected evolution of the situation in Latin America strongly indicates that matters are going to get worse before we begin to attain the hoped-for awareness of consonance between our interests and the interests of Latin America. In the meantime, U.S. interests in Latin America will be increasingly challenged over the next several years by four forces of major importance at work in the hemisphere. These forces are:

1. Anti-U.S. nationalism (which in part reflects a sense of inadequacy and frustration provoked by the degree of U.S. dominance);

2. Dissatisfaction over failure to achieve economic and social progress aspirations (which contributes to experimentation with left extremism, a transfer of blame to the U.S., and an exacerbation of anti-U.S. nationalism);

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3. Different perceptions of interest by Latin America and the U.S. (to a considerable extent because of 1 and 2 above); and

4. An increasing Soviet diplomatic, trade and military presence.

The major issues before us in our relations with Latin America grow out of these four general forces. These forces and the interaction between them contribute to and may, in turn, be accentuated by a number of difficult specific problems which are currently with us in our relations with Latin America or which are on the horizon. Among the most important of these problems are:

1. The difficulty of convincing the Latin Americans that a loosening of our embrace does not imply a lessening of our interest.

2. The interpretation and content to be given to our special relationship with Latin America.

3. Dealing with the problem of a Marxist-led Chile, and with its effects in the rest of the hemisphere.

4. The difficulty of reconciling our own internal political pressures arising from protectionism with Latin America's strong and emotionally held interest in more liberal trade treatment.

5. The territorial seas problem.

6. Latin American attitudes toward foreign investment.

7. A nationalist and volatile Panamanian government.

8. Changing attitudes within the OAS, and a possible erosion of Latin American support for the OAS sanctions against Cuba.

9. Continued and perhaps increased terrorism and subversion.

10. Possible future limitations on U.S. access to bases in Latin America.

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11. Increasing Latin American efforts to modernize military equipment inventories.

12. Possible less secure access to bauxite in Jamaica and petroleum in Venezuela.

The forces and problems listed above will interact differently in our relations with each of the countries of the area over the next three to four years.

The process of experimentation with extremism and turning away from the U.S. has probably only begun in the hemisphere and will probably intensify before it runs its course. The U.S. cannot stop or reverse the process but it can to some degree affect it, perhaps as much by what it does not do as by what it does.

### C. Policy Conclusions

It was in this context that the IG/ARA addressed the central question: Has our current policy been, is it now, and, above all, will it be in the future effective in safeguarding our interests in the face of these pressures, problems, and trends?

The IG/ARA has examined sector-by-sector the effects on our interests of developments since 1969, of the current situation and of estimated trends over the next three to four years. It has also considered, in the course of the sector-by-sector analysis, broad policy alternatives, which are in their net a "softer" (or essentially passive) line or a "harder" (or "activist") line. On the basis of its study, the IG/ARA responds to the central question in this way:

-- The basic policy direction established in 1969 was, is and will continue to be sound in its essentials. It is attuned to the realities, current and projected, of our relations with Latin America. It gives greater promise than the gross alternatives do of meeting and containing the increased challenges to our interests that we will inevitably confront.

-- Some sub-policies that are incorporated in the basic policy should be adjusted in order either to correct misinterpretations of the meaning of our basic posture or to correct "shortfalls" that have occurred in the execution of policy.

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Adjustments, refinements and fuller implementation are thus all that are needed now. The IG/ARA has agreed on a number of actions or recommendations in this regard. The most important of these are summarized by issue in Section V below. Section VI identifies seven studies or reviews which the IG/ARA believes should be undertaken. Other possible actions, with IG/ARA recommendations or options regarding those actions, are separated out by issue in Section VII for special consideration by the Senior Review Group.

It should be understood that while the mature partnership policy implies an overall reduction in our profile in Latin America, it does not require a reduction of that profile in all respects in all countries. Neither does it require a retreat from discreet and selective leadership when the protection or advancement of U.S. interests requires the exercise of such leadership. The recommendations put forward in the following sections in fact probably represent a somewhat more activist stance in some respects and a slight raising of our profile. But we believe they avoid the paternalism and directive style we have sometimes demonstrated in the past and which have contributed to our problems. What we wish to continue is the right level and kind of involvement for the circumstances of the present and future -- in the light of our interests, the anticipated environment, and the likely consequences of our proposed actions. In this connection, while we believe our strong support for economic development and social progress and our military assistance should be maintained, more emphasis than in the past should be placed on style, information policy in its broadest sense, and "traditional diplomacy."

In endorsing the basic policy decided upon in 1969 as a continuing guide for the next three to four years, the IG/ARA specifically recognizes that policy as damage-limiting. The basic policy accepts the prospect of some prejudice to our interests in Latin America in the coming years. If the policy is supported, however, by the actions recommended in this response to NSSM 108, the IG/ARA believes that this prejudice will be less than it otherwise would be and that it can be contained within tolerable bounds against the day when the consonance we see between our interests and the interests of the Latin Americans will become more apparent to them.

#### V. Major Recommendations by Issue

[The recommendations in this section and the options in Section VII have been listed by the "issue" to which they primarily relate. In a number of instances this has required a

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somewhat arbitrary judgment between several issues almost equally served by a particular action recommendation. In certain instances, e.g., trade actions and the "military presence" recommendations, such multiple purposes have been cross-referenced accordingly.]

A. How to ameliorate anti-U.S. nationalism or at least limit its negative effects on U.S. interests

1. Political-psychological

a. Continue to use information programs to promote the acceptance of the mature partnership approach. Continue to play down, as part of this approach, the predominant U.S. role in Latin America through both our operational style and the content of our information output.

b. Respond, to the fullest degree possible, to Latin American trade needs. (See recommendations in V. B.2. and options in VII. B.1.) As a matter of style on trade issues, seek maximum credit for positive actions on our part, explain carefully and consult in advance on all trade matters which might adversely affect Latin American exports, and seek a frank and friendly exchange of views regarding Latin American actions which would limit their ability to expand exports or which would damage our trade interests.

c. Consider further the making of a major effort in Latin America and with the U.S. Congress to obtain an interim arrangement that would alleviate tensions relating to fisheries jurisdiction pending achievement of an international agreement on the Law of the Sea. (This issue is under separate study.)

d. In cases where disasters, internal disorder, or disputes between OAS members create a need for emergency action, utilize or work through the OAS to the fullest possible extent (e.g., OAS peaceful settlement machinery, emergency evacuation umbrella, disaster relief coordination). Continue our style of discreet leadership in the OAS. Be prepared to accept greater diversity there.

e. Avoid the encumbrance of new assistance legislation by potentially abrasive or inflexible limitations unrelated to development assistance purposes.

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f. Maintain our present policy of pragmatic differentiation on a case-by-case basis in our relations with the countries and sub-regional groupings of Latin America, rather than adopt a more rigid policy of automatically applying a single yardstick (e.g., favoring the large countries over the small, democracies over the authoritarian regimes, etc.).

g. Continue our present policy toward Chile.

2. Economic

a. Continue the current policy of selective protection of U.S. investment in Latin America.

b. Initiate a review, by a commission consisting of representatives of the U.S. Government and the private sector, of U.S. investment problems in Latin America.

c. Continue the move to multilaterality in assistance but retain a bilateral assistance capability with sufficient programming flexibility 1) to respond to regional and national needs and sensitivities, 2) to demonstrate innovative responsiveness to the basic issues of development, 3) to permit contingency actions for short-term political reasons as contemplated in the new proposed Security Assistance legislation, and 4) to allow for appropriate consideration in assistance allocations for long-term bilateral and overall regional foreign policy objectives.

3. Security/Military

See paragraph C.2. of this section for the IG/ARA's recommendations regarding the military presence study it submitted to the SRG on January 12. While the actions proposed in that study should significantly contribute to an increased perception of mutuality of interests, and are assigned accordingly against Issue C, their contribution to improved understanding of U.S. objectives and motives should also serve to ameliorate anti-U.S. sentiment in some key sectors in most countries (although perhaps at some cost in other sectors).

B. How to 1) contribute to greater economic and social progress, and 2) encourage more realistic expectations of such progress

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1. Political-psychological

a. Continue to demonstrate a special interest in Latin American economic and social progress through maximum feasible trade action and development assistance levels; through support of regional structures such as CIAP, IDB, Caribbean Development Bank, etc.; and through careful attention in the reorganization of bilateral assistance to the retention of flexibility in programming and to the reflection of special regional needs.

b. As part of the effort to increase Latin American self-confidence, stress the positive features of the progress actually being achieved. At the same time, avoid contributing to unrealistic expectations. As for our own programs, do not promise more than can be achieved.

2. Economic

a. Promptly submit generalized preference legislation to Congress, and make a strong effort for its early enactment.

b. Make a strong effort to comply with the "standstill" commitment concerning the avoidance of new restrictions on Latin American exports.

c. Improve procedures for advance consultation on actions which might adversely affect Latin American trade (e.g., by allowing adequate time to consult before decisions are made).

d. Maintain at least present levels of U.S. development assistance.

e. In assistance policy, emphasize innovative efforts to solve employment and urban problems, together with efforts in education, agriculture and population. In addition, continue to give priority to assisting Latin American export development.

f. Secure Congressional approval of the proposed Inter-American Development Bank replenishments at pledged levels.

g. Continue efforts to encourage improved management and lending policies of the IDB.

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h. Encourage the continued liberalization of program lending rules by the IBRD and support recent efforts to lend within the context of broader sectoral strategies. (The current NAC review of IBRD/Ex-Im Bank relationships may have implications for these questions.)

i. Maintain our present emphasis on multilateral technical assistance programs through the OAS, and consider increasing our contributions to these assistance programs contingent upon improved Secretariat capability.

3. Security/Military

Provide adequate funding to permit selected Public Safety programs (which have a dual rationale of development and security).

C. How to encourage a clearer perception of the mutuality of U.S. and Latin American interests

1. Political-psychological

a. Continue to provide information, in a manner consistent with our overall partnership style, concerning the positive aspects of the U.S. role and presence in Latin America.

b. Emphasize style in our attempt to indicate that we care even though we are now less assertive in our leadership. Stress this interest in speeches and other information output, without over-commitment. Stress the personal touch in our actions wherever possible. Be punctilious about high-level attendance at meetings. Program more high-level visits. Utilize a working group of the IG/ARA to develop plans for accomplishing this objective of improved style in our overall relations with Latin America.

c. Explain the contribution of U.S. technology and of U.S. capital flows, both public and private. Within the context of the decision made on policy toward U.S. private investment (See Section VII), emphasize by means of a statement by the Secretary of State the positive contribution of private investment to the development process.

d. Encourage increased discussion of the role of private investment in forums such as CIAP, OECD, DAC

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and the IDB/OAS-sponsored panel on private investment in Latin America.

e. Continue to raise in our diplomatic and intelligence-exchange programs the security implications of Soviet and Cuban military and para-military activities so that Latin America will have a clearer perception of the threat from those sources. Consult with the Latin Americans more frequently on these problems.

f. Expand information exchange with host countries concerning subversive activities in general.

g. Follow a mixed pattern of "collegial" and "bipolar" relationships within and outside the inter-American system, but discourage any attempts to build up rival Latin American organizations at the expense of the OAS.

2. Security/Military

Execute, following SRG approval, the recommendations in the IG/ARA's review of the U.S. military presence in Latin America submitted to the SRG on January 12, 1971. These recommendations, which are summarized on pages 22-23 of the Security/Military sector paper and are primarily designed to improve contacts and influence with the Latin American military, can significantly contribute to a "clearer perception of the mutuality of U.S. and Latin American interests" by some key sectors. (See Section VII for options regarding the provision of grant MAP materiel.)

D. How to limit or protect against the increasing Soviet diplomatic, trade and military presence in the region

1. Political-Psychological

a. Take a strong stand privately or publicly as appropriate with Latin American governments (other than Cuba) against increases in Soviet military presence that threaten our interests.

b. With regard to the increasing Soviet diplomatic and economic presence (as distinguished from military presence), continue to utilize our diplomatic, information, and intelligence-exchange programs to point out where appropriate the hazard of that presence. At the same time, avoid pressing our views on the Latin American countries when we have reason to believe that they will not be receptive to such views.

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2. Security/Military

a. Examine the possible need for increased submarine surveillance and anti-submarine warfare capability in the Caribbean.

b. Undertake contingency planning with regard to possible establishment of Soviet bases in Latin America.

VI. Further Studies to be Undertaken

A. A review of the "special relationship" issue. (See pp. 25-26 of the Political/Psychological sector paper.)

B. Continuing review of Cuban policy in the light of probably increasing pressures among Latin American countries to reexamine OAS policy toward Cuba.

C. Further studies of U.S. strategic requirements for bauxite (currently underway), oil and possibly other materials imported from Latin America.

D. A review of the question of what constitutes a "reasonable" response to "reasonable" requests for arms, and a study of the feasibility of an arms limitation agreement in Latin America and the possible role of the U.S. in this regard.

E. Studies of the implications for U.S. interests of 1) a greater Western European and Japanese presence in Latin America (cultural contacts, trade, investment, etc.), and 2) increased arms purchases and military assistance from Western Europe.

VII. Options Recommended for Particular SRG Consideration, by Issue

A. How to ameliorate anti-U.S. nationalism or at least its negative effects on U.S. interests

1. Economic

a. In view of the complex considerations relating to U.S. Government encouragement of private U.S. investment in Latin America, the following options are offered:<sup>1/</sup>

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<sup>1/</sup> See Investment sector paper, pp. 7-11, for full discussion of options.

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Option 1. Selective encouragement:

The U.S. Government would continue its present policy of selective encouragement of U.S. private investment in Latin America; the State Department would include selectivity criteria explicitly in its advice to U.S. implementing agencies and to U.S. representatives in international financial institutions. (This is the preferred IG/ARA option.)

Option 2. Selective discouragement:

The U.S. Government would endeavor to discourage new U.S. investments except those which would clearly serve current and longer-term U.S. interests. Such a policy would specifically discourage investments that might present potential problems for U.S. relations with the host country.

Option 3. Neutrality:

The U.S. Government would neither encourage nor discourage any or all new U.S. investments. OPIC would not engage in new activities. Ex-Im would continue its present operations.

b. The dominant donor status of the U.S. in the IDB, reflected most directly in the U.S. veto power in the Bank's FSO soft-lending operations, exposes the U.S. increasingly to the risk of Latin American-U.S. polarization. If successful, current efforts to broaden Bank membership to include European countries could reduce those risks. In the light of the discussion in the Development Assistance sector paper (pages 17-20, 22-23), the following options are offered concerning the U.S. position on proposed loans in the IDB.

Option 1:

Determine the U.S. position on proposed loans solely on the basis of technical and development policy considerations (except where legislation requires otherwise).

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Option 2:

Continue current practice, i.e., delaying loans to countries with which there are important long-run policy differences and avoiding formal use of the veto to the maximum extent feasible. (This is the preferred IG/ARA option.)

Option 3:

Seek a legislative change which would eliminate the U.S. veto on FSO loans.

B. How to 1) contribute to greater economic and social progress, and 2) encourage more realistic expectations of such progress

1. Economic

With regard to possible new actions to maximize Latin American export earnings, the following options are presented. They are elaborated in more detail beginning on page 10 of the Trade sector paper.

Option 1:

Develop measures (which could be transitional) favoring all (or some) Latin American countries and discriminating (where necessary) against other countries.

Option 2:

Develop transitional measures which would provide special benefits for all LDCs, perhaps including measures discriminating against other exporter countries.

Option 3:

Develop measures favoring all (or some) LDCs without discrimination against other countries.

Option 4:

Take no measures specifically designed to give special treatment to Latin America or LDCs generally but continue to work for multilateral liberalization of trade on an MFN basis.

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C. How to encourage a clearer perception of the mutuality of U.S. and Latin American interests

In its "military presence" study submitted to the SRG January 12, cited in Section V of this Overview, the IG/ARA presented the following options regarding the provision of grant MAP materiel. Discussion of these options, with pros and cons for each, will be found in the Tab B attachment to the Security/Military sector paper.<sup>1/</sup>

Option 1:

Modify the present policy of phasing out grant materiel to permit materiel programs for selected countries at approximately the level funded in FY 70 (\$9.3 million exclusive of supply operations). (This is the recommended IG/ARA option.)

Option 2:

There should be no programmed grant materiel for Latin America. To meet unanticipated Latin American needs, however, the President would draw upon a worldwide Contingency Fund.

Option 3:

Earmark up to \$9.3 million of the President's Contingency Fund for use as necessary in Latin America.

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<sup>1/</sup> The only other IG/ARA recommendation in the January 12 study which represented a choice between competing options was the recommendation that, in lifting the freeze on further implementation of the Milgroup study, a new level of not to exceed 290 U.S. military spaces for the region be approved. In a memorandum of January 19 to Mr. Kissinger, from which the Defense Department and JCS dissented, the Interdepartmental Political-Military Group proposed the two other options that were considered and rejected by the IG/ARA, i.e., Milgroup levels of 270 or 236.

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CURRENT POLICY AND THE ENVIRONMENT THAT SHAPED IT

SUMMARY

I. The Core Assumptions

Two basic assumptions underlay the Nixon Administration's address to our Latin American policy. The first was that a fresh approach was needed; the second was that a "special relationship" existed--and ought to exist--between the United States and the other American republics.

II. The Setting for Policy Choice

The analyses which formed the basis for the President's policy speech of October 31, 1969, emphasized the severe stresses and strains to which the American republics were being subjected by the process of change. It was also clear that our new policy guidelines would have to take into consideration Latin American frustration with the slow rate of progress toward the ambitious goals of the Alliance for Progress and a growing spirit of nationalism, both of which contained elements of anti-American sentiment.

III. U.S. National Interests

The Rockefeller Report and the response to NSSM 15 were basic elements in the extensive policy review undertaken by the Administration. While both reports stressed our interest in the "special relationship", the response to NSSM 15 was more explicit in its presentation of U.S. interests in Latin America, identifying security, economic, political, and developmental interests.

IV. Policy Responses to the Perceived Environment

Political-Psychological

Over the past several years the political environment has been characterized by three major trends: 1) growing Latin American nationalism; 2) increasing social unrest and political and economic instability; and 3) increased radicalization in political life and greater political managerialism on the part of the Latin American military. These trends challenged our previous policy, developed during the 60's, of active and overt promotion of political democracy. Faced with these trends the response to NSSM 15 posed activist "involvement" and laissez-faire "pragmatism" as gross political options. The Rockefeller Report

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essentially recommended the latter stance, pointing out that political evolution takes time, and that our long-term interests would be best served by maintaining at least minimal diplomatic relations with other governments. The NSC meeting of October 15, 1969, and subsequent official pronouncements affirmed the "circumspect pragmatism" option.

In an elaboration of our new policy style toward Latin America, the President on October 31, 1969 stated that we would hope to achieve "a more mature partnership in which all voices are heard and none is predominant." The new policy style was soon exemplified in regional and international forums.

Development

Development was another area of challenge. While the Alliance had made substantial and lasting contributions in Latin America, it clearly had been oversold. The Consensus of Vina del Mar was the single most eloquent recital of the factors which had to be considered in formulating a new policy stance. It reflected concern over the widening economic, scientific and technological gap between the developing and the developed nations. To meet this concern and to help assure adequate resource flows, strengthened multilateral assistance channels appeared needed. We believe that multilateral lending could be increased without significant sacrifice of developmental effectiveness or of our capability for fostering U.S. interests. Greater reliance on a multilateral approach would facilitate a disengagement of the U.S. from involvement in Latin American domestic affairs and would reduce, both here and abroad, the political exposure of the U.S. in assistance allocations. A major objective of revised programs would be a more effective sharing of responsibilities in development assistance matters.

Trade and Investment

It was clear that changes would also be required in trade and investment policies. We would press for a liberal system of generalized tariff preferences for all developing countries, and otherwise work to help Latin American countries expand their exports. U.S. investment in Latin America would be encouraged, but only where it was desired and local political conditions did not present unwarranted risks.

Security

It was assumed that the principal threats to the security

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of the hemisphere involved internal subversion and instability rather than the possibility of external attack. The general thrust of the new Administration's approach was contained in the President's decision at the NSC meeting on October 15, 1969, that the U.S. should continue to provide assistance and work carefully with the Latin American military, but in ways which would lower our profile. Two basic precepts from the mid-sixties -- that the United States should avoid becoming a party to arms escalation in Latin America and that the United States should encourage the allocation of resources to economic and social development rather than to military expenditures -- were incorporated into the Administration's security policies. Nevertheless, it was judged that we should be responsive to reasonable requests for equipment needed to modernize obsolete inventories. Military missions would be continued but at a much lower manning level. Public safety programs designed to serve the developmental as well as the security interests of the United States in the developing countries were another dimension of this policy.

#### The Inter-American System

While recognizing inadequacies in the inter-American system and its principal instrument, the OAS, we saw the system as a useful mechanism for blunting the problem produced by asymmetrical power relationships in the hemisphere. We believed that Latin American nations valued the protective shield provided by the Rio Treaty.

The new Administration declared "a firm commitment to the inter-American system," and indicated that future U.S. assistance for hemisphere development would be placed increasingly on a multilateral basis within that system.

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SITUATION AND TRENDS

SUMMARY

I. The Current Situation

Since mid-1969, Latin American governments have survived the disruptive effects of radicalism and terrorism without suffering serious threats to their stability. The Central American war in mid-1969 and growing black radicalism in the Caribbean have weakened political stability in those areas. In Cuba, further economic deterioration has increased Castro's dependence on the USSR and further eroded his appeal in Latin America.

The USSR has managed to expand its contacts and its presence in Latin America in several ways. The rapid movement toward consolidation by the Allende regime in Chile since November offers the Soviet Union opportunities for significant further expansion.

Economically, many Latin American nations have been at high points in their economic cycles, but overall statistics mask sluggish or reduced growth in some, and many serious social problems remain. The number of Latin American countries claiming 200-mile territorial sea limits has increased.

II. The Effect of U.S. Policies

Forces operating within Latin America itself were far more responsible for events in Latin America than were U.S. policies and actions. The Latin Americans view the new U.S. policies with ambivalence and the USSR probably sees any changes as largely rhetorical.

Direct U.S. assistance contributed importantly to the area's overall relatively good economic performance during the period, but other factors were more influential in their sum. Although U.S. assistance programs in the social sector received continuing emphasis, many Latin Americans believe that U.S. interest in social progress has declined. Prudent U.S. policies toward private investment have to some degree allayed Latin American nationalistic fears of foreign domination, but sensitivity to our policies remains high.

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III. Trends

Nationalism and a desire for more independence of the U.S. will remain extremely important in Latin America over the next three to four years. Violent extremism will remain a disruptive force, but is unlikely to result in actual seizures of power by extremists. However, in one or more countries extremist tactics, together with specific rallying causes that might arise, could erode institutions to a point where increasing repression might generate widespread disorder and eventual revolutionary crisis. Some governments, under extremist pressure and in an effort to gain or hold extremist support, may take anti-U.S. positions, and perhaps positions more friendly to the Soviet Union. Cooperation by Latin American insurgent and terrorist groups across national boundaries will probably increase. The Latin American military can be expected to continue playing important political roles.

The USSR will continue to stress expansion of its presence in the area, and will not neglect promising opportunities when nationalism and extremism increase susceptibility to Soviet influence. U.S. presence and influence in Chile are sure to decline.

The inter-American system can perform useful functions when the Latins perceive a common or clear danger or advantage to themselves, but it will be hampered by definite limitations.

Overall economic conditions are expected to be only fair. Alternatives to traditional patterns of private investment will be increasingly employed. Awareness of the extent and difficulty of the area's social problems will probably rise, thus increasing pressures for reform. Continued expansion and advances in communications will both widen and deepen the composition of opinion leader groups.

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UNITED STATES INTERESTS IN LATIN AMERICA AND  
LATIN AMERICAN INTERESTS IN THE UNITED STATES

SUMMARY

I. United States Interests in Latin America

The United States has major objective interests in Latin America which are listed below in rough order of priority. Some of these major interests could become vital <sup>1/</sup> interests in the future; and a number of them, including one of the most important ones, could cumulate now or in the future in various combinations to be a vital interest.

A. Very Important

1. Preservation of a predominance (by the combination of numbers and importance) of independent, self-sustaining Latin American countries favorably disposed to the United States.
2. Denial of Latin America as an area from which a strategic attack could be launched against the United States.

B. Important

3. Maintenance of the confidence of Latin America and of the world in the effectiveness, maturity and responsibility of our leadership as a great power in our relations with Latin America, with due consideration for the "mature partnership" concept.
4. Maintenance of access to the Panama Canal, including, under existing circumstances, its protection and control by the United States. <sup>2/</sup>
5. The existence of a strong inter-American system, including an effective collective security function.
6. Unimpeded transit for United States forces on the high seas and in international air space in the area.

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<sup>1/</sup> A vital interest is understood to be one which directly concerns a nation's ability to survive, or at least to survive in its existing essential character. A major interest is at the next level; it is one which significantly affects a nation's well-being.

<sup>2/</sup> ISA and JCS prefer "Protection and control of the Panama Canal as essential to maintaining our access to its use."

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7. Mutually beneficial economic interchange, including reasonably favorable trade and investment climates.
8. Denial to hostile powers of bases in Latin America that would enhance their non-strategic military capabilities.
9. Continued access to bauxite in Jamaica and petroleum in Venezuela.
10. Protection of the large number of U.S. citizens who live in, have economic ties with, or visit Latin America.
11. Continued access to certain naval and air bases and facilities in the area.

Economic and social progress, freedom of communications media, and maintenance of internal security in Latin America are very significant, but are considered to be means of advancing United States interests in Latin America rather than interests in themselves.

II. Latin American Interests in the United States

Latin America's principal objective interests in its relations with the United States are:

1. Maintenance of the flow of United States capital and technology and obtention of liberal trade and aid treatment as a contribution to economic and social progress.
2. Development of offsets to the pervading United States presence and the gaining of control of key natural resources as means of demonstrating and maintaining independence.
3. At the same time, avoidance of dependence on another power.
4. Maintenance of an effective inter-American system, with United States participation.
5. Maintenance of the United States security umbrella against potential future extra-hemispheric attempts at incursion.

III. Consonance or Conflict Between Interests

There is no necessary inconsonance between United States and Latin American objective interests in relations with each

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other. However, perceived interests are different from objective interests in both cases, and are inconsonant. This inconsonance derives from: (a) Latin American nationalism directed mainly against the United States, (b) different perceptions of the external threat, (c) the different priorities or weights that each side gives to its interests, and (d) inter-interest conflicts for both.

IV. The Special Relationship

A special relationship exists between the United States and Latin America in the generally accepted sense of United States special responsibilities in Latin America, and in the degree of mutuality of objective, although not perceived, interests. This special relationship is based on factors which make Latin America different, for the United States, from other developing areas. Those factors are geographic proximity, a degree of common heritage, tradition, the level of our economic interests in Latin America, and regional institutions and accords.

V. Policy Implications

However, United States interests in Latin America are as important to us as they are primarily because of the existence of a hostile superpower -- the USSR. Our current intelligence assessment is that Latin America will remain a relatively low priority area for the USSR, but that the USSR will continue to engage in a broad range of activities and not neglect promising opportunities there. Those opportunities have arisen in the past, and will arise in the future, primarily for three political-psychological reasons: (a) Latin America's reactive nationalism directed against the United States; (b) Latin America's experimentation with left extremism; and (c) -- mainly because of the effect of the first two reasons and the Soviet Union's own low profile thus far -- Latin America's current failure to think of the USSR as a significant threat to it.

Latin America's reactive nationalism directed against the United States and experimentation with extremism are the products, in turn, of Latin America's frustration and sense of inadequacy deriving from (a) its failure to achieve its aspirations for economic and social progress, (b) its dependence upon the United States, and (c) the confusion and uncertainty produced by rapid change itself and by the mass of information and welter of new concepts and value signals flowing to it over modern communications media.

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POLITICAL - PSYCHOLOGICAL

SUMMARY

I. Implications of Key Developments

The political-psychological sector paper assesses the implications of thirteen key developments which have occurred since mid-1969 for the eleven major U.S. interests in Latin America; assesses the adequacy of certain U.S. policies and programs in the light of this analysis; and makes policy recommendations when this seems indicated. The major conclusions of this assessment can be summarized as follows:

1. Preservation of predominance of independent, self-sustaining, favorably-disposed nations. The events of the past 18 months do not constitute a serious threat to this interest. Such a predominance exists today and will probably continue to exist during the next 3-4 years. Nonetheless, there are trends -- developments in Chile, the continued expansion of the Soviet presence, intensification of violent extremism and anti-U.S. nationalism, growing Latin American concern about protectionist trends in the U.S., and conflict over national investment policies and the extent of the territorial sea -- which are potentially detrimental to this interest.

2. Denial of Latin America as an area from which a strategic attack could be launched against the U.S. The events of the past 18 months have not significantly increased the likelihood that the USSR will acquire bases in this hemisphere from which it could launch nuclear attack against the U.S. There are no indications that the USSR is seeking to acquire land bases for such purposes but we note its recent testing of the possibility of acquiring facilities in Cuba for its nuclear-armed submarines.

3. Maintenance of confidence in U.S. leadership. The events of the past 18 months have not seriously damaged confidence in U.S. leadership. However, there are a number of developments (e.g., increasing commitment of Chile to a policy of open opposition to the U.S., increasing erosion of Latin American support for our Cuba policy) which may occur in the years immediately ahead which would severely test U.S. leadership.

4. Access to the Panama Canal. None of the events of the past 18 months appear to have placed access to the Panama Canal in jeopardy. So far as the future is concerned, nationalism in Panama itself, where Torrijos may react violently if he is not satisfied with progress in the talks, could strain our defense and operation of the canal.

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5. Preservation and strengthening of the inter-American system. The events of the past 18 months have not caused any significant weakening of the inter-American system. However, there is a potential for future trouble, notably developments in Chile and the territorial sea issue, which will require careful attention.

6. Freedom of the seas and international air space. The assertion by some Latin American nations of a 200-mile territorial sea poses a potentially serious threat to this interest.

7. Economic interchange. This interest appears threatened mainly by two developments, the deteriorating climate for American investment in several countries and the persistence of protectionist tendencies in the U.S.

8. Denial of non-strategic bases. Except for Cuba and possibly Chile, there is no present or foreseeable threat over the next three or four years to this interest.

## II. Adequacy of U.S. Policy and Recommendations

The Administration's broad general policy of transforming the character of the special relationship from one of "uneasy hegemony" to one of "mature partnership" serves our interests well and should be continued. The "special relationship" should be made the subject of a special study.

The sector paper's conclusions on the adequacy of subsidiary current policies and its policy recommendations can be summarized as follows:

1. Internal political developments and bilateral political relations. Our present policy of differentiating in our bilateral relations with the countries and sub-regional groupings of Latin America pragmatically on a case-by-case basis in accordance with a mix of considerations such as size, proximity, attitude toward the U.S., etc., gives our diplomacy a desirable flexibility and should not be changed in favor of what would be a more rigid policy of differentiating automatically on the basis of arbitrary principles.

2. Chile. The present cool, correct public stance toward Chile and our present Chile policy have given Chile no basis for hostility toward us and have won the approval of the other Latin American countries. These should be continued so long as Chile does not embark on a policy of deliberate hostility toward the U.S. or its neighbors.

3. Cuba. Our present policy of isolating Cuba has been a factor in limiting Cuba's ability to export its revolution and should be continued unless final action on NSSM 32 results in another decision. However, in view of the probable increase of pressures among other Latin American countries to reexamine OAS policy toward Cuba, we should keep our own policy under continuing review.

3. The Soviet presence. Although our present policy has not succeeded in blocking the expansion of the official Soviet presence in Latin America, it is probable that more vigorous efforts would not only fail but would also be counter-productive. We should continue our efforts to emphasize the security considerations posed by the Soviet presence in our relations with host governments.

5. Western European and Japanese presence. There are political and economic assistance advantages in a greater Western European and Japanese presence in Latin America. However, the paper concludes that the implications of increased Western European and Japanese trade, investment, military assistance, and arms sales are sufficiently complex to merit separate study.

6. The Territorial Sea. We should make a major effort in Latin America and with the U.S. Congress to obtain agreement on an interim arrangement that would alleviate tensions relating specifically to fisheries jurisdiction pending the achievement of international agreement on the Law of the Sea.

7. Information. Our efforts to promote understanding and acceptance of our new policies should be continued. However, we need to determine how effective these efforts have been. The major image survey USIA is carrying out should help us do this.

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SECURITY/MILITARY

SUMMARY

I. Introduction

Nine of the eleven U.S. interests in Latin America identified in this study have direct security implications. The Security/Military sector paper discusses the potential threats to these interests, analyzes the policy implications of these threats, and proposes a series of recommendations. The recommendations are put forward in full recognition of the fact that U.S. security interests can be effectively served by policies and programs in sectors other than the security/military area. Indeed, actions in such fields as trade and development assistance, for example, can be more instrumental in advancing security interests than programs that are oriented directly toward the achievement of security/military objectives.

II. Implications of Potential Threats

The potential threats to our security interests in Latin America consist principally of the Soviet capability to launch strategic weapons against the United States from the area; the possible establishment of hostile non-strategic military and naval bases; the possible defense implications of the trend toward expanded claims in territorial seas; the possible denial of access to certain resources, to the Panama Canal, and to certain naval bases and facilities in the area; Cuban and possible Chilean efforts to aid insurgents; an expanded Soviet presence; continued manifestations of violent extremism, insurgency, anti-U.S. nationalism, and radicalism; and a possible series of negative political developments.

The most direct threat to the security of the United States from Latin America is the possibility of a strategic nuclear attack launched from ballistic-missile submarines operating in the waters of the area or from land bases in Latin America.

Although over the next three to four years we do not expect that any Latin American country (except Cuba) will allow the Soviets to establish an overt military base or other major military presence, there would be serious security implications for the United States should such facilities be established over the longer term. We have considered it important to try to predict the policy implications of this possible threat without attempting to estimate the likelihood that the threat will in fact materialize.

Denial of access to the Panama Canal and to certain key military facilities (especially in the Caribbean) which we maintain for submarine detection, for ASW activities, and for

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military-scientific purposes, would also constitute a threat to our security interest in Latin America.

Latin American territorial sea claims complicate our relations with some of these countries and could have serious effects on the strategic mobility of U.S. naval and possibly air forces in the area.

World increases in Soviet strategic power and the ability to project that power have potentially important implications for the security of the Western Hemisphere. The Soviets have shown an increasing interest in the hemisphere. Though Latin America will remain a relatively low priority area for them, they will not hesitate to take advantage of any Latin American receptivity for support of their worldwide military operations. Their influence in Chile can be expected to grow, although they will resist, as will the Allende regime, the development of relations between them which might endanger either party's broader relationships with such states as Peru, Argentina, and Brazil. In the short range, Soviet activities will probably not result in serious impairment of U.S. interests in the hemisphere.

In the light of the growing Soviet presence in Latin America, the potential threats to U.S. interests posed by violent extremism, insurgency, nationalism and radicalism assume a new significance. Over the long term, the interaction of such forces could erode our position with an accompanying decline in our influence. Such a process could have important repercussions on our security interests.

Aside from the adverse impact it would have on our security interests within Latin America itself, a series of negative political developments in the hemisphere might well raise doubts concerning our capability and willingness to defend our security interests in other parts of the world.

### III. Conclusions

The trends identified in the 1969 analysis of the environment are, in the main, those that characterize present circumstances. The developments that were either not fully apparent then or not perceived in their current scope are the increased Soviet military activities in Latin America (and particularly in the Caribbean) and the installation and dynamism of a Marxist coalition in Chile that poses serious question for the future of Chilean pluralism and of U.S. interests in Chile.

The broad policy outlines of 1969 remain, by and large, appropriate today. Our security policies as they actually

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materialized during the past eighteen months, however, resulted in decreases or "shortfalls" in the execution of security assistance beyond what had been contemplated.

The recommendations to the Senior Review Group contained in the IG/ARA's "military presence" study of January 12, 1971, remain valid and should be approved. They primarily concern: the role of the U.S. military in influencing host government military leaders, training and information exchange, visits, combined exercises, continued grant materiel assistance, the elimination of legislative restrictions, a responsive FMS credit program, and provision of naval vessels. In addition to remedying the "shortfall" problem, they are responsive to the President's decision of November 1970 that we should increase our efforts "to establish and maintain close relations with military leaders in the hemisphere."

#### IV. Recommendations

-- That the IG/ARA's "military presence" recommendations to the SRG of January 12 be approved.

-- That contingency planning be undertaken with regard to the possible establishment of Soviet bases in Latin America.

-- That adequate funding be provided to permit selected Public Safety programs.

-- That the Department of Defense examine the possible need for increased submarine surveillance and ASW capability in the Caribbean.

-- That the IG/ARA assure that the importance of retaining our military and naval facilities in the Caribbean, and particularly in Barbados and the Bahamas, is reflected in the FY 73 CASP reviews now underway and in CASP guidance to be prepared for FY 74.

-- That, while maintaining our support for the maintenance of a twelve-mile limit for naval and maritime purposes, we seriously consider an interim arrangement that would alleviate tensions relating specifically to fisheries jurisdiction pending the achievement of international agreement on the Law of the Sea.

-- That the SRG commission a technical study of the strategic requirements for bauxite, oil and possibly other resources of which Latin America is an important source for the U.S.

-- That the Arms Control and Disarmament Agency, in cooperation with the IG/ARA, conduct a study of the feasibility of a possible arms limitation initiative.

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DEVELOPMENT ASSISTANCE

SUMMARY

I. Current Policy

The major assumptions underlying current U.S. development assistance policies, i.e., increasing reliance upon multilateral assistance channels and a reduced bilateral profile, remain valid and relevant. A continued firm U.S. commitment to Latin American social and economic progress supports many important U.S. interests.

II. Need for Assistance

Although developmental progress fundamentally depends on the efforts of the developing countries themselves, there is a continuing need for external assistance. Foreign exchange constraints will continue to limit economic growth, and for the foreseeable future they will not be fully offset by trade benefits or private sector inflows. Moreover, external assistance plays an important catalytic role in influencing recipient countries to identify and pursue developmental priorities. Finally, the inability of countries to meet increasing popular expectations in respect to problems of employment, health, housing and education is the root cause of much of the hemisphere's political turbulence. External assistance also offers urgently needed technology, research, and management capabilities to assist in addressing these enormous problems more effectively.

III. Bilateral Assistance Effort

We support the continued evolution of U.S. bilateral programs within a multilateral framework, emphasizing innovative efforts in the urban, agricultural and educational sectors. Recent appropriation levels are essentially appropriate for these programs under current policy assumptions. Bilateral assistance programs are an important aspect of overall U.S. policies in the hemisphere, although overshadowed by other facets of the U.S. presence and the far larger volume of assistance flows through multilateral channels. Efforts should be intensified to allay current Latin American apprehensions that recent changes in U.S. policies - notably the announced reorganization of bilateral assistance - forecast a diminished U.S. commitment to development.

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With respect to the reorganization of the U.S. assistance effort, we recommend that:

o Flexibility in programming be retained so as to (a) allow an integrated focus, at both country and regional levels, of the various assistance tools at the disposal of the U.S.; and (b) to assure conformity of bilateral assistance programs to overall U.S. bilateral and regional policies. The extent to which the structure of the new assistance entities should be "regionalized," and the manner in which special regional needs will be reflected organizationally, require intensive examination in the current reorganization planning process.

o New assistance legislation be unencumbered by potentially abrasive limitations unrelated to development assistance purposes. For example, the time limit for Presidential actions under Hickenlooper should be removed. Restrictive procurement rules such as additionality should be avoided. In this regard, we note the possibility that the further liberalization of procurement rules, such as the worldwide untying of bilateral assistance, as well as the shift to multilateral channels, may carry some adverse balance of payments consequences.

o Timely Congressional passage of the proposed reorganization be recognized as important to the effectiveness of overseas operations. It will, as well, allay current Latin American apprehensions about the future course of U.S. assistance policies. Prompt and favorable Congressional action, and Congressional acceptance of the emphasis on multilateralism, probably will require vigorous Administration effort.

Given the lower profile already achieved, the number of U.S. assistance personnel stationed in Latin America is no longer an essentially "political" issue. Rather, while substantial reductions in overseas personnel can be achieved through reorganization, this issue should be treated in planning for the new assistance entities as a management question, related to the effective design, implementation, coordination, and monitoring of assistance programs.

#### IV. Multilateral Assistance Effort

The IBRD is a constructive, major source of development financing in the hemisphere. Few direct political benefits accrue to the United States for its support of Bank lending to the hemisphere, but our political exposure in the Bank is correspondingly limited.

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We should encourage the adoption by the IBRD of program lending and support recent efforts to lend within the context of broader sectoral strategies.

U.S. support to the IDB is the paramount symbol of our commitment to Latin America's development in the multilateral framework. Administration efforts to secure Congressional approval of the proposed replenishment at pledged levels are essential. Continuation of U.S. efforts to encourage improved Bank management and lending policies is recommended, although attempts to influence IDB policies and loans for technical (as well as political) reasons contain risks of U.S. political exposure.

The dominant donor status of the United States in the IDB, reflected most directly in the U.S. veto position in the Bank's FSO soft lending operations, exposes the U.S. increasingly to the risk of Latin American-U.S. polarization on a variety of issues. If successful, current efforts to widen Bank membership to include European countries could reduce those risks. The outcome of these efforts is yet uncertain. Other options for the future are: to limit the U.S. position on proposed lending to technical and development policy considerations (except where legislation otherwise requires); to continue the current practice of delaying loans to countries with which there are important long-run policy differences and avoid formal use of the veto to the maximum extent feasible; to alter legislation and eliminate the U.S. veto. The latter option carries serious Congressional risks, both for the pending replenishment and for the longer term. Of itself, it will not solve the polarization problem.

#### V. CIAP

CIAP is currently in transition; this transition will be difficult. Continued U.S. support for CIAP serves a number of important U.S. purposes and is essential if this entity is to evolve towards an increasingly important role. In any event, Latin American countries are unlikely to accept a resource allocation function for CIAP in the foreseeable future.

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## U.S.-LATIN AMERICAN TRADE RELATIONS

### SUMMARY

#### I. The Problem

Latin American leaders, feeling rising pressures for economic growth and social reform, look on the President's pledges to assist Latin American exports by increasing access to our own and other developed countries' markets as their best hope for substantial resource transfers. Aware of leveling trends in bilateral development assistance, irritated by the conditions attached to that assistance, and doubtful about the net value of private foreign investment, they have fixed on trade as the most economically effective and politically acceptable vehicle for obtaining external resources.

Latin Americans recognize that their trade welfare is closely linked to progress and prosperity in the developed world (particularly in the U.S.), and are seeking greater protection for their vulnerable trade position through reductions in external trade barriers and increased control of their resources. They are increasingly impatient with and critical of the potentially widening gap between our commitments and our performance. They count heavily on our prompt and positive action (both bilaterally and through multilateral forums) in the trade field, which for the Latin Americans has become one of the crucial tests of our intentions.

We, on our part, see Latin American trade as representing important economic interests to the United States: Latin America is the largest LDC market for United States exports and an important source of United States imports. We believe Latin America's most fundamental problems in this field are basically structural: overdependence on traditional commodity exports; inefficient, overprotected industries; a lack of export consciousness and know-how; and internal policies inconsistent with export development. The scope for United States action in the trade field is limited by domestic protectionist sentiments and our global foreign trade policies, as well as by the degree to which tariff barriers to Latin American exports have already been reduced or eliminated.

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Nevertheless, we have to recognize that the Latin Americans view trade problems in an altogether different light, and that our duties on certain important Latin American exports (rum, tobacco, some fruits and vegetables) remain high and some of their most promising new export industries face quantitative restraints (e.g., textiles, meat) or are threatened with new limits (e.g., shoes).

II. Conclusions

1. Trade is central to our hemispheric relationship. Trade per se represents an important U.S. economic interest, but the Latin American perception of trade as a key factor in our relations gives it a highly important political significance as well.

2. The chances for improvement in our hemispheric political relationship will be importantly affected by the extent of progress in the trade field, and by the atmosphere surrounding our trade activities.

3. Expanded trade is in the long-term interest of both the U.S. and Latin America. However, U.S. trade concessions will produce short-term repercussions in the U.S. with domestic political costs. These costs must be weighed against those costs, both short and long-term, which an unresponsive trade policy would inflict on our hemispheric foreign policy.

III. Program of Action

If we are to prevent a widening gap between commitments and action, our most urgent task is to fulfill our existing commitments, particularly prompt submission and strong Administration support for early enactment of generalized preference legislation and avoidance of new measures restricting imports from Latin America.

The criticality of trade to our hemispheric policy and interests also makes it important that we develop new ways to increase Latin American export earnings. The sector paper suggests possible new actions and offers options differing with respect to potential beneficiaries. It considers the conflicting domestic and global foreign policy considerations which bear on policy decisions in this area. It emphasizes the importance of "style" in our trade relations.

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Briefly, the options for trade policy include:

- 1) Development of trade measures favoring all (or some) Latin Americans and discriminating (where necessary) against other countries (e.g. preferred treatment for Latin America in allocating market shares under our quantitative restraint programs--such as sugar);
- 2) Development of transitional trade measures providing special benefits for all LDC's (e.g. implementation and administration of our quantitative restraint programs so as to reduce to the extent possible their adverse impact on LDC exports);
- 3) Development of trade measures favoring LDC's but without discrimination against other countries (e.g. multilateral efforts to reduce tariff and non-tariff barriers on products supplied principally by LDC's without requiring full reciprocity from LDC's); and
- 4) Continued multilateral liberalization of trade on an MFN basis without measures specifically designed to give special treatment to Latin America or other LDC's (e.g. a new round of GATT tariff negotiations).

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INVESTMENT

SUMMARY

I. Recent Developments

Trends in U.S. private foreign investment in Latin America reflect substantial problems as well as opportunities. The investment climate has worsened in recent years. Economic nationalism, expressed most often as a desire to control and channel foreign investment into economically and socially useful channels, continues to grow, although confiscation of foreign investment has not occurred to the extent that many feared. In the face of a pervading nationalistic spirit, there is a potential for greater difficulties in almost all countries.

II. U.S. Interests in Investment

The U.S. has a clear economic interest in private investment, and perhaps longer-term political interests as well. Latin America has a need for investment which it continues to recognize even if it does not acknowledge it publicly. The U.S. investment presence in Latin America, however, has not always been a positive factor and has resulted in Latin American demands for a reduced U.S. impact on the national life. Our troubles with investment in Latin America will continue, but withdrawal is not a solution. On balance, a longer-term perspective on foreign investment will best serve our interests.

III. Encouragement and Protection of Investment

In recent years, the U.S. has increasingly pursued a policy of selective encouragement of U.S. private foreign investment -- encouraging investment only after a careful examination of the facts. This policy appears to have reduced the potential for confrontations with foreign governments over investment disputes. The State Department should publicly reaffirm its support of this policy, and include selectivity criteria explicitly in its advice to lending agencies and international financial institutions. Awareness of the policy and the criteria will influence investors and host countries to consider an investment more carefully than at present, and forestall the embarrassment and resentment that will result from unsatisfied expectations that the U.S. will support an investment.

It is current U.S. policy to act in protection of U.S. investments in Latin America on a selective basis -- beyond

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the minimal traditional protection which all investments receive. This policy has yielded relatively satisfactory results in the past two years. It would be of value to have this policy explicitly affirmed.

#### IV. Recommendations

1. That a public high-level statement be made restating the U.S. view on the importance and role of private foreign investment in the development process, and underscoring our intention to encourage investment in accordance with development criteria and the receptivity of the Latin American nations themselves.

2. That increased discussion of private investment be encouraged in forums such as CIAP, OECD, DAC, and the IDB OAS-sponsored panel of Private Foreign Investment in Latin America.

3. That a mixed U.S. Government-private commission be established to examine investment issues in Latin America.

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THE INTER-AMERICAN SYSTEM

SUMMARY

I. Developments and Trends since 1969

The OAS has become more disparate and less cohesive in its membership, particularly with the advent of radical military regimes and the Chilean Marxist regime, making it more difficult for the U.S. to align support in the political/security and economic fields. Nevertheless, the OAS provides an opportunity for constructive dialogue bridging differences. Chile indicates an interest in maintaining such a dialogue, but it may also intensify efforts to weaken our position in the OAS. Brazil, Argentina and Mexico are showing a greater "big power" sense of responsibility in the OAS, but this is jeopardized by Brazil's heavy pressure tactics.

The effectiveness of the Rio Treaty in peacekeeping was enhanced by the Honduras/El Salvador experience, but the Treaty's authority was weakened by Chile's violation in reestablishing relations with Cuba. Growing misgivings among members over maintaining OAS sanctions against Cuba, although recently somewhat abated, confront us with the question whether these can be kept intact without some modification. Continued Cuban exclusion from the OAS, however, is not an immediate issue.

While Rio Treaty collective security mechanisms have proven generally adequate, there is little or no Latin American support for strengthening the permanent OAS military/security machinery. There has, however, been a modest improvement in OAS peaceful settlement machinery. A more significant OAS role in emergencies is possible. The recently signed Convention on Terrorism is a step forward, but wider acceptance is needed.

Ecuador's accusation of U.S. coercive action in violation of Article 19 could well set a precedent for further accusations in the OAS should the U.S. again impose legislative restrictions geared to fishing boat seizures or expropriations. The U.S. image would suffer.

IA-ECOSOC, CIAP and the Special Committee for Consultation and Negotiation (SCCN) have provided useful forums for dialogue on trade and development, but the Latin Americans are increasingly unafraid of confronting the U.S. in these discussions. The U.S. has given greater emphasis to multilateral technical assistance through the OAS, with the advantages of reducing bilateral frictions, promoting Latin American collective involvement and enhancing the OAS value for them, but OAS capacity to handle these programs needs strengthening.

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The revised Charter structure is now in effect. The OAS Secretariat is under stronger leadership and better management.

Despite the uncomfortable Article 19 accusations, the U.S. image in the OAS has remained favorable, with our continuing style of "discreet leadership"; with memories of the Dominican intervention receding; and with our willingness to discuss issues in the SCCN, CIAP, IA-ECOSOC and other organs.

## II. Direction for U.S. Policy

1. Think in terms of participating in rather than dominating the OAS, recognizing that our interests are better served by influencing and persuading; continue a style of "discreet leadership".
2. Encourage OAS membership for other American states willing to assume the obligations of membership.
3. Attempt to live with a greater diversity in OAS membership, including the radical military regimes and the Chilean Marxist regime, and endeavor to maintain a healthy dialogue in hopes of airing and defusing differences.
4. Follow a mixed pattern of "collegial" and "bi-polar" relationships within and outside the inter-American system, but discourage any attempts to build up rival Latin American organizations at the expense of the OAS.
5. Consult closely but discreetly with the larger members, without offending the others or giving an appearance of alignment with the authoritarian Latin American powers.
6. Remain alert to Chilean efforts to weaken the OAS and U.S. influence in it, as well as to any developments in Chile that might meet the OAS criteria for exclusion and sanctions.
7. Encourage continued effective use of the Rio Treaty in dealing with problems of collective security, including conflicts and threats of conflicts.
8. Attempt to make the Special Consultative Committee on Security more useful, but abandon the idea of a Western Hemisphere Security Council for want of Latin American support.
9. Abandon for the present any idea of a permanent Inter-American Peace Force for lack of support, while keeping in mind ad hoc collective forces when and if needed.
10. Retain the Inter-American Defense Board, particularly for its value in military contacts.
11. Continue as necessary to persuade members that sanctions against Cuba should be maintained since Cuban interventionism

continues, and discourage the idea of an OAS meeting to review sanctions (as it might encourage demands for change); but constantly reassess whether OAS sanctions policy can survive without some modifications and weigh the problem of the integrity of the Rio Treaty in the face of possible further violations.

12. Encourage the effective use of OAS peaceful settlement machinery.

13. Allow OAS Resolution 26 on recognition to lapse with respect to situations not involving the overthrow of constitutional governments.

14. Support effective use of the Human Rights Commission and study the prospect of signing the Human Rights Convention.

15. Encourage an OAS role in providing an umbrella in emergency evacuations and in coordinating disaster relief.

16. Discreetly encourage acceptance of an OAS role in situations of internal chaos, while continuing to support the politically justified OAS Technical Assistance Mission in Haiti.

17. Encourage non-signatory OAS members to accede to the Convention on Terrorism, and discuss more universal acceptance with friendly Western countries.

18. Attempt to avoid subjecting ourselves to further accusations in the OAS of violating Article 19 for applying U.S. legislative provisions relating to fishing boat seizures or expropriations.

19. Continue participating in SCCN discussions on trade; continue the high-level of U.S. participation in CIAP reviews of the U.S.

20. Support the new OAS programs in education, science and technology; agree to higher levels if OAS management improves; promote the idea of CIAP-style country reviews in these fields.

21. Continue our present emphasis on multilateral technical assistance through the OAS; encourage further strengthening of the Secretariat's program and management procedures; consider increasing our contributions to these programs contingent on the Secretariat's improved capacity.

22. Endeavor to strengthen the new OAS Charter structure, including the General Assembly and Permanent Council.

23. Support strong leadership of a centralized General Secretariat as well as strengthened management.



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CURRENT POLICY AND THE ENVIRONMENT  
THAT SHAPED IT

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CURRENT POLICY AND THE ENVIRONMENT THAT SHAPED IT

I. The Core Assumptions

Two bedrock assumptions underlay the Nixon administration's address to the question of the kind of stance it would adopt toward Latin America.

The first was the conviction that the concepts and policies of the past were no longer adequate to meet the ferment and tensions present in the developing American societies. A fresh approach was believed necessary.

The second was that a "special relationship" existed -- and ought to exist -- between the U.S. and the other American republics, a special relationship that gave a particular cast to all our normal concerns in the hemisphere.

A Fresh Approach

In remarks at the Pan American Day meeting of the OAS Council on April 14, 1969, the President had stated that the problems of the hemisphere required "a new policy," "new programs" and "new approaches" in place of "the usual slogans and the words and the gestures of the past." Two months earlier, in National Security Study Memorandum 15, he had requested the preparation for the National Security Council of a thoroughgoing review and analysis of U.S. policy toward Latin America.

In announcing Governor Rockefeller's mission to Latin America on February 17, 1969, the President had said he wanted him to "listen" and to "consult" concerning the development of common goals and joint programs "to strengthen Western Hemisphere unity and accelerate the pace of economic and social development." He asked Governor Rockefeller to recommend how the U.S. could "improve its policies and increase the effectiveness of its cooperation and support of common objectives." The Report subsequently presented to the President in August 1969 contained the following statement:

"We have concluded that the national interest requires the United States to revive its special relationship with the nations of the hemisphere, and that this relationship should be reinvigorated with a new commitment, new forms and new style."

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### The Special Relationship

The assumption of a special relationship, emphasized in the response to NSSM 15 and in the Rockefeller Report and affirmed at the NSC meeting of July 9, 1969, was derived from an amalgam of factors. Principal among these were geographic relationships (some more apparent than real), ties of tradition and association, a common psychological acceptance of the idea of community, and a shared historical desire to establish the Western Hemisphere as a political entity distinct from Western Europe. This relationship had become formalized in a web of treaties and organizational commitments comprising "the inter-American system."

Our persistent verbalization of the concept of community and our reiteration that we valued this special relationship had become self-fulfilling. A widespread belief that special bonds indeed existed had become a political and psychological "fact" of considerable significance in the world arena. We were regarded in Latin America and elsewhere as responsible to a substantial degree for the course of events in the hemisphere, whether we wanted to assume that responsibility or not. Any "failure" in the hemisphere would therefore tend to downgrade our appearance and prestige in the world at large.

### II. The Setting for Policy Choice

The analyses and estimates that formed the basis for the President's policy speech of October 31, 1969, produced abundant evidence of the need for policy revision and re-direction. This evidence indicated that the developing societies of the Americas were either undergoing far-reaching change or being subjected to great pressures to begin such change. The process of change -- and the demands for it -- were producing severe stresses and tensions. These strains were aggravated by the disparity between aroused expectations and tangible results, a disparity to which the overselling of the Alliance for Progress had contributed. These strains and pressures were being articulated and politicized more and more broadly by virtue of the spread of communications technology to groups and areas previously relatively inaccessible to such influences.

It was clear that this ferment was directly affecting relations between many Latin American countries and the U.S. Aspiring to or inspired by the goals of the Alliance but

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frustrated by the slow rate of advance toward those ambitious ends, important sectors of opinion in the hemisphere were directing their resentments in significant part toward us. This animus was the result, not only of the predominant position we occupied in the hemisphere, but also of our important role in the common effort to bring about economic and social development, an effort whose efficacy was under challenge.

It was also clear that our new policy guidelines would have to accommodate or adjust to a growing spirit of nationalism increasingly evident in a number of hemisphere societies. In its positive form this nationalism represented an affirmation of national identity, a unity in confronting the great problems of modernization, and a determination to find indigenous solutions to local national problems. In its negative form, it demonstrated an uncritical hostility to external and especially U.S. influences, exploiting such influences as scapegoats for the failure rapidly to achieve economic and social goals.

### III. U.S. National Interests

The Administration's review of our policy posture was painstaking and extensive. U.S. national interests formed the base for that review, although in the Rockefeller Report they had not been given explicit exposition and in the response to NSSM 15 they were not ranked in order of relative importance or with regard to global as contrasted with regional concerns.

The Rockefeller Report argued that the unhappy state of our hemisphere relations seriously threatened our moral and spiritual strength in the world, the credibility of our leadership, our social and economic future, and indeed our national security. More implicitly than explicitly, the Report indicated that major U.S. objectives in Latin America were the prevention of a mainland Castro, the preservation of a market for U.S. exports and a source of industrial raw materials, an increasing flow of two-way trade in industrial products, a reversal of the trend toward anti-American attitudes, and the improvement of the quality of life in the hemisphere.

The Report saw these objectives threatened by the "seeds of nihilism and anarchy" that were "spreading throughout the hemisphere." In the face of this challenge, the Report recommended a variety of actions designed to maintain and fortify

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the special relationship. Failure to maintain such a relationship "would imply a failure of our capacity and responsibility as a great power." The Report argued that "if we cannot maintain a constructive relationship in the Western Hemisphere, we will hardly be able to achieve a successful order elsewhere in the world." The goal of this relationship was to be "the creation of a community of self-reliant independent nations linked in a mutually beneficial regional system."

While similarly stressing our interest in the "special relationship," the response to NSSM 15 was far more explicit than the Rockefeller Report in its presentation of U.S. interests. It identified the following interests:

-- Security:

- 1) Denial of use of Latin American territory, particularly in the Caribbean, to launch an attack against the U.S. by hostile forces.
- 2) Maintenance of lines of communication to Latin America and access to Latin American strategic materials.
- 3) Use of Latin American land, sea and air space for U.S. defense and scientific activities, particularly in the Caribbean and along the eastern half of South America.
- 4) Continued assurance of freedom of access in both peace and war to the Panama Canal.

-- Economic:

- 1) Preservation of Latin America's role as an important trading partner and location of sizeable U.S. investments.<sup>1</sup>
- 2) Assurance of a continued source of important raw materials.

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<sup>1</sup>In 1969 Latin America accounted for nearly 13% of U.S. merchandise exports and 20% (\$14 billion) of total U.S. foreign investment. The U.S. balance of payments with Latin America was favorable to the U.S. by about \$200 million.

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-- Political:

1) Political or "diplomatic" support and cooperation, especially in international forums and on "East-West" issues, of the Latin American voting bloc of 23 votes.

2) Preservation of an inter-American institutional framework.

3) Protection of U.S. citizens, either resident or tourists.

-- Developmental:

1) Support for economic and social development. This interest was derived both from a humanitarian concern in the face of the growing rich-poor gap, and from enlightened self-interest related to the achievement of a satisfactory world order.

IV. Policy Responses to the Perceived Environment

This, then, was the general setting of broad assumptions and presumed interests against which the Administration would attempt to project policy choices articulating the "special relationship." What were the specific environmental elements to which it was believed these choices would have to respond, and what were the broad choices that were made?

Political-Psychological

° The Environment:

The political environment was seen as characterized by three major trends over the next several years: 1) growing nationalism and Latin American efforts to assert greater "independence" of the U.S.; 2) increasing social unrest and economic and political instability; and 3) increased radicalization if not authoritarianism in political life, and greater political managerialism on the part of military regimes and institutions.

These trends challenged the posture implicit in our previous policy of active promotion of democracy. During the 60's the U.S. had tried upon occasion to use various policy tools, such as the withholding of diplomatic

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recognition and economic and military aid, to promote political democracy. There was little empirical evidence that we had thereby significantly discouraged the resort to authoritarian solutions, and there were countervailing indications that such actions fortified nationalist pride and intensified anti-American sentiments. These trends thus suggested we had erred in the direction of zealotness and officiousness, and had overestimated our capacity for influencing the evolution of socio-political institutions of others. They argued for a quiet disengagement from certain aspects of the Alliance for Progress, particularly its Title IX programs, that were considered by many Latin Americans to be presumptuous or even interventionist.

° Policy Response:

The response to NSSM 15 posed activist "involvement" and laissez-faire "pragmatism" as gross options in the political arena. The Rockefeller Report essentially recommended the latter stance, recognizing that there would from time to time be political societies we do not like, that political evolution takes time, and that our long-term interests would be best served by maintaining at least minimal diplomatic relations with other governments while trying to find ways to assist the peoples of these countries. The Report observed: "Diplomatic relations are merely practical conveniences and not measures of moral judgment."

The NSC meeting of October 15, 1969 affirmed the "circumspect pragmatism" option, as well as the corollary of a more nearly automatic recognition policy. These decisions were given public expression in the President's speech a week later, when he stated that on the diplomatic level we must deal realistically with governments in the inter-American system as they are. At the same time, we have a preference for democratic procedures and we hope that each government will help its people to move forward toward a better, a fuller, and a freer life.

The United States demonstrated this pragmatic approach in 1970 by joining with all other OAS members in interpreting extra-constitutional changes of government in Argentina and Bolivia as not raising a question of recognition, and therefore not requiring resort to the Resolution 26 procedure of prior consultations. Normal diplomatic relations were also maintained with the

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military-controlled government in Brazil, despite allegations of repressive acts, and with Peru despite continued inability to resolve the IPC case and our application of "non-overt economic pressure." Toward Chile, following the election of a Marxist-led government headed by Salvador Allende, the U.S. adopted a correct but cool posture avoiding any action which Allende might turn to his own advantage by playing upon Latin American fears and resentments against the U.S. The President in his televised meeting with representatives of the networks on January 4, 1971 stated that the U.S. would maintain activities in Chile such as people-to-people and Peace Corps programs as long as Chile's foreign policies were not antagonistic to our interests.

Nevertheless, in a reference to Cuba the President has also stressed that we cannot have a peaceful community of nations if one nation sponsors armed subversion in another's territory. "The 'export' of revolution is an intervention which our system cannot condone, and a nation which seeks to practice it can hardly expect to share in the benefits of the community."

As for the broader aspects of policy style in the face of nationalism and increasing desire by Latin American nations for more elbowroom in their relationships with us, the President's speech announced that we would hope to achieve "a more mature partnership in which all voices are heard and none is predominant," and that this partnership "should be one in which the U.S. lectures less and listens more, and in which clear, consistent procedures are established to ensure that the shaping of Latin America's future reflects the will of the Latin American nations." The general policy guideline would be "respect for national identity and dignity in a partnership in which rights and responsibilities are shared."

This principle was further elaborated three and a half months later when, in his Foreign Policy Report to the Congress, in February 1970, the President in effect re-defined the special relationship his Administration would seek:

-- The goal of such a relationship today should be to create a community of independent, self-reliant states linked together in a vital and useful association.

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The President said the U.S. should contribute to this relationship, not dominate it. Responsibility would have to be shared for progress to be real. Our basic role would be "to persuade and supplement, not to prescribe."

This new policy style was soon exemplified in such forums as the IA-ECOSOC, the SCCN (Special Committee for Consultation and Negotiation), and the first CIAP review of U.S. economic and financial programs affecting the hemisphere. Here indeed the U.S. "listened" to Latin American concerns, and sought to encourage a more mature working relationship.

Development, Trade and Investment

° The Environment

The response to NSSM 15 specifically affirmed -- and the Rockefeller Report implied -- that the Alliance for Progress as a strategy for development had been oversold. The U.S. had formally met its Alliance Charter commitments with respect to public assistance, and private investment also reached target levels. Nevertheless, capital transfers failed to reach Latin American expectations, and their impact on development had been reduced by U.S. statutory and policy constraints.

The Alliance did make substantial and lasting contributions to institutional reform, economic stabilization, physical capital and developmental leadership capacities in Latin America. Latin American performance fell short of more optimistic U.S. hopes in such fields as fiscal administration, agrarian reform and investment in the social sectors, but showed promising results in such areas as inflation control, tax policies and development planning.

Modest per capita growth levels continued to depend partially on sustained flows of U.S. and other foreign public and private capital, although such external assistance amounted to only about 10% of total investment in Latin America. In any case, even good rates of economic growth and social progress could not be expected to achieve for many decades the near-utopia that many had unrealistically come to expect was just around the Alliance corner.

With the multilateral aspects of the Alliance slow to mature, Latin Americans viewed it in essentially bilateral

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terms. They increasingly questioned what they considered the "directive" nature of our assistance. In addition, there was the increasing embarrassment and political liability to the United States of those assistance requirements, such as additionality and other procurement rules, which Latin Americans vocally recognized as being costly to them while having little or no justifiable developmental rationale. Economic aid had been our major policy tool in the hemisphere, but changes were clearly needed in the manner of extending assistance in order to adjust to the political climate projected for the years ahead.

The Consensus of Vina del Mar was the single most eloquent recital of the factors the new Administration would be compelled to consider in formulating its policy stance on these matters. Latin American concern regarding the real extent of U.S. interest in and commitment to hemisphere development was the stimulus for this compendium of views prepared at a meeting of the Special Latin American Coordination Committee (CECLA) in Chile in May 1969. The meeting was in response to a Brazilian initiative which interpreted the President's Pan American Day remarks April 14 as a request for a united Latin American position on U.S. policies regarding trade and development assistance. The Consensus was subsequently presented to President Nixon in June.

The Consensus reflected concern over the widening economic, scientific and technological gap between the developing world and the developed nations. Specifically, it called for 1) freer access to the markets of the United States and other developed countries, 2) easier terms and fewer restrictions on the use of foreign loans and credits, and increased access to the world's capital markets, 3) an increase in technical and financial cooperation for social development, 4) a broad program of scientific and technological cooperation, and 5) support for the development of the region's merchant marine and port facilities.

At the Sixth Meeting of the IA-ECOSOC in Trinidad in June the U.S. delegation was met by a united CECLA front which pressed for a favorable response to each of the Consensus demands. The conference adjourned on the agreed condition that a special IA-ECOSOC meeting would be held for the purpose of "preparing the bases and proposing suitable instruments of action...of a new policy to strengthen hemispheric cooperation."

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The Trinidad Declaration, in a clear expression of restiveness with the substance and style of U.S. relationships with Latin America, warned that any review of inter-American policy cooperation must be based upon the understanding that 1) Latin American development be conceived and determined by the Latin American nations themselves, and that 2) it is the responsibility of these nations to create those internal domestic conditions and determine those national and regional objectives that will make such development possible. Finally, the Declaration stated that external assistance plays a complementary role which should evolve within a framework of respect for the particular political, economic, and cultural characteristics of each Latin American nation.

-- Development

This composite of increased nationalism and growing discomfort with their heavy dependency on the U.S. in the face of increasing developmental needs, encouraged the conclusion that a muted, less tutorial U.S. presence and involvement in developmental matters would be welcome and timely. To meet this concern and to help assure adequate resource flows, what appeared to be needed were strengthened multilateral assistance frameworks for identifying allocative priorities, for channeling assistance, and for assuring that assistance resources were effectively utilized. While recognizing that this new emphasis on multilateralism would be a significant departure from the past, we believed it would be well received.

Despite the apparent but remediable weaknesses in IDB performance and the hesitancy of the IBRD to move into program and sectoral lending (areas in which AID had increasingly concentrated its lending activities), it was believed that multilateral lending could be further increased relative to bilateral lending without significant sacrifice to developmental effectiveness or to our capability for fostering U.S. interests. In this connection it was significantly noted that in 1969 AID loans represented only about one-sixth of total IDB, IBRD, and AID lending to the hemisphere, whereas in 1963 AID provided approximately one-half of these funds.

These assumptions redirected our attention to a possibly greater role for CIAP and the related OAS development

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assistance activities. It was assumed that U.S. support for an increased OAS technical assistance role would be welcome as a further evidence of our commitment to Latin American development and a further step in buttressing this multilateral framework. It was believed that CIAP could be strengthened in ways that would improve its ability to set assistance priorities and perform coordination and review functions with evolution toward an eventual role of allocating resources available from the U.S. and international lending agencies.

It was anticipated that action to implement these assumptions would facilitate a disengagement of the U.S. from involvement in Latin American domestic affairs, would reduce the political exposure of the U.S. in assistance allocations, and would to some degree insulate these allocations from domestic U.S. political pressures. Finally, it was predicted that such a shift would be welcomed by and supported in the U.S. Congress, where the U.S. foreign assistance effort was under continuing criticism and in any event about to be subject, as a result of the Javits amendment, to reexamination prompted by the Peterson Task Force.

-- Trade

With regard to U.S.-Latin American trade relations, it was equally clear that U.S. policy would require change if it were to be viewed as responsive to the "realities" of Latin America's need to expand its capacity to export, particularly to the U.S. Latin American countries continued to denounce the U.S. for a number of real or alleged failures to live up to "the spirit" of our various commitments in the trade field to aid their development efforts, including: 1) failure to adhere to a standstill on new trade restrictions; 2) concessional sales of agricultural commodities together with continued protectionism in a high degree for meat, dairy products, fruits and vegetables; 3) failure to reduce tariffs and other barriers on goods processed in Latin America; 4) imposing "voluntary" or other quotas on LDC products, notably cotton textiles and oil, which deny them a "fair" share of the market; 5) lack of "meaningful" consultation in stockpile disposals; 6) development of synthetic products which compete with Latin American goods; 7) "mercantilism"; and 8) in general, "excessive" influence on or control over the ingredients of trade

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expansion (capital, research, insurance, credit, transportation, etc.).

At the same time, we were convinced -- and Latin Americans sometimes acknowledged -- that export expansion was at least equally dependent upon their own policies and efforts. In many cases, what was needed was a fundamental reorganization of Latin American monetary, fiscal and foreign exchange policies toward export expansion and diversification. Better efforts would be needed to attract adequate investment, both domestic and foreign, in facilities for producing and transporting goods to be traded, and increased attention would have to be given to accelerating economic integration.

-- Investment

As for foreign investment, it was clear from the Consensus that Latin Americans were highly critical of previous and existing arrangements and would insist on new -- but not necessarily uniform -- rules of the game. The NSSM 15 study predicted that nationalism might become so strong a force that investment could take place only on Latin American terms. Both the NSSM 15 study and the Rockefeller Report noted the love-hate theme in Latin American attitudes toward foreign and particularly U.S. investment, contrasting a recognition of need for foreign capital and technology with a determination that such capital be subject and responsive to indigenous conditions and priorities. In some countries it was clear that hostility to foreign investment -- or to private wealth, whether foreign or domestic -- was running sufficiently deep and strong that multiple expropriations of the property of U.S. companies were predictable. The existence of a \$14 billion book value of U.S. investment in Latin America as of the end of 1969 thus had obvious domestic and foreign implications for U.S. policy.

° Policy Response:

In his Foreign Policy Report to the Congress in February 1970, the President outlined the action programs the Administration would sponsor in response to these environmental challenges. The principles upon which these programs were to be based had been stated in his October 1969 speech. The President told the Congress that he would propose only those programs that could realistically be implemented, and would make no promises that could not be fulfilled.

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A major objective of these programs would be a more effective sharing of responsibilities in development assistance matters. We wanted the nations of the hemisphere to evolve an effective multilateral mechanism for development assistance. In this regard we welcomed the IA-ECOSOC instruction to CIAP and the IDB to explore ways to increase their participation in development decisions. We wanted to encourage the other Western Hemisphere nations to assume a primary role in setting developmental priorities and programs, and in keeping their own performance under critical review. It was in support of this objective that we pledged financial support for strengthening CIAP, and agreed to submit to CIAP, for its review, U.S. economic and financial programs affecting hemisphere nations. We also continued to support an expanded program in science and technology through the Council for Education, Science, and Culture of the OAS and offered consideration of special U.S. contributions for science projects under this program.

In the all-important area of trade, we would press for a liberal system of generalized tariff preferences for all developing countries. We would also embark upon an effort to achieve multilateral reductions in non-tariff barriers maintained by nearly all industrialized nations on products of major interest to Latin America, and we would work in concert with Latin American nations to identify and analyze the principal obstacles to expanding Latin American exports to the U.S. market. We said we would give priority attention to requests for assistance in export development and promotion. With regard to the Latin American need for an expanding U.S. market for its exports, the President said we would "have to face frankly the contradictions we will find between our broader foreign policy interests and our more particular domestic interests."

Additional important steps pledged by the President included the following:

- support for the establishment of regular procedures for advance consultations on trade measures that might adversely affect Latin American exports;
- a proposal to seek to develop an equitable system for easing the problem of debt burden, and an expressed willingness to join in an approach to other creditor nations;

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- untying of AID loan dollars to permit their use for procurement in the developing countries in the hemisphere as well as in the U.S.;
- removal of other procedural restrictions, including the "additionality" provision, on the use of AID funds;
- the reaffirmation of our readiness to assist, if requested, in economic integration efforts;
- an offer to share U.S. technological and scientific capabilities.

These policy declarations were further articulated in U.S. support for the creation in February by the IA-ECOSOC of the Special Committee for Consultation and Negotiation (SCCN), and for that Committee's subsequent consideration of the problems involved in expanding Latin American trade. The U.S. agreed to include a large number of products of export interest to Latin America in our proposal for a liberal system of generalized tariff preferences for the less developed countries which was endorsed by UNCTAD in October. We also offered assistance in the fields of export and tourist promotion, health and sanitary standards, and improved preparation of development projects for international financing. In addition, the President authorized specific reaffirmation on behalf of Latin America of the GATT "Standstill Commitment" against increased trade barriers.

In a message to the Congress in September 1970, the President called for "a truly international development effort based upon a strengthened leadership role for multilateral development institutions," and declared that the U.S. "should channel an increasing share of its development assistance through the multilateral institutions as rapidly as practicable." To fit those objectives and to implement the restructured bilateral assistance program, the President proposed a sweeping reorganization of U.S. foreign assistance operations, including the creation of a U.S. International Development Corporation (IDC) to administer bilateral lending operations and a U.S. International Development Institute (IDI) to bring science and technology to bear on the problem of development. It was expected that this would also permit a significant reduction in the number

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of U.S. Government personnel working overseas on development programs.

In line with the President's proposals, the Administration had already requested Congressional approval of a major replenishment for the IDB totaling \$1.8 billion. As an additional move to reduce administrative restrictions on bilateral aid, it also authorized direct conversion of AID dollars to meet local currency needs of development projects.

At the close of 1969, Congress approved legislation creating the Inter-American Social Development Institute (ISDI), which will support innovative programs intended to give citizens of Latin American countries a larger role in their societies and a greater share of the products of economic development. AID funds were authorized for transfer to ISDI, which was expected to begin operation in 1971.

With regard to U.S. investment activities in Latin America, the major premises that would guide the Administration in setting its policy in this field were well stated in the President's October 1969 speech:

"Each Government must make its own decisions about the place of private investment, domestic and foreign, in its development process. Each must decide for itself whether it wishes to accept or forego the benefits private investment can bring....We will not encourage U.S. private investment where it is not wanted, or where local political conditions face it with unwarranted risks. But my own strong belief is that properly motivated private enterprise has a vital role to play in social as well as economic development."

In his February 1970 Report the President restated these premises, saying that there was "no more delicate task than finding new modes which permit the flow of needed investment capital without a challenge to national pride and prerogative."

We intended to give substance to these policy principles by devoting increased emphasis to loans and technical assistance to the private sector and for the establishment of capital markets, by relaxing certain U.S. controls that could limit U.S. investment flows or which Latin Americans

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believed infringed on their sovereignty, and at the same time by encouraging Latin American nations to define areas of mutual interest for foreign investors and recipient countries and to establish and maintain conditions under which all private enterprise could operate effectively.

These policy guidelines were given further expression in the legislation creating the Overseas Private Investment Corporation (OPIC). It provided that only those investments which were sensitive and responsive to the needs of the host country economies and which contributed to the social and economic development of their peoples were to be encouraged. The receptivity of the host governments to private enterprise was another criterion to be utilized. In addition, the President's decision to support the creation of an International Investment Insurance Agency as an affiliate of the World Bank was reflected in NSDM 76 of August 10, 1970. The U.S. would seek to bring this Agency into operation as soon as the minimum number of countries specified agreed to do so. The scheme under consideration involved an insurance pool to share risks and premiums, and would be consistent with the Administration's emphasis on multilateral approaches and a lowered profile abroad.

As for the question of the Hickenlooper Amendment, the Under Secretaries Committee recommended its repeal or revision and the President decided to propose that the new foreign assistance legislation (1) avoid any mandatory time limit for application of sanctions and (2) require only that the President "take into account" expropriations in determining countries eligible for U.S. assistance.

Security

° The Environment:

In the reassessment preceding the President's October address, it was assumed that the principal threats to the security of the hemisphere involved internal subversion and instability rather than the possibility of external attack (although the former might be externally supported). Estimates differed, however, with regard to the seriousness of the internal security threat.

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NSSM 15 stated that:

- rising nationalism posed a significant threat to U.S. interests, particularly when taken in conjunction with a Soviet presence and a Soviet willingness to offer itself as an alternative to Latin dependence on the U.S. The Soviets were likely to fan and exploit this growing Latin American sentiment for reducing dependence on the U.S. While it was not clear how far they were prepared to go in this regard, this possibility aggravated the difficulties that Latin American nationalism posed for U.S. interests.

At the same time, NSSM 15 argued that:

- internal security problems appeared to be within the competence of the security forces of the various countries to manage and control, although some U.S. assistance appeared necessary and some of the weaker countries might require particularly close attention and additional assistance if the situation deteriorated.
- "It is highly doubtful that an overtly leftist and radical movement could install itself by extra-legal means in any Latin American country...at least over the next several years." (Part VI, p. 13)
- Castro's efforts to export his revolution had been unsuccessful. The reasons for this failure -- the inappropriateness of the Cuban model to most Latin countries, the unacceptability of Cuban agents as leaders in national insurgency movements, and the increased effectiveness of local security forces -- showed no signs of changing.

The Rockefeller Report took a somewhat different tack, viewing the threat more alarmingly. It presented the following conclusions:

- It is plainly evident that such [Communist] subversion is a reality today with alarming potential.
- This type of subversion [urban terrorism] is more difficult to control, and governments are forced to use increasingly repressive measures to deal with it.

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-- Clearly, the opinion in the United States that Communism is no longer a serious factor in the Western Hemisphere is thoroughly wrong. The other American Republics are deeply concerned about the threat that it poses to them -- and the United States must be alert to and concerned about the ultimate threat it poses to the United States and the hemisphere as a whole.

-- Police forces of many countries have not been strengthened as population growth and great urban increase have taken place. Consequently they have become increasingly less capable of providing either the essential psychological support or the internal security that is their major function.

In preparation for the NSC meeting of October 15, a special assessment of the internal security threat in Latin America was prepared by CIA. It cited the growing social unrest generated by strong pressures for change in Latin America. It noted the campaigns of propaganda, agitation, and in some instances open violence by extremists, including Communist parties. It also pointed out the resort in some countries to rural guerrilla operations or urban terrorism or both. It stated that the efforts of these groups could exacerbate the instability prevailing in some countries, "although the strength of various elements that make up the far left is not in itself sufficient to allow them to seize power by force."

This assessment cited Cuba's continued encouragement of local revolutionaries and the continued provision of support in the form of propaganda, training and funds. At the same time, the report stated that "Castro...has been placing less emphasis on the 'export of the revolution' and has become more selective in the allocation of resources for insurgency in Latin America." The assessment surmised that Castro's de-emphasis on the export of the revolution "may be due to his preoccupation with domestic matters as well as to his at least temporary disillusionment with guerrilla methods."

This review stated that the Soviet Union, anxious to avoid repercussions on its own campaign to expand relations with Latin America, had cautioned Havana to exercise more

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discretion in promoting revolution. The Soviets were believed to be pursuing "normal relations" with Latin America, but this was not to say that they were necessarily opposed to violent revolution there. Soviet diplomatic missions continued to provide bases for espionage, subversion, and communication with local Communist parties.

While Peking's contribution to subversion was considered insignificant, the "radical youth of the hemisphere's ghettos" could be expected to be nonetheless strongly attracted to Chinese extremism, Ho Chi Minh's prestige and Che's "martyrdom."

There seemed to be little likelihood of a successful rural-based revolution for the foreseeable future. The main threat that guerrilla movements were believed to present was that of "further unsettling already somewhat unstable societies and draining away scarce national resources...." In a few "politically fragile" countries, notably the Dominican Republic and Haiti, "a small but well organized guerrilla movement might become a serious threat indeed, but none exists now."

The increase in urban terrorism was stressed, along with the anti-U.S. cast given to it by rising nationalism. It was pointed out, however, that the far left was badly fragmented and would constitute more a source of troublesome agitation and pressure than an immediate threat to any government. The point was made that the degree to which Communists and other leftists would succeed in increasing their influence would depend "more on their ability to exploit local issues and nationalist sentiment than on Cuban or Soviet actions."

° Policy Response:

The "security policy" of the new Administration was less explicitly and less extensively articulated than were its proposed policies relating to general style and to economic and developmental matters. The general thrust of the Nixon Doctrine was given specific regional meaning, however, with the President's decision at the NSC meeting on October 15, 1969 that the U.S. should continue to provide assistance and work carefully with the Latin American military but in ways which would reduce or lower our profile.

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Typical missions envisaged for Latin American armed forces by U.S. defense planners included: maintaining internal security conducive to orderly political, social, and economic progress; contributing to the collective security of the Western Hemisphere, commensurate with their separate capabilities; maintaining a capability to defend their sovereign territory; conducting counterinsurgency, psychological, and military civic action operations; preventing the introduction of arms, munitions, personnel, and materiel into the area for subversive purposes; maintaining and providing security for bases, airports, seaports, and strategic facilities so that they could be at least potentially available for U.S. and regional peacekeeping operations; and conducting search and rescue operations and providing other humanitarian services.

Two basic precepts inherited from the mid-sixties were incorporated in this Administration's formulation of its policies in the security field. They were that the United States should avoid becoming a party to arms escalation and arms races in Latin America, and that the United States should encourage the allocation of resources to economic and social development rather than to military expenditures. These principles served as operational guidelines in carrying out our military assistance programs and were utilized with Congress in support of appropriations requests.

Program instruments available for executing our security policy were grant military materiel programs and grant military training assistance, and cash and credit sales of military equipment as provided by the Foreign Military Sales Act. Grant materiel assistance had been terminated in FY 1968 for the four larger countries (Argentina, Brazil, Chile and Peru), and it had been decided in mid-1968 that such programs to all Latin American countries should be phased out after FY 1970. Exceptions were authorized, however, and the IG/ARA made such recommendations for eleven countries for FY 1970 and again, but in lesser amount, for FY 1971. Although cut back roughly 20 percent in 1969 by the Congress, a continued military training program was considered a major additional element in our assistance policy.

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It was contemplated that continuing materiel requirements would be met, in the absence of the generous grant programs of prior years, through an expanded credit sales program. A major inhibiting factor affecting our ability to utilize the Foreign Military Sales (FMS) legislation in response to Latin American requests was the restrictive amendments in both the foreign assistance and FMS legislation. The Administration was nonetheless of the opinion that we should be responsive to reasonable requests for equipment needed to modernize obsolete inventories.

Major policy actions in this regard were the decisions in late 1969 and early 1970 to sell A-4 or F-5 aircraft to major South American countries, if requested,<sup>1</sup> and to waive the aid deduction penalty, where applicable, on the grounds that the purchases were important to the U.S. national security. In the case of a Colombian request for A-4F aircraft, the President agreed in principle to make substantial credit available and to waive the restrictions of the FMS Act as well. The Administration's decisions were based on the conviction that the requests were reasonable, that this type of aircraft was appropriate to the need, and that our refusal to sell the aircraft would not only cause resentment but would result in purchases from Europe (quite possibly of more sophisticated and more expensive equipment). We believed that the ability to make such sales ourselves would enable us to exert some influence toward limiting the diversion of scarce financial resources and reducing the possibility of stimulating an arms race.

A study of our military missions initiated late in 1969 and approved by the Under Secretaries Committee in March 1970 concluded that the missions should be continued but at an overall manning level of roughly one-third the level of January 1968. Their functions were to be the following:

1) Provide a form of military cooperation that would maintain the military relationship with the United States desired by a number of the Latin American countries, particularly those in which the military played an important political role;

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<sup>1</sup>Inquiries or requests had been received from Argentina, Brazil, Chile, and Colombia.

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2) Provide advice and assistance in the field of internal security;

3) Administer the Military Assistance Program, and the sales program when the host country so desired.

In November 1970 as a consequence of the developments in Chile, the President decided that we should increase efforts "to establish and maintain close relations with military leaders in the hemisphere." This policy recognized that Latin American military establishments were expanding their role in the political, social and economic arenas.

Another dimension of our security policy consisted of an attempt to help civil security forces develop and maintain the capability for providing daily law and order and police services. Public safety assistance provided by AID was to be utilized for these purposes. Such assistance was designed to develop "preventive medicine" capability for countering subversion and urban and rural violence in their earliest stages. In this way could be avoided the high costs, both financial and political, of having to redress with military forces a situation that might have been dealt with effectively at the beginning if police capabilities had been adequate. In the face of the rapid growth in 1968 and 1969 of urban terrorism, this kind of assistance aimed at developing civil police institutions that could keep pace with contemporary sociological change and thus help maintain internal stability with a minimum of force. In addition, as stated in "United States Policy on Internal Defense in Selected Foreign Countries," issued by the Senior Interdepartmental Group on May 23, 1968 and reconfirmed by NSDM 20 of July 10, 1969, Public Safety programs were designed to serve the developmental as well as the security interests of the United States in developing countries.

Cuba continued to play an important role in our security policy. Our stance was designed not so much to bring about Castro's overthrow as to reduce his capacity to support armed revolutionaries elsewhere in the hemisphere. Underpinning this policy were efforts which sought, primarily through the OAS, to maintain Cuba's diplomatic and economic isolation. We continued also to insist upon preventing the introduction into Cuba of an externally supported military capability endangering U.S. security.

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In the event of general hostilities, U.S. military planning emphasized defense of the Panama Canal, maintenance of the U.S. presence at Guantanamo, prevention of the establishment of enemy bases in Latin America or the use by enemy forces of Latin American facilities, maintenance of essential sea and air lanes, and retention of U.S. access to strategic materials, bases, and existing industrial capacity.

The Inter-American System

° The Environment:

It was clear that the inter-American system could be and could do no more than its members wanted of it. Its Latin American members demonstrated a characteristic ambivalence toward the system, particularly its political-security aspects.

The Latin American nations valued the protective shield (furnished principally by the U.S.) provided by the collective security commitments of the Rio Treaty. We noted that despite internal instability and subversion, violent political change, and occasional border disturbances, the hemisphere during recent decades had been singularly free of major armed conflicts. We attributed this result at least in part to the influence of the inter-American system's mechanisms that inhibit aggression and promote peaceful settlement of disputes.

The Latin Americans also saw the system as an effective restraint and cushion against U.S. power; yet they feared that our predominant power within the system could make it into another device for U.S. domination of the region. This concern contributed to the reluctance of many members to see the OAS play a more significant "political" role in the hemisphere or to countenance any movement toward the formation of a permanent inter-American peacekeeping force. The subsequent Latin American reaction to the Rockefeller Report recommendation concerning a Western Hemisphere Security Council was further evidence of this attachment to the principle of non-intervention.

At the same time, whatever the attitudes in the U.S. and in Latin America concerning the appropriate role for the OAS, its capability in the political-security field was recognized as being at best uneven: on the whole, generally adequate in matters of collective security; useful but imperfect in the

peaceful settlement of disputes; relatively ineffectual in its permanent military/security bodies; and strictly limited in promoting democratic process and protecting human rights.

While recognizing its inadequacies, we nonetheless saw the system as a useful mechanism for blunting the problems produced by the asymmetrical power relationships in the hemisphere. In the response to NSSM 15, for example, we said we were increasingly persuaded that a sharing of power and responsibility in an effective international system was "the only good answer to the need we often feel to act unilaterally in an emergency and the fear of the Latins that they are really at the mercy of U.S. power if we choose to use it." An example of the system's utility in this regard was the cooperation obtained from its members in connection with the isolation of Cuba.

There was considerably less ambivalence in the economic and social fields, however, as the inter-American system had assumed increasing relevance for Latin America in its expanding role in these fields. Landmarks had been the formation of the IDB, the Act of Bogotá, the Charter of Punta del Este, the creation of CIAP, the growing role of the OAS Secretariat and the OAS Specialized Organizations in technical assistance, and finally the adoption in 1967 of Charter amendments elevating the Economic and Social Council, creating a new Council for Education, Science and Culture, and incorporating into the Charter the principles of the Alliance for Progress. Nevertheless, as indicated in the response to NSSM 15, there was reluctance on the part of both the U.S. and Latin American members to move much further in the direction of a stronger OAS role in exerting control over development assistance programs. We were nonetheless prepared to consider increased support for CIAP and the IDB. Sufficient experience was not available to indicate the likely degree of success of the new programs in such fields as education, science and technology.

At the time of NSSM 15 the OAS was emerging from a decade of weak executive leadership and administrative disarray. A new Secretary General had been recently elected, giving promise of more dynamic and efficient leadership. A new position of Assistant Secretary for Management had been established. The outlook for an effectively functioning Secretariat was thus much brighter.

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° Policy Response:

In NSSM 15 our major alternative strategies in various fields of OAS activity were grouped into several sets of options affecting the nature and style of our participation. These options did not appear in the agenda for the NSC meeting of October 15, which treated only tangentially with the nondevelopmental aspects of our inter-American relationships. The agenda nonetheless observed that nationalism, instability, and radicalization/authoritarianism posed an increasing challenge to the ideals and commitments of the OAS and Punta del Este charters.

The Rockefeller Report affirmatively endorsed the record of the OAS and made several specific recommendations for strengthening it. The Rockefeller mission had concluded that in the political field the OAS had "dramatically demonstrated its merit anew" with the negotiations to end the hostilities between El Salvador and Honduras. In the development area, the Report declared that the OAS was doing increasingly effective work and that CIAP was increasingly ineffective in reviewing national development programs and projects. As for security matters, the Report stated the OAS could play an even more important role but increased authority and expanded structures would be necessary. Specifically, the Report called for the creation of a Western Hemisphere Security Council.

The Administration did not take action on the Rockefeller recommendations for a Western Hemisphere Security Council, a Western Hemisphere Development Committee, or a Western Hemisphere Institute for Education, Science and Culture. As far as broad policy was concerned, however, the President's October 31 speech left no doubt of the U.S. position. The first of the five archstone principles for policy was "a firm commitment to the inter-American system, and to the compacts which bind us in that system -- as exemplified by the OAS and by the principles so nobly set forth in its charter." Included in the President's enumeration of principles was the belief that the principal future pattern of U.S. assistance for hemisphere development must be U.S. support for Latin American initiatives, and that this could best be achieved on a multilateral basis within the inter-American system.

On the occasion of the entry into force February 27, 1970 of the revised charter of the OAS, President Nixon

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pledged "the unswerving effort" of the United States "to work unstintingly to make the inter-American system responsive to the needs of our people." He observed that the charter reforms would strengthen the structure of the organization, give greater emphasis to the basic principles and goals "which guide our efforts under the Alliance for Progress," and enhance the OAS' ability to help member states settle their disputes peacefully.

This policy of encouraging a broader role for the inter-American system was given further expression in U.S. support for a variety of initiatives described earlier in this chapter, including:

- a. the strengthening of CIAP as a body to review and coordinate development assistance plans and priorities in the hemisphere, including the first CIAP review of United States economic and financial policies affecting the hemisphere.
- b. expanding programs in education, science and technology through the Council for Education, Science and Culture.
- c. the creation by the IA-ECOSOC of the Special Committee for Consultation and Negotiation to serve as a forum for consultations and negotiations on hemispheric economic problems such as trade, transport, tourism, financial cooperation, etc.
- d. the Administration's request to Congress for approval of a major replenishment for the IDB.
- e. continued support for the OAS position on diplomatic and economic isolation of Cuba.
- f. the preparation of an OAS convention to facilitate the extradition and prosecution of persons who have kidnapped or committed other crimes against foreign officials.

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V SITUATION  
AND TRENDS

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SITUATION AND TRENDS

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SITUATION AND TRENDS

SUMMARY

Trends

The Current Situation

Since mid-1969, Latin American governments have survived the disruptive effects of radicalism and terrorism without suffering serious threats to their stability. The Central American war in mid-1969 and growing black radicalism in the Caribbean have weakened political stability in those areas. In Cuba, further economic deterioration has increased Castro's dependence on the USSR and further eroded his appeal in Latin America.

The USSR has managed to expand its contacts and its presence in Latin America in several ways. The rapid movement toward consolidation by the Allende regime in Chile since November offers the Soviet Union opportunities for significant further expansion.

Economically, many Latin American nations have been at high points in their economic cycles, but overall statistics mask sluggish or reduced growth in some, and many serious social problems remain. The number of Latin American countries claiming 200-mile territorial sea limits has increased.

The Effect of U.S. Policies

Forces operating within Latin America itself were far more responsible for events in Latin America than were U.S. policies and actions. The Latin Americans view the new U.S. policies with ambivalence and the USSR probably sees any changes as largely rhetorical.

Direct U.S. assistance contributed importantly to the area's overall relatively good economic performance during the period, but other factors were more influential in their sum. Although U.S. assistance programs in the social sector received continuing emphasis, many Latin Americans believe that U.S. interest in social progress has declined. Prudent U.S. policies toward private investment have to some degree allayed Latin American nationalistic fears of foreign domination, but sensitivity to our policies remains high.

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Trends

Nationalism and a desire for more independence of the U.S. will remain extremely important in Latin America over the next three to four years. Violent extremism will remain a disruptive force, but is unlikely to result in actual seizures of power by extremists. However, in one or more countries extremist tactics, together with specific rallying causes that might arise, could erode institutions to a point where increasing repression might generate widespread disorder and eventual revolutionary crisis. Some governments, under extremist pressure and in an effort to gain or hold extremist support, may take anti-U.S. positions, and perhaps positions more friendly to the Soviet Union. Cooperation by Latin American insurgent and terrorist groups across national boundaries will probably increase. The Latin American military can be expected to continue playing important political roles.

The USSR will continue to stress expansion of its presence in the area, and will not neglect promising opportunities when nationalism and extremism increase susceptibility to Soviet influence. U.S. presence and influence in Chile are sure to decline.

The inter-American system can perform useful functions when the Latins perceive a common or clear danger or advantage to themselves, but it will be hampered by definite limitations.

Overall economic conditions are expected to be only fair. Alternatives to traditional patterns of private investment will be increasingly employed. Awareness of the extent and difficulty of the area's social problems will probably rise, thus increasing pressures for reform. Continued expansion and advances in communications will both widen and deepen the composition of opinion leader groups.

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I. The NSSM-15 Forecast

NSSM-15 anticipated the following developments in the early and mid-1970's:

With respect to Latin America generally:

- Rapid and widespread change in economic, social and political institutions.
- Widening gaps in many countries between economic aspiration and performance, intensified by very rapid population growth and a rate of urbanization beyond the capacity of any economic system easily to absorb.
- Political and social instability, with parallel growth of political radicalism and increased temptation to turn to authoritarian ways to handle problems.
- The unlikelihood of successful, violent upheaval in any Latin country leading to revolutionary changes in the social, political, and economic structures.
- Sharply increased nationalism in many countries, articulated by both "left" and "right", usually targeting against the U.S. because of omnipresent American political, economic and cultural influences throughout the hemisphere.
- A growing tendency to act independently of us in the world arena.
- An increased tendency among Latin military groups to take over responsibility for government -- and a heightened sense of determination among the military to recast political and economic systems.

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With respect to the Soviet threat:

- While the Soviet diplomatic and economic presence has recently been expanding, Latin America remains a low priority "target of opportunity" for the U.S.S.R. The Soviet strategy today aims at increasing political influence with Latin governments rather than promoting their violent overthrow. Communist parties are generally weak and splintered -- except in Chile.

- Eruptions of anti-American nationalism will provide the greatest opportunity for expanded Soviet influence or subversion.

With respect to Chile:

- An indigenous Communist party (Soviet supported) could gain power at the polls in Chile -- in coalition with other parties. The end result might be a regime which, though Marxist in doctrine and form, could conceivably maintain a foreign policy essentially independent of Soviet influence. The reactions of the Chilean military in such a situation would depend on the pace and manner in which such a transition was effected, as well as on pressure from neighboring countries, especially Argentina.

II. The Current Situation

A. Political and Military

1. Despite the disruptive effects of growing radicalism and terrorism, governments have been able to deal with them without suffering serious threats to their stability. Faced with unrest in several countries which led to intermittent kidnappings, hijackings and other terrorist acts, both military governments and some democratically elected governments used authoritarian and repressive tactics where considered

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necessary. One new military government emerged (and has since been replaced by another) in Bolivia; in Ecuador the elected president dissolved the Constitution, with military consent; and in Argentina one military government was replaced by another, possibly weaker, more populist-inclined one. On the other hand, free and orderly presidential elections were held in six countries (Costa Rica, Guatemala, Dominican Republic, Colombia, Chile and Mexico), despite terrorist activities in some of them.

Military governments in some countries, concerned primarily with modernizing political, economic and social structures, moved in reformist nationalist directions. These efforts were accompanied at times by populist overtones, but whatever leftist tendencies were displayed in these efforts, they fell considerably short of basic structural changes. Some military governments professed hope for a return to constitutional rule; others continued to stress their intention to exercise power indefinitely.

2. Since mid-1969 the USSR has managed to expand its contacts and its presence in Latin America in several ways. Thirteen Latin American nations, including Cuba, now have diplomatic relations with the USSR, and Soviet diplomats are in a position to encourage, by various means, the continued erosion of U.S. influence and prestige in the area. Also, in at least one documented case, Guatemala, they are providing financial subsidies to the Communist Party to support insurrection against the government of Guatemala. Contacts in the diplomatic, trade and cultural fields have been pursued in low-key, "correct" style.

Militarily, the Soviets have been engaged in a cautious "testing" of the U.S. in the Caribbean area during the past 18 months. Construction of a naval support facility near Cienfuegos, Cuba, was the most conspicuous Soviet effort along this line. The Soviets also sent naval reconnaissance planes to Cuba from the Soviet mainland on three occasions in the past 18 months. Soviet naval visits to the Caribbean have extended beyond Cuban waters to include intrusions into

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the Gulf of Mexico and port visits to Caribbean islands. In South America the Soviet earthquake relief airlift to Peru, though trouble-plagued, was an obvious attempt to project Soviet air power into the area.

3. The Allende regime installed in Chile in November 1970 has moved rapidly and effectively thus far in initiating changes which endanger Chilean pluralism and economic and political ties with the U.S., and which offer opportunities for significant expansion of the Soviet presence. The Allende regime is a Marxist popular front coalition, with numerous potential sources of conflict among the members, but so far the dominant Socialist and Communist elements have worked extremely well together. Potential civilian opposition (such as the Christian Democrats and Nationalists) has been limited and has not blocked Allende in any important action. The Chilean military is being handled very carefully by Allende and has shown little concern over the initial momentum of Allende's various actions. Allende's longstanding ties with Castro have borne considerable fruit to date; Cuban DGI officials have been brought into the country to set up a new security organization, and Allende quickly reestablished diplomatic and commercial relations with Cuba in defiance of binding OAS decisions. The latter move, while not yet followed by other Latin American states, has set in train a series of consultations within the OAS membership, with a number of countries obviously having second thoughts about existing OAS (and U.S.) policy regarding Cuba.

Elsewhere on the international level, Allende appears to be following a careful but two-level approach. With respect to such countries as the U.S. and Argentina, he does not appear to be seeking a confrontation and has indicated through various channels his hopes for normal and correct relations. At the same time, Allende has told several extremist organizations (e.g., from Bolivia and Brazil) that he intends to provide clandestine assistance for such movements.

4. Instability centered in the Caribbean area manifested itself in various ways. One event which NSSM-15 did not contemplate was the war between El Salvador and Honduras in 1969, the first Latin American war in almost 30 years. Latin American initiative in the OAS, supported by the U.S., provided the major impetus in stopping the fighting. Scars

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remain, however, and the dispute has set back economic integration and progress in the area.

In the English-speaking Caribbean, a new restlessness in search of black identity and dignity surfaced. It has taken principally the form of nationalistic demands for greater control over foreign-owned industries, which to date have attracted little popular support except in Guyana.

5. Cuba's economic situation has deteriorated further, increasing Castro's dependence on the Soviet Union. Both trends further reduce the attraction of the Cuban "model" in Latin America. Even where extremists still look to Cuba, Castro has been forced to become much more selective in his support of revolution abroad.

6. Several Latin American countries have moved toward a common position on the law of the sea, inspired in large part by countries claiming 200-mile territorial sea limits. Despite useful preliminary discussions, no significant progress was achieved in 1969 and 1970 at exploratory fisheries meetings between the U.S. and West Coast countries (Ecuador, Peru, Chile) strongly advocating a broad territorial sea. The January 1971 seizures of U.S. fishing boats in Ecuador, in numbers previously unequalled, highlighted the difficult nature of the problem. Meanwhile, several additional countries--notably Brazil, Argentina and Uruguay--espoused a 200-mile limit.

#### B. Economic and Social

1. Although many serious problems remain and positive developments may well prove transitory, many Latin American countries have been at a high point of their economic cycle in the past two years. Total regional gross domestic product (GDP) grew an average of 6-1/2% annually in 1969 and 1970 in real terms, compared with an average of 5% annually in 1961-68. The higher growth rates reflect mainly improved performance in Brazil, Argentina and Colombia, and a continued good rate of growth in Mexico and Venezuela; they mask sluggish or reduced growth in most of the remaining countries which have experienced political or financial difficulties. Rapid population growth,

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averaging 3 percent, has sharply limited the gains for most Latin Americans, holding advances well below popular expectations. Moreover, migration from the countryside has been largely responsible for rapid urban growth, unemployment and increased social pressures in a number of countries. During the same period, trade showed notable gains, foreign exchange reserves grew substantially, and several countries received impressive inflows of private investment from the U.S. and other sources, despite some increased manifestations of economic nationalism, e.g., recent moves in Venezuela which have led U.S. firms to consider withholding substantial additional investments.

2. An increasing amount of assistance to Latin America was provided multilaterally. New forms of U.S.-Latin American economic cooperation were worked out in the OAS, despite a slow start and the inability of the U.S. to meet many of the Latins' economic demands. The bipolar approach (Latin American regionalism vs. the U.S.) dramatically exemplified by CECLA did not make much practical headway, mainly because of resistance from some larger Latin American countries. Economic integration efforts at the continental level lagged for much the same reasons, and sub-regional integration movements encountered obstacles, notably in the case of the Central American Common Market.

III. The Effect of U.S. Policies

A. Political and Military

1. Forces operating within Latin America itself were far more responsible for events in Latin America during 1969-70 than were general U.S. policy and specific U.S. actions. As an example, U.S. humanitarian emergency earthquake aid and Mrs. Nixon's visit to Peru had a beneficial effect in improving U.S.-Peruvian relations, but have had little if any lasting effect on Peruvian Government policies with regard to the U.S.

In the El Salvador-Honduras dispute, the initiative in the early crisis stage was largely Latin American. However, U.S. participation and support contributed to the success of the OAS role, and U.S. quiet persistence became a key element in the later stages. U.S. logistic support was an important element throughout.

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The success of Operation Cooperation, which took Mexican sensitivities into account, in contrast to the unilateral Operation Intercept, illustrated the importance of style in our Latin American relationships.

In the case of Panama, plotting by ex-President Arias in the U.S. and by other Panamanians in the Zone, as well as asylum given by the U.S. to enemies of Torrijos, have fueled his latent hostility toward the U.S.

2. The Latin American view of changed U.S. policies during 1969-70 is ambivalent. On the one hand, Latin American governments approve of opportunities for an increased role in hemispheric affairs; on the other, they are uneasy over their capacity to meet their new responsibilities, and are concerned that "low profile" really means that the United States is losing interest. Those who approve regard themselves as the rightful arbiters of developments in their own continent. They are confident of their capacity to meet new responsibilities and see the reduction of U.S. presence as creating new opportunities for the exercise of their own influence. On the other hand, some of those who are disquieted by what appears to them as American disengagement are fearful that the reduction of the U.S. presence has created a vacuum which could tempt other powers, both hemispheric and extra-hemispheric.

The major Latin countries feel they have important bilateral ties with the United States and, being more confident on the whole, find it useful to cultivate those ties, depending on the issue. On balance, they tend to react positively to the policy, though they are often irritated by what they see as the U.S. failure to accord them the status of equal partner that should coincide with their increased responsibility. As an example, they aspire to such a relationship from which consultations occur and information is exchanged on a preferential basis as compared with their "less significant" neighbors.

For the smaller states, the balance is less clear; on the whole the transitional pressures of a new U.S.-Latin relationship have been more severe for them, faced as they are with the contradictions between nationalistic aspirations and the frustrating realities of economic dependence.

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U.S. restrictions on sales of military equipment have contributed to a diminution of our security cooperation with the Latin American military, at least in the larger South American countries. The U.S. attitude has been regarded as paternalistic and has led to resentment on their part. On the other hand, nationalistic trends among the military have contributed to their desire to be more independent of us, and their growing political role has led them to see their relationships with the United States in broader terms than the provision of military equipment.

Latin Americans are ambivalent, too, concerning the United States position regarding the internal politics of Latin American countries. Most welcome the non-intervention cast of our decision to deal with countries as they are. But at the same time they are concerned when this U.S. pragmatism is seen as weakening support for their own particular ideological preferences. Thus many tend to overlook our statement of preference for democracy and feel that we are no longer so convinced of the importance of free institutions. Others are concerned that we are unresponsive to the new "communist" threat. And still others fear a loss of U.S. support for economic and social reform.

U.S. restraint with regard to the newly elected Allende administration in Chile has generally met with Latin American approval.

3. The USSR probably views any changes in U.S. policy toward Latin America as largely rhetorical. In the Soviet view, Washington continues to maintain a "neo-colonial" relationship with its southern neighbors and hopes that United States reverses both inside and outside the hemisphere will cause the United States to retrench in its attempts to strengthen its ties with Latin America. The USSR is pleased with manifestations of economic and political nationalism, accompanied by anti-Americanism, which will continue to undermine U.S. influence and open opportunities for an augmented Soviet position. Moscow hopes the United States, frustrated and alarmed by the problem of dealing with instability, will become so identified with status quo "reactionary" forces that it will come into increasing conflict with forces for "progressive" change, with opportunities for expanded Soviet

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guidance and support for the latter. It likewise hopes that anti-Soviet forces in Latin America can be tarred with the "imperialist" brush.

B. Economic and Social

1. Though direct U.S. economic assistance has been important, other factors (some of which were affected by our assistance) were more influential, taken together, in Latin America's relatively good economic performance: Some of these factors were a high cyclical point in world market prices, better financial policies, improved export promotion programs, increased private investment and aid from multilateral sources. New U.S. efforts to lower trade barriers and remove irritants, both bilaterally and multilaterally, have been marginally useful, but fell considerably short of satisfying their aspirations.

Economic integration has made little or no progress at either the regional or sub-regional levels. Our low-key support for such activities has helped contain Latin American concern that the main beneficiaries of integration will be U.S. firms and large international corporations rather than local enterprises.

The IA-ECOSOC meeting of November 1969 in Washington was the first inter-American meeting to take place after President Nixon's October 31 speech. Because of the newness of U.S. policy and the apparent new-found Latin American unified CECLA approach, United States and Latin American participants to this meeting sparred indecisively, leaving a somewhat frustrated atmosphere on both sides, but resulting in a proposal for a new forum to pursue these issues, the Special Committee for Consultation and Negotiation. When the IA-ECOSOC reconvened at the ministerial level in February 1970 in Caracas, both sides had become more versed at the new relationship. The U.S. was able to be more forthcoming on substantive issues, while Latin American large-country small-country divisions emerged. The result was an easier atmosphere and the formal creation of the SCCN, which has provided a continuing forum for negotiation on economic matters. Though SCCN's substantive achievements have been limited, the change in style is important: the United States has been able

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to appear responsive -- i.e., a meaningful partner -- at least on some problems, thus taking the edge off some Latin American resentments.

A similar style change well received by Latin Americans was the review by CIAP in 1970 of U.S. economic policies toward Latin America for the first time.

2. Prudent U.S. policies toward private investment have to some degree allayed Latin American nationalistic fears of foreign domination, but sensitivity to our policies remains high. The non-application by the U.S. of the Hickenlooper Amendment in the IPC case in Peru contributed to maintaining reasonably good United States-Peruvian relations, had a net beneficial effect on U.S. relations in Latin America, and did not stimulate a wave of similar expropriations throughout Latin America, though it may have encouraged some countries in imposing tougher curbs on U.S. firms.

In the Bolivian Gulf expropriation case, adept company negotiations, supported by a helpful but low-key U.S. Government approach at the diplomatic level, defused a potential issue in overall relations. Latin American anxieties were also allayed by President Nixon's statements on October 31, 1969 that Latin American governments must make their own decisions about whether they wished private investments, and that the U.S. would not encourage U.S. private investment where it was not wanted or was faced with unwarranted risks.

3. Although U.S. assistance programs in the social sector received continuing emphasis, many Latin Americans believe that the U.S. interest in social progress has declined. In the last two years about half of U.S. bilateral and IDB assistance has gone into the social and civic development fields. Other U.S.-sponsored programs, like the Inter-American Social Development Institute, continued to emphasize the social sector. Nevertheless, Latin American failure to achieve many aspirations in the social field, the lesser amount of public attention given Latin American social issues by the U.S. compared with the 1960's, and the problem of defining social progress have contributed to Latin American skepticism.

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#### IV. Trends

##### A. Political and Military

1. Nationalism and its accompaniment, a desire for independence of the U.S., will remain extremely important factors in the political, security and economic spheres, both bilaterally and multilaterally. The increasingly nationalist but reasonably responsible leadership of the larger and more developed countries, often including their military establishments in important political roles, will be less influenced by the United States. This will not necessarily mean that in every case they will be anti-U.S. It does mean that although they will pay close attention to their relations with the U.S. and will be concerned with developments elsewhere, such as in Chile and Cuba, their main concerns will be internal, and directed toward modernization and development of their own societies.

The governments of even these larger countries will not have an easy time of it. Their attempts to combine economic growth with stability will be increasingly vulnerable to a number of factors, including popular demands, social pressures (rapid population growth, unemployment and mushrooming cities, which will severely restrict gains from economic growth), economic fluctuations, impatient dissident elements and subversion supported by the Soviet Union, Cuba or home-grown radical extremists. They will resort to continued authoritarian and centralizing methods. Many of our erstwhile friends, including elements of the military, the media, business elites, and technocrats, will at times sound ultra-nationalist and stridently anti-U.S. Our relations with these governments will be increasingly prickly. Aside from the merits of specific issues between the U.S. and Latin countries, there will continue to be a tendency for the Latins to use the U.S. as a scapegoat when convenient to relieve internal pressures or to cover failures.

All these problems will be magnified many times over for the smaller countries in the area, far less equipped with the institutions to deal with the modernization process which they too want to see take place. Occasional explosions can be expected as nationalism, combined with latent frustrations, pushes situations to the boiling point. Even here, however,

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revolutionary outcomes are by no means certain: governments, as in the recent past, will be able to deal with their problems, by repression in some cases, and under reasonably free conditions in others, but without necessarily resorting to solutions flavored with ultranationalism.

Particularly in the Caribbean area, historically the part of Latin America of greatest sensitivity to us, outbreaks in small countries are likely to have a strong anti-U.S. flavor. What they do will often make no rational sense, and will have to be seen as the accumulation of years of smoldering grievances. Sometimes they will be more concerned with increasing their say over how things are ordered in their countries than they will be with improving the economic well-being of their inhabitants. The continuing British withdrawal from the area and its proximity to the U.S. will make unrest here of increasing sensitivity to the U.S..

In Panama, Torrijos' latent hostility and impatience for early successful canal talks with the United States, reinforced by growing economic problems, may result in his making some ostentatious move toward the Soviet Bloc if negotiations are long delayed or become deadlocked. He may also threaten to unleash students and others in anti-U.S. demonstrations.

The Latin American nations claiming 200-mile territorial sea limits can be expected to assert their claims with increasing vigor and to seek more support from other LDC's in preparation for the UN Law of the Sea Conference beginning in 1973.

Nationalism will also be manifest in regional efforts. The view that this hemisphere's nations share basically identical interests within the inter-American system can be expected to face continued erosion as the Latin Americans increasingly emphasize their own underdevelopment, cultural similarities, and common desire to assert their independence of the United States as being more meaningful to their present situation. Chile will exert a negative influence on the inter-American system. Chile and possibly other countries will probably show a tendency at times to take purely inter-American issues to the UN.

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Further attempts can be expected to achieve a "Latin American" consensus along CECLA lines, independent of the United States. Although these attempts may have limited success, several factors will make unlikely the emergence of such a consensus in any important sense. Among these factors are: (a) differences between more radical and more moderate governments; (b) conflicting economic interests; (c) historical rivalries; and (d) the desire to conserve close bilateral relationships with the United States, both by the more mature and self-reliant larger countries, on an increasingly assertive basis, and by the smaller countries, particularly those in the Caribbean unable to satisfy their desires for modernization in either a regional or sub-regional framework.

2. Violent extremism will be a disruptive threat throughout the region, but will be unlikely to result in actual seizures of power by extremists; cooperation by Latin American insurgent and terrorist groups across national boundaries has not been extensive, but will probably increase in the next few years. Urban terrorism will increase and kidnapping will continue as a tactic. Some groups will probably continue to espouse rural insurgency as the best path to power. However, in one or more countries extremist tactics, together with specific rallying causes that might arise, could erode institutions to a point where increasing repression might generate widespread disorder and eventual revolutionary crisis. Some governments, under extremist pressure and in an effort to gain or hold extremist support, may take anti-U.S. positions, and perhaps positions more friendly to the Soviet Union.

Though the potential for rivalry between Cuba and Chile exists, a "brotherly" axis between the two seems likely. Possible future Cuban-Chilean cooperation in the export of revolution is likely to be circumspect. If at least moderately successful, Chile's experiment would make the peaceful route to independent Marxism more respectable to other Latin Americans.

Castro's well developed military-security apparatus is almost certain to assure him continued control. Moreover, any Castro successors would be still more subservient to Moscow. No early improvement in the Cuban economy is in prospect.

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Continuing Castro overtures to selected Latin American governments, the decline of Cuban material support for violent revolution, the general Latin American trend toward demonstrating independence of the U.S., and their sentimental identification with Cuba as another Latin American country, will probably further reduce antagonism against him among governments which have already begun to waver on the Cuban issue. Their attitudes are not likely to be affected by Soviet-Cuban military ties, highlighted by Cienfuegos, since many Latin Americans regard such ties as primarily a problem for the U.S. Moreover, some may feel that the military-ties problem is another reason for de-isolating Castro in order to decrease his dependence on the USSR.

Some governments will move to reestablish ties with Cuba, diplomatic or otherwise, which will in turn increase pressures to reexamine hemispheric policy toward Cuba. If a key country -- like Venezuela -- should reconsider its policy, sentiment for lifting OAS sanctions and resorting to bilateral relations with Cuba would snowball.

3. The Soviet Union will continue to emphasize expansion of its presence in Latin America. Though Latin America will remain a relatively low priority area for the Soviets, they will continue to engage in a broad range of activities, not neglecting promising opportunities for encouraging subversion if they can do so without endangering their more respectable tactics. Their remaining area for expansion of diplomatic ties is Central America and the Caribbean.

Communist China will also push for expanded relations, but will not have the same success.

There are Soviet military attaches in Mexico, Argentina and Peru, and it is likely that attaches will be assigned to other countries. Some Latin American governments might sound out the USSR for various types of military equipment, particularly if the United States were completely closed out as a source of military equipment.

Any substantial expansion of the Soviet military presence would probably only take place if a regime receptive to Soviet influence were in power. The Soviets will not hesitate to

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take advantage of any Latin American receptivity for support of their world-wide military operations. Soviet military activity outside of Cuba can be expected to consist of "foot-in-the-door" operations such as the establishment of various kinds of civilian air and sea transport facilities (which could have a potential military application for the Soviets); port and airfield visits and military exercises designed to show the flag and to demonstrate support for sympathetic regimes; military aid and arms sales; collaboration in developing scientific facilities to assist in space tracking, navigation, and communications; and cooperation with friendly Latin American countries in support of Antarctic operations.

Specifically in Chile, the Soviets could provide some military equipment, along with technical missions, if the Allende regime asks. A military base or other major overt Soviet military presence would, however, be considerably less probable because of Soviet and Chilean awareness of the likely adverse reaction of Chile's neighbors, as well as some internal Chilean constraints. In the future, should the Allende regime be receptive, however, the USSR might attempt to secure the use of facilities for the maintenance and replenishment of Soviet combatant ships and submarines. From a geographic viewpoint, Chile's location is convenient to provide such support for possible round-the-world naval operations and for possible operations on a more enduring basis in both the southern Atlantic and Pacific Oceans.

4. U.S. presence and influence in Chile, regardless of the domestic course of events are certain to decline, and if present trends continue, a serious deterioration in relations can be expected. Chile will develop new relationships with other major powers, the most important for the U.S. being those with the Soviet Union. A complete substitution of Soviet influence and presence for that of the U.S. is not likely, however, because Allende and many of his "Chilean nationalist" supporters will seek to avoid becoming wedded to the Soviet Union. In turn the Soviets, though they will be ready to provide significant assistance over the long term to prevent the economic collapse of Allende, are more interested in using Chile as a cornerstone for the gradual long-term expansion of their interests in Latin America than in duplicating Cuba's total dependency.

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Internally, Allende is likely to resort to increased authoritarian methods, particularly as his regime encounters shortfalls in its ambitious economic and social goals. Key determinants on the degree of authoritarianism will include the amount of unity within the Popular Unity coalition, the degree to which the military has been politicized, and Allende's own proclivities.

To maintain his leftist credentials and to accommodate internal pressures, Allende is likely to facilitate some activities of insurgent movements against the governments of neighboring countries. This support is likely to be limited in scope, however, since Allende is unlikely to risk provoking his neighbors. Nevertheless, Allende probably will be unable to prevent more extreme members of his coalition from utilizing his regime's powers and resources in efforts to provide more significant aid.

5. The military can be expected to continue to play important political roles. However, the military operate in competitive political systems in which civilian and military regimes can be expected to "see-saw" in and out of power. Their role of influencing or making decisions is likely to be effective over time only if they have broad civilian support or at least tacit approval. To the extent that popular demands are not met, they will feel pressed to move to one or a combination of alternatives, including increased populism, increased repressiveness, a return to traditional politics, or development of a one-party system. Polarization of political forces, coupled with economic decline and anti-U.S. nationalism, could provide opportunities for development of a wider Soviet presence. Resulting radical nationalist regimes might be open to Soviet arms offers, sowing seeds of internal discord and fanning the flames of inter-American tensions. In the face of these problems, particularly in the presence of a Marxist regime in Chile, closer ties are likely among military leaders in southern South America.

The Latin American military will proceed with arms modernization programs whether the U.S. likes it or not. If the U.S. makes these modern arms available, or at least refrains from attempting to prevent them from obtaining these arms from other sources, strains over this issue between the U.S. and, particularly the larger South American countries, will be lessened. In most cases, specific U.S. policies regarding arms,

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missions, etc., will do less to determine military attitudes in major countries than overall relations between the U.S. and host governments, or than the military perception of threats, e.g., from neighbors, insurgency, or the changing Soviet presence. However, relations between the U.S. and the Latin American military will provide an important channel of access to them, especially during crisis periods.

At the same time closer relations by the military with leading Western European arms suppliers can be expected, possibly resulting in the establishment of at least a few European military missions (perhaps repeating patterns which go back to the past century) and withdrawal of U.S. missions.

6. Although the recently reorganized inter-American system can perform useful functions when the Latins perceive a common or clear danger or advantage to themselves, it has definite limitations. Those limiting factors include its multilateral character (i.e., policy organs which are representative, deliberative bodies, comprehending often widely divergent points of view), difficult problems for the OAS in the years ahead, and increased Latin American resentment and assertiveness toward the United States.

Although the Rio Treaty can be invoked at the request of one party, obliging the OAS to undertake measures to bring the conflict under control, the ability of the OAS to take effective action in the peaceful settlement of disputes between American states will continue to be limited by the willingness of both parties to submit their disputes to it. These limitations may produce situations in which ad hoc forms of multilateral action--e.g., the four-power U.S.-Brazil-Argentina-Chile approach to the 1942 Peru-Ecuador conflict--would have to be employed.

The El Salvador-Honduran war is an illustration of intra-hemispheric armed conflicts that may occur in the future. The seeds for such conflicts elsewhere in the hemisphere are not lacking. The combination of (1) longstanding grievances over unresolved border areas, sometimes containing potentially valuable economic resources, (2) frictions resulting from large numbers of nationals of one country in another territory, (3) mobilization tactics by populist-type governments requiring a

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foreign enemy, and/or (4) availability of new arms from foreign sources, may result in future outbreaks. The tensions generated by interstate conflicts may well be used to bolster demands for increased military budgets.

There is likely to be a growing disposition by larger countries in the hemisphere to get involved in, and on occasion to intervene, in the affairs of their smaller neighbors. Argentina's and Brazil's keen interest over developments in Bolivia, and Venezuela's concern over unsettled conditions in Curacao and Trinidad, are examples of this tendency.

Circumstances may arise which might lead us to consider unilateral action outside the OAS framework to protect U.S. nationals in the event of a breakdown of law and order in a Caribbean country, e.g., Haiti. A strongly adverse Latin American reaction could be expected, although its intensity would be mitigated by (a) quick withdrawal after evacuating U.S. citizens, and especially (b) by remaining within the OAS framework to the greatest extent possible.

The economic organs of the inter-American system will continue to provide useful forums for the discussion of U.S.-Latin American issues. Even if the debates are at times acrimonious and the United States is less forthcoming in economic terms than the Latins would like in these bodies, our mere willingness to continue the dialogue will in itself probably be a politically useful means of accommodating their new-found sense of assertiveness. Although in these discussions the range of concessions now possible for the United States to make on the matter of trade barriers is unpromising, the Latins will continue to press in this area, bilaterally as well as multilaterally.

Some but not much real progress is likely in economic integration, either at the LAFTA or the sub-regional level. In addition, Latin Americans will continue to suspect that the main beneficiaries of integration will be large U.S. firms and multinational corporations.

The large countries--notably Argentina, Brazil and Mexico--will continue to be more interested in trade among themselves and with the developed countries than with the smaller Latin American countries.

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7. The rapid expansion and technological advances in communications in Latin America will both widen and deepen the composition of the opinion leader groups in each country, with a commensurate effect on policymakers. Latin governments will be under increasing pressure to respond to demands from elements of society heretofore largely excluded from influence because of a lack of awareness. This broadened participation in Latin society has important implications for the U.S. in communicating its policies to the hemisphere.

B. Economic and Social

1. Latin American economic conditions for the next three to four years are expected to be only fair overall. Contributing factors include: (1) political and institutional instability and growing nationalism, resulting in slowed-down investment, (2) declines in export prices, reinforced by limitations on capacity and competing domestic demands for manufactured products, (3) greater outflows of funds for debt repayment and profit remittances, (4) slowness in developing a competitive manufacturing sector, and (5) continuing pressure of population on resources, which are likely to keep the growth rate lower than in 1969-70. Imposition of new import quotas by the U.S. would slow growth still more.

Patterns of trade are likely to continue to shift toward Western Europe, Japan and Communist countries and away from the U.S., but this movement is likely to be slow. Trade between countries of the region is also likely to increase slowly. The barriers, both on the part of the Latin Americans and others, which have impeded the rapid growth of such trade in the past, will probably not be swept away quickly or easily. In any case, there is no real present alternative to Latin America's existing direction of trade, in which the U.S. is the single largest partner and Western Europe and Japan divide up a portion about equal to the U.S. share.

Investment is likely to continue to flow to the larger and more dynamic economies in the area, provided that political conditions remain reasonably stable. Almost everywhere, however, economic nationalism is going to be an increasing problem for U.S. and other foreign investors. The emphasis of the Latin Americans will be on a greater share of control and profits, and they will insist that the investments be in fields and on terms which will be of primary benefit to their modernization

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process, although there will be marked differences in the policies followed by individual countries. Investment in manufacturing which offers the transfer of modern technology will be more desired than in extractive industry, bank or public utility investments.

2. Alternatives to traditional patterns of direct foreign investment will be increasingly employed. Some of these include: management and service contracts, joint ventures, portfolio investments, and fixed-term arrangements under which majority control will pass to local interests. Takeovers of majority control and creeping nationalizations, by ostensibly legal means, will become more common, but outright expropriations are not expected to be widespread. In some cases, such as Chile, local governments may go through an ultranationalist phase of complete rejection of foreign--especially U.S.--private investments; however, restraint on the part of the investors and governments affected may keep the door open for modified forms of foreign--though in the case of Chile, probably not U.S.--participation after nationalist passions have run their course.

Latin Americans will look increasingly to multilateral lending agencies and to Western Europe, Japan and Communist countries, in an attempt to diversify their sources of investment. Those sources will be responsive, and new forms of mixed public-private international consortium arrangements will be used increasingly. The agencies and countries concerned, however, have other commitments and will drive hard bargains. The U.S. as a source of public and private investment will remain very important. Many U.S. investors can be expected to show the flexibility necessary to adapt to changing circumstances and thereby contribute to Latin America's modernization process.

3. Awareness of the extent and difficulty of the area's social problems will probably rise, thus increasing the pressures for political, juridical and economic reform. The statist Peruvian and Chilean efforts will be watched closely and will have at least an initial, although not necessarily longer-term, attractiveness to many in Latin America, influencing even relatively conservative governments to pay more attention to social issues. This tendency is already being seen in a number of countries. Development plans and investment decisions, including those affecting foreign capital, will increasingly take account of the opportunities opened for employment and the upgrading of human resources.

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4. As an increasing proportion of U.S. assistance funds is channeled through multilateral assistance agencies, U.S. decisions regarding international agency lending will be increasingly difficult where countries have struck at private U.S. interests and/or where politically radical regimes have assumed power. The problems which will emerge, often in combination with each other, are: a) whether to approve lending when compensation for nationalized U.S. properties is not forthcoming or is available only on extremely soft and unconventional terms (such as long-term government bonds); b) whether to permit the internal politics of a recipient country and its political attitudes toward the United States to influence our lending decisions; and c) whether to adopt different policies in different international institutions. One or more aspects of these problems have already arisen in Peru, Chile and Bolivia and are likely to continue to pose difficulties. There will almost certainly be other cases in the future.

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UNITED STATES INTERESTS IN LATIN AMERICA  
AND LATIN AMERICAN INTERESTS IN THE UNITED STATES

I. Introduction

The following definitions and considerations have governed the use of key terms in the preparation of this paper.

Our national interests in foreign affairs are the general and usually long-lived purposes and conditions which the American people would like to see advanced, either by us or by others, elsewhere in the world. Goals and courses of action descend in degree of generality from interests.

National interests in foreign affairs derive from nations' basic motivations for survival, for identity and influence, for economic gain, and for access to the rest of the world.

Thus national interests in foreign affairs may be categorized conveniently as security, political-psychological, or economic in nature. These categories interact. It may be argued that there is a fourth category which is humanitarian in nature, but that category is assumed in this paper to derive from the motivation for identity (or self-expression) and is therefore subsumed under the political-psychological category.

The relative weights or priorities assigned by a given nation or group of nations to their interests vary according to circumstances.

Moreover, a nation's current perception of its foreign interests may differ from a more analytical, longer-term view of those interests; and the perception of those interests is likely to vary among power groups within a nation.

The importance, or weight, of the various interests which are discussed in this paper is roughly characterized by the adjectives vital, major, or peripheral.

A vital interest is understood to be one which directly concerns a nation's ability to survive or at least to survive in its existing essential character. A nation normally would be prepared to maintain forces and ultimately to risk war at whatever scale of conflict necessary to preserve its vital interests.

A major interest is at the next level; it is one which significantly affects a nation's well-being. A nation would

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normally safeguard its major interests by political, psychological and/or economic means, but would be prepared to undertake limited military action to support these types of measures.

A peripheral interest is one that is felt by a nation to be desirable, but which does not significantly affect the well-being of the nation as a whole. A nation typically would not be willing to undertake direct military action in support of a peripheral interest.

As noted above, the weights assigned to interests may objectively change, or may be perceived to change, as circumstances change. For instance, an interest which may be major now could become vital later, or vice versa, as circumstances change.

Moreover, a number of major interests could cumulate to be a vital interest.

These possibilities of escalation of importance in time or by cumulation face the policy maker with the complicating factor of needing to decide not only how important an interest is now, and what the cost of dealing with it is now, but also how important it may become later and what the cost of dealing with it may be then.

A nation's disposition actively to pursue its foreign interests depends not only (a) on its perception of and the weight it assigns to those interests, but also (b) on the degree to which it considers them to be challenged--or sees an opportunity to advance them--; (c) on what it considers to be its capabilities to counter the challenge or to contribute to their advance at tolerable cost; and (d) on what it believes to be the likely future in all of the foregoing respects. This relationship between perception of priority, weight and challenge now and in the future on the one hand and perception of capability and cost now and in the future on the other is more significant in determining what will actually be done than is a coldly objective view of the interest itself.

In the following sections of this paper United States interests in Latin America are treated first, followed by Latin American interests in the United States, and then by a discussion of the degree of consonance of, or conflict between, United States and Latin American interests; the special relationship between the United States and Latin America; and, finally, the implications for United States policy.

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II. United States Interests in Latin America

General

The United States has a series of major interests in addition to peripheral interests in Latin America, some of which could become vital interests in the future and a number of which could be cumulated now or in the future in various combinations to a vital interest.

This judgment is made while recognizing the higher priority assigned to the challenges to the United States in other areas of the world. Western Europe, the USSR, Japan, China, the Near East and Southeast Asia all currently out-rank Latin America in regional priority of United States concern, the first four because of greater power and the latter two because of greater criticality of current issues. Over the next few years it is unlikely that the political changes expected in Latin America will decisively affect the course of events within the United States. No Latin American country is a great power. No Latin American country presently has a nuclear weapons capability. Our economic stake in Latin America, the Panama Canal and strategic materials controlled by Latin America are not critical to U.S. survival.

Nevertheless, our interests in Latin America are important and their significance will grow with time--as our relative world power position declines (regardless of absolute power increases). Moreover, the continuance of current trends in Latin America to extremism and to anti-U.S. nationalism combined with a growing Soviet presence increasingly challenge our interests.

The United States' interests in Latin America are founded on -

-- Geographic proximity (although this point does not apply to the countries of southern South America).

-- The presence in Latin America of certain strategic resources (including the Panama Canal).

-- The special ties of tradition and potential for friendship deriving, despite significant differences, from our common European heritage.

-- The cumulative effect the countries of the area can have on world order and our world position.

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- Very substantial trade and investment.
- The fact that one or more Latin American countries-- Brazil, Mexico, Argentina--could eventually become a major power.
- Humanitarianism.

The special factors which set Latin American countries apart from other developing countries in our relations with them are geographic proximity, tradition, elements of common heritage, the level of our trade and investment in the area, and well-established regional institutions and accords reflecting the operation of the other factors.

Threats to United States Security from Latin America

No Latin American country is now, or for the foreseeable future will be, in itself a direct military security threat to the United States. Brazil has the potential to be such a threat in time, but a direct military threat from it is highly unlikely in this century.

The United States' security concerns in Latin America over the next five to ten years are (a) the Soviet capability to launch strategic weapons against the United States from submarines operating within the area and potentially from land bases in the area; (b) the possible establishment of hostile military and naval bases in Latin America; (c) the possible denial to the United States of access on reasonable terms and with reasonable security to the Panama Canal; (d) the possible denial to the United States of access to bauxite in Jamaica and petroleum in Venezuela; (e) the possible defense implications of the trend in Latin America toward expanded territorial seas claims; (f) the possible denial to the United States of access to certain naval bases and facilities in the area; (g) Cuban and possible Chilean efforts to aid insurgents; (h) an expanded Soviet presence; (i) continued manifestations of violent extremism, insurgency, anti-U.S. nationalism, and radicalism; (j) the indirect effect on the world power balance of the undermining of our prestige, influence and self-confidence that can come from a series of negative political developments in the hemisphere; and (k) a possible weakening of the inter-American security system.

Although the basing of Soviet missiles in Latin America would not provide the USSR with a decisive strategic advantage over the United States, it would be a significant

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way of escalating the level and complexity of the nuclear balance, introducing new control uncertainties, and increasing the cost of defense. And it could have a negative psychological effect on our own will and on that of other countries. The negative effects would be greater the greater the number and the size of the countries providing bases. The same can be said to a lesser degree of Soviet naval basing facilities.

### Political-Psychological Interests

The above-stated security concerns derive primarily from Latin America's reactive nationalism and experimentation with extremism (which ultimately can become anti-U.S. totalitarian socialism, a possibility enhanced by increasing Soviet presence). And Latin America's reactive nationalism and experimentation with extremism are causes for security concern not only because they may produce a greater will for cooperation with our major adversaries in the world, but also because they may affect the sense of well-being and confidence of the United States, undermine the United States political position before world opinion and in world forums in favor of its adversaries, and threaten its economic interests. Moreover, the security concerns, to the extent they become realities, can, in their turn, significantly adversely affect the United States psychologically and politically.

The United States has two additional types of political-psychological concerns in Latin America.

The first is its concern for the many thousands of United States citizens who live in, work in or visit Latin America. The United States sense of well-being would be significantly affected were the lives or welfare of many of them to be seriously in jeopardy for political reasons in Latin America.

The second is the humanitarian concern for the underprivileged in Latin America. This concern tends to recede as the other concerns discussed above come more to the fore.

### Economic Interests

The United States' economic interests in Latin America are substantial.

United States merchandise imports from and exports to 22 OAS members totalled some \$9.7 billion in 1969,

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or about 13 per cent of total United States merchandise trade worldwide.

Private direct investment in Latin America of \$14 billion (1969 book value) compares with \$22 billion in Western Europe, \$21 billion in Canada, and about \$6 billion in other LDC's.

The Latin American market for goods and services should continue to expand, particularly as the major countries of the region develop. As Latin America seeks the benefits of continued capital inflow and advanced industrial technology and management techniques, investment opportunities may also grow, although on much different terms than in the past.

#### Relative Importance of Countries and Sub-Regions in Latin America

While we recognize the great diversity among the countries of Latin America, we believe that an attempt to classify them according to their degree of significance to the United States is worthwhile.

In a sense all countries of the region are of considerable significance to the United States because (1) bases for offensive strategic military weapons in any of them would complicate the defense of the United States, (2) extremist political and economic solutions and related strong anti-US nationalism in any of them, and (3) the United States' reaction to these phenomena could contribute to erosion of the United States' position of influence and leadership in the world. Certainly they are all significant when their populations, resources, economies and political and strategic potential are cumulated. And they are significant because they form part of the inter-American system.

At the other extreme none of the countries is a great or middle power on the present world scene and only Brazil has the potential to become such a power in the middle-term future.

But there are degrees of significance which may be usefully stated. Brazil is the most important country of the region because of its size, its potential, its current economic dynamism, and its sense of mission. Mexico is large enough to be a significant middle power over time, is self-confident, and is of particular importance because

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it borders on the United States. Colombia and Argentina also have size and potential, and Venezuela has unusual economic resources. The remaining countries of particular significance to the United States are other strategic resource and base countries--Panama, Jamaica and the Bahamas--and, from a negative point of view, those countries which have adopted left extremist regimes--Cuba and Chile. Peru also is especially important as a potential offset to Chile.

It is to be noted that seven of the eleven countries mentioned are in or around the Caribbean. The Caribbean area has the additional special importance of being on the access routes to the Panama Canal and very close to the United States.

Summation of United States Interests in Approximate Order of Priority

Against the background of the foregoing discussion, the major United States objective interests in Latin America are stated below in rough rank order, with the first two indicated as being at a significantly higher order of importance than the remaining nine. It is recognized that the order that is given may vary in the future as circumstances change:

A. Very Important

1. Preservation of a predominance (by the combination of numbers and importance) of independent, self-sustaining Latin American countries favorably disposed to the United States.
2. Denial of Latin America as an area from which a strategic attack could be launched against the United States.

B. Important

3. Maintenance of the confidence of Latin America and of the world in the effectiveness, maturity and responsibility of our leadership as a great power in our relations with Latin America, with due consideration for the "mature partnership" concept.
4. Maintenance of access to the Panama Canal, including, under existing circumstances, its protection and control by the United States.<sup>1/</sup>

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<sup>1/</sup> ISA and JCS prefer "Protection and control of the Panama Canal as essential to maintaining our access to its use."

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5. The existence of a strong inter-American system, including an effective collective security function.
6. Unimpeded transit for United States forces on the high seas and in international air space in the area.
7. Mutually beneficial economic interchange, including reasonably favorable trade and investment climates.
8. Denial to hostile powers of bases in Latin America that would enhance their non-strategic military capabilities.
9. Continued access to bauxite in Jamaica and petroleum in Venezuela.<sup>1/</sup>
10. Protection of the large number of U.S. citizens who live in, visit, or have economic ties in Latin America.
11. Continued access to certain naval and air bases and facilities in the area.

All of the above stated interests are major interests in terms of the definition given earlier in this paper. Moreover, concurrent serious impairment of a number of these interests, including one or both of the two most important ones, could jeopardize the ability of the United States to survive or at least to survive in its existing essential character. This is true primarily because of the effect on the morale of the United States and on its image of leadership in the world which such impairment could have. Thus a number of these major interests could cumulate now or in the future in various combinations to be a vital interest. Finally, circumstances could change so that one or more of these major interests could individually become a vital interest.

It follows from the discussion in the previous sections of this paper that the United States relations with Brazil, Mexico, Venezuela, Colombia, Panama, Argentina, Jamaica,

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<sup>1/</sup> The IG/ARA has concluded that bauxite from Jamaica and petroleum from Venezuela are currently of major interest to the United States. It believes, however, that an estimate of the strategic requirements for these materials from these countries, and perhaps for other strategic materials, requires more detailed examination than it has been able to undertake.

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the Bahamas, Chile, Cuba and Peru are currently of greater importance to the United States than are its relations with other countries of the area.

Economic and social progress, freedom of communications media in Latin America, and maintenance of an adequate measure of internal security are very significant. However, they are not here considered to be interests in themselves, but rather means to advance the above-stated interests. For instance, the moderation of the frustations which are a primary source of anti-United States nationalism and experimentation with extremism will require a continued deep concern for the rate of progress in social and economic development and effective programs to facilitate an adequate rate of progress.

Most, if not all, of the major objective interests listed above are perceived by the United States, but not necessarily in the order of priority or with the relative weights given in the listing. For instance, our economic interests often have been placed higher on the scale and our interests in political events in the nations of the hemisphere lower. Yet political events can be the basis for what happens regarding all our other interests in the hemisphere, as well as affect our self-confidence and our ability to influence events elsewhere in the world.

Finally, as was noted in the introduction, a nation's disposition actively to pursue its foreign interests depends not only (a) on its perception of and the weight it assigns to those interests, but also (b) on the degree to which it considers them to be challenged--or sees an opportunity to advance them--, (c) on what it considers to be its capabilities to counter the challenge or to contribute to their advance at tolerable cost, and (d) how it perceives the future in all of the foregoing respects.

### III. Latin American Interests in the United States

#### General

We consider that Latin America has several vital interests in its relations with the United States. Latin America in general depends on the United States for military protection from extra-hemispheric powers. The United States has intervened militarily or para-militarily in the past, and might again, in Latin American nations in the pursuit of what it perceived to be its own interests. The United States economic power and influence is such in Latin America that the United States can very substantially affect the economic

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welfare of most Latin American countries if it wishes to do so. Latin Americans view the preservation of their own cultures to be of vital interest and see them increasingly challenged by exposure to United States culture borne by modern communications media and the pervasive United States presence.

Latin America is aware that it has vital interests in its relations with the United States. But its perception of the nature and priorities of those interests is quite different than an objective view of those interests would seem to us to be. That perception is formed by the two principal forces motivating Latin America today in both its internal and its external affairs. Those motivating forces are (1) the desire for more rapid economic and social progress, reacting primarily to the example of the developed countries and to the stimulus of the Alliance for Progress; and (2) nationalism--the desire to assert stronger and more independent national identities, reacting in significant degree, but not solely, to the pervading United States presence and the historic hemispheric relationships.

These generalizations are valid for the area as a whole despite wide-ranging differences in the situations of each of the twenty-three nations which today make up what we deal with as Latin America.

### Security

Although Latin America clearly depends on the United States for protection from extra-hemispheric powers, most Latin Americans have had a declining concern for the potential security threat from outside the hemisphere since the cold war during which period the Rio Treaty was signed. Implicitly the concern for the potential security threat from outside the hemisphere has been left to the United States. As the United States periodically asserted its hegemony through armed intervention in the Caribbean, and as its economic and cultural influence became increasingly pervasive relative to European influence after World War II, the Latin Americans came to look upon the United States as the main real threat to their independence--doubtless more through economic and cultural dominance than through actual military action--but to many of them a real threat.

The USSR probably does not even come in second as a perceived external threat for most Latin American nations. Given the United States security umbrella, and the remoteness of the USSR, it is safe to say, for example, that Argentina is of greater concern to Chile, Chile to Peru, Peru to Ecuador, Venezuela to Colombia and vice versa, and El Salvador to Honduras and vice versa. Armed conflict has

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occurred among a number of Latin American nations in the past and doubtless will occur again. The OAS plays a significant role in moderating such conflicts or potential conflicts and is appreciated by Latin American countries for this role.

### Political-Psychological

The drives for economic and social progress and for independent national identity are as strong as they are in Latin America as overall national interests--internal and external--because of the high frustration and the deep sense of inadequacy that much of Latin America currently feels. Latin America's frustration and sense of inadequacy derive, in turn, from its very failure to achieve its aspirations for economic and social progress, its dependence on the United States, and the confusion and uncertainty produced by change itself and by the mass of information and welter of new concepts and value signals flowing to an increasingly broad spectrum of its modernizing societies over modern communications media.

Because nationalism and the drive for economic and social progress are so strong, concern for free institutions becomes a secondary consideration in many of the countries, and there is a bias toward experimentation with radical solutions, perhaps in part simply as a rejection of United States style solutions. The process of experimentation and turning away from the United States has only begun and probably will intensify before it runs its course. The United States cannot prevent the process, but it can affect it, perhaps as much by what it does not do as by what it does do.

### Economic

Latin America encounters a conflict in its perceived interests in the economic field. On the one hand, it wants to be politically independent from the United States, and to protect and exploit its natural resources itself. It is, moreover, inclined to experiment with extreme solutions and to become increasingly more restrictive with regard to foreign investment and trade. But on the other hand it also wants to progress rapidly economically and socially and, to this end, wants capital, managerial techniques, technology, and favorable trade treatment from the United States.

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Latin American Ability to Advance its Interests, and  
the Roles and Attitudes of Power Groups within Latin  
America

To serve their perceived interests in economic and social progress and independence from the United States, some Latin American countries are jeopardizing existing or developing free institutions and risking domination by another, less benign foreign power. Cuba has already turned to totalitarianism and is now at least as dependent on the USSR as it previously was on the United States. Chile is risking following the same course. A number of other countries have at least temporarily sacrificed a measure of democratic political processes in the hope of thus achieving a more rapid rate of economic and social progress and asserting a more definite, independent national identity.

But the real capabilities of any Latin American country to achieve a rate of economic and social progress which will meet the unduly raised expectations of its people and also to be fully independent are limited. Indeed, in the modern world of complex economic interdependence and multiple transnational interests, this can be said of most, if not all, nations. Thus authoritarian socialist experiments of whatever nature to attempt to achieve these ends are all likely to fail, just as experiments under any other political and economic system will also fall short of exaggerated aspirations. The choice then will be whether to become even more extreme in the effort to achieve a satisfying combination of economic and social progress and to assert national identity or, understanding the real limitations on the progress that can be made and the independence that can be achieved, to place greater emphasis on more open political systems which provide more internal opportunities for political, economic, and intellectual expression and/or an escape valve for frustration. Argentina is now moving in one direction, but perhaps only temporarily so, Chile in another. What the overall direction of Latin America will be in the coming years is an open question. A powerful long run force in favor of selection of the more realistic and more moderate course is the historic failure of totalitarian socialism really to satisfy its people wherever it has been tried. The evidence of the failure of the Cuban example and perhaps later the Chilean example will be highly important if permitted clearly to be seen. But dangers in the medium term are the difficulty in reversing experiments in totalitarian socialism once undertaken; the possibility that the real significance of the failures will be permitted to be obscured by other factors such as the bogeyman

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of United States dominance and even intervention; and the possibility that not just a few, but rather several Latin American countries--including one or more of the most important ones--will try extreme experimentation before the failures of extremism are proven. Moreover, while totalitarian socialism historically has failed economically and at high political cost, it may be argued to have had short-term social successes which can offset the economic and political costs at least for a time.

It goes without saying that this drama will play itself out differently in each country. In some countries the concern for independence may decline or increasingly be directed against other larger countries of the region or against Russia, Japan, or even some countries of Western Europe rather than the United States as the perception of the United States threat recedes. The exact nature of the political, social and economic solutions tried in the countries of Latin America is likely to vary across a broad spectrum, seldom fitting a neat historic stereotype. Relative success in economic and social development and a clearer understanding of the real limitations on economic and social progress in the short term, and of the costs of extremism, may produce greater moderation. But the process of reaching stability under a satisfactory system will be a long one for many, if not most, of the Latin American countries.

With respect to the differing roles and attitudes of power groups within countries, it is safe to say that the masses--particularly in the countryside--are largely either apathetic or primarily interested in economic progress. Politically they will be followers. It is also safe to say that the influence of the traditional oligarchy will decrease. The oligarchs will move to sunnier climes before they will fight. The most influential power groups, then, will be (a) the students and intellectuals; (b) the information media; (c) the new technical, managerial and middle class groups; (d) the military; (e) the church, (f) labor, and (g) the professional revolutionaries. Of these groups, the students, intellectuals and in some countries labor tend to be for extremism, because they are generally idealistic and for change and because they have not disciplined themselves to consider the objective limitations of any human society and all the likely consequences of what they propose. The information media, the new technical, managerial and middle class groups, the military, and in some countries labor are more realistic, more interested in preserving existing institutions and more affected by concrete programs (as in fact they have been under the Alliance for Progress), but ideas are also important to them.

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Summary

From the foregoing the primary, objective, overall Latin American internal and external interests seem to be (a) a reasonable rate of economic and social progress, (b) avoidance of irreversible jeopardy to open political and economic systems, and (c) independence from domination by any outside power.

Latin America's principal, and inter-related, interests in its relations with the United States are then seen to be:

1. Maintenance of the flow of United States capital and technology and obtention of liberal trade and aid treatment.
2. Development of offsets to the pervading United States presence and the gaining of control of key natural resources as means of demonstrating and maintaining independence.
3. Avoidance, at the same time, of dependence on another power.
4. Maintenance of an effective inter-American system, with United States participation.
5. Maintenance of the United States security umbrella against potential future extra-hemispheric attempts at incursion.

The perception of many Latin American leaders tends today to concentrate so much on the second of the above enumerated objective interests in relations with the United States, and on the internal interest of more rapid economic and social progress, that the other internal and external interests stated above do not receive due emphasis.

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IV. Consonance of or Conflict Between United States and Latin American Interests - A Problem of Perception

Placed side by side there is nothing necessarily inconsonant in the objective interests of the United States and Latin America:

United States Objective Interests in Relations with Latin America, in Order of Importance

1. Preservation of a predominance of independent, self-sustaining Latin American countries favorably disposed to the United States States.
2. Denial of Latin America as an area from which a strategic attack could be launched against the United States.
3. Maintenance of confidence of Latin America and of the world in the effectiveness, maturity and responsibility of our leadership.
4. Maintenance of access to the Panama Canal.
5. Existence of a strong inter-American System.
6. Unimpeded transit for United States forces on the high seas and in international air space in the area.
7. Mutually beneficial economic interchange, including reasonably favorable trade and investment climates.

Latin American Objective Internal Interests and its Interests in Relations with the United States, in Order of Importance

1. A reasonable rate of economic and social progress, contributed to by capital and technology and liberal trade treatment from the United States.
2. Avoidance of irreversible jeopardy to open political and economic systems.
3. Maintenance of independence from any foreign power, in part through developing offsets to the pervasive United States presence and through gaining greater control of key natural resources.
4. Maintenance of an effective inter-American system, with United States participation.
5. Maintenance of the United States security umbrella against potential extra-hemispheric encroachment.

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United States Objective  
Interests in Relations  
with Latin America, in  
Order of Importance (cont'd)

8. Denial to hostile powers of bases in Latin America that would enhance their nonstrategic military capabilities.

9. Continued access to bauxite in Jamaica and petroleum in Venezuela.

10. Protection of United States citizens in the area.

11. Continued access to certain naval and air bases and facilities in the area.

Although there is no necessary inconsonance in United States and Latin American interests, there is in fact inconsonance in the current perception of these interests. This inconsonance in perception arises (a) from Latin American nationalism currently directed mainly against the United States, (b) from the very different perception of the external threat by the two sides, (c) from the different priorities or weights that each gives to its interests, and (d) from inter-interest conflicts for both.

To be more specific, the United States' interests (1) in preservation of a predominance of independent, self-sustaining Latin American countries favorably disposed to the United States and (3) maintenance of the confidence of Latin America and of the world in the effectiveness, maturity and responsibility of our leadership are consonant with all Latin American interests. But favorable disposition to the United States and acceptance of United States leadership currently may be perceived by many Latin Americans as implying dependence and thus to be in conflict with Latin American interest number 3. In addition, Latin America has an inter-interest conflict between accepting private capital from the United States which would contribute to its development (interest 1) and maintaining independence and control of certain of its resources (interest 3).

The United States also has an inter-interest conflict between those national internal interests which produce

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internal demands on resources and for trade restrictions and those external interests in our relations with Latin America (especially interests 1, 3 and 7) which produce requirements for assistance funds and liberal trade treatment.

The United States' interest (2) in the denial of Latin America as an area from which a strategic attack could be launched against the United States is consonant with, and in its significance for the security and in fact survival of the United States, contributory to, all five Latin American interests. The same argument may be made for the United States' other security interests (numbers 4, 6, 8, 9 and 11) and for the security aspects of its other interests.

There are problems, however, in the facts that (a) Latin America perceives the USSR as less of a threat than does the United States (or at least is inclined to leave the dealing with the Soviet threat up to the United States) and (b) that Latin America is at present more concerned over actual dominance by the United States than by potential dominance by the USSR. These differences in perceptions of the threat, accompanied by the fact that Latin American nationalism is currently directed primarily against the United States, mean that Latin America is considerably less concerned over security issues in the hemisphere relating to actual or potential extra-hemispheric threats than is the United States.

United States interest (5) in the existence of a strong inter-American system is the same as Latin American interest number 4. Here again Latin America has an inter-interest conflict with its interest number 3, however, because of the tendency that has existed - and which is difficult to avoid - for the United States to dominate the inter-American system.

United States interest (6) in unimpeded transit for United States forces on the high seas and in international air space in the area is at present in apparent direct conflict with interest (3) of many Latin American countries in gaining greater control of key natural resources - in this case the resources of the adjoining seas; continental shelves, slopes and rises; and seabeds. A tradeoff between these conflicting interests is possible in theory.

United States interest (7) in mutually beneficial economic interchange is consonant with Latin America's interest (1) in a reasonable rate of economic and social progress contributed to by the United States. But the mere difference in the priority of these interests for the two sides implies a problem, and there are inter-interest conflicts for both which have been indicated above in the discussion

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of the consonance or conflict of United States interests (1) and (3) with Latin American interests.

United States interest (9) in continued access to bauxite in Jamaica and petroleum in Venezuela is in consonance with Latin American interests, but questions over the manner of access raise problems between United States interest (10) in the protection of United States citizens and Latin American interest number 3.

The physical protection of United States citizens in Latin America and the keeping open of opportunities for United States citizens to travel and live in Latin America (interest number 10) are consonant with all Latin America's interests. Their economic well-being can come into conflict with Latin America's interest number 3, however. This conflict can be reduced (a) by a reasonable willingness by United States investors to accommodate to Latin American desires for increased control of investment, and (b) by Latin America's placing greater relative emphasis on its interest in economic and social progress.

The foregoing discussion would seem to support the hypothesis that the inconsonance in the United States and Latin American perceptions of their interests arises from Latin American nationalism currently directed mainly against the United States, from the very different perception of the external threat by the two sides, from the different weights that each gives its interests (primarily because of the first two cited factors), and from inter-interest conflicts for both.

V. The Special Relationship -- What it Is and Is Not

We have concluded in this paper that, for the United States, Latin America differs from other developing areas because of geographic proximity, a degree of common heritage, tradition, the level of our economic interests, and the existence of regional institutions and accords.

These factors have produced within the United States, in Latin America and in the world a belief that the United States bears greater responsibility for events in Latin America than for those in other developing areas.

Moreover, the analysis in the previous sections indicates that most United States and Latin American objective interests are consonant.

On the other hand, differences in cultural heritage, stages of development, internal problems, power, and per-

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ception of primary interests combine to produce misunderstandings. These differences, coupled with the existence of higher priority United States interests in other parts of the world, also are breeding ground for Latin American resentment against the United States.

Thus Latin America wants assistance and protection from the United States and, in fact, considers the provision of that assistance and protection to be a United States obligation. But at the same time Latin America does not want to be dominated by the United States economically, politically or culturally.

Thus also the United States believes it should assist and protect Latin America, but has tended to be impatient with Latin American inconformity and to believe that it could and should be the arbiter of events in Latin America.

Therefore a special relationship does not currently exist between the United States and Latin America in the sense of a relationship of high mutual confidence. Nor does it currently exist in the sense that the United States can control events in Latin America at its will. A special relationship does exist in the generally accepted sense of United States special responsibilities in Latin America, and in the degree of mutuality of objective, although not perceived, interests. The sense of special United States responsibilities in Latin America has its basis in the series of factors listed at the beginning of this section which make relations with Latin America different for the United States than relations with other developing countries. These same factors affect the degree of mutuality of the objective interests of the United States and Latin America.

#### VI. Policy Implications of the Foregoing Discussion of United States and Latin American Interests

Eleven major United States interests in its relations with Latin America have been identified. Six of the eleven major interests are primarily security in nature, four primarily political-psychological, and one economic.

The six security interests are as important to us as they are mainly because of the existence of a hostile superpower in the world--the USSR--which could act to create a serious security threat from Latin America if given the appropriate opportunity. The importance of two of the political-psychological interests and even, to a degree, of the economic interest is also increased by the existence of that hostile superpower. One must assume that a super-

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power hostile to the United States will continue to exist for the indefinite future. In fact, the world of the future is likely to contain a number of powers more nearly equal in their strength than has been the case in the immediate post World War II period. Those powers will be at least competitive with each other and potentially, if not actually, hostile to the United States. Moreover, the weight of Latin American countries in the balance will increase as time passes. Therefore, from the world balance of power point of view, the importance of United States interests in Latin America is unlikely to diminish, and is more likely to increase.

Our current intelligence assessment is that Latin America will probably remain a relatively low priority area for the USSR. The USSR, however, will emphasize expansion of its presence in Latin America and will continue to engage in a broad range of activities, not neglecting promising opportunities for encouraging subversion if it can do so without endangering its more respectable tactics.

Those opportunities have arisen in the past, and opportunities--or at least the potential for opportunities--will arise in the future, primarily for three political-psychological reasons. Those three reasons are: (1) Latin America's reactive nationalism against the United States; (2) Latin America's experimentation with left extremism; and (3)--mainly because of the effect of the first two reasons and Russia's own low profile thus far--Latin America's current failure to think of the USSR as a significant threat to it.

The first two of these reasons would adversely affect United States interests in Latin America even if there were no competitive powers in the world. Under that circumstance the most important United States interests in Latin America would be economic and psychological. Anti-United States nationalism and experimentation with extremism would produce challenges to those interests then just as they produce challenges to existing United States interests now.

We have concluded in Section III above that Latin American reactive nationalism directed against the United States and experimentation with extremism are the products of Latin America's frustration and sense of inadequacy deriving from (1) its failure to achieve its aspirations for economic and social progress, (2) its historical relationship with

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and dependence on the United States, and (3) the confusion and uncertainty produced by rapid change itself and by the mass of information and welter of new concepts and value signals flowing over modern communications media to Latin America.

The formulation and execution of United States policy should take into account these three root causes of Latin American reactive nationalism directed against the United States and of Latin American experimentation with extremism.

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POLITICAL-PSYCHOLOGICAL

I. Introduction

We have seen, in an earlier section of this study, that the central assumptions of the Latin American policy of the Nixon Administration were (1) that a "special relationship" exists between the U.S. and Latin America and that this relationship is in our interest and should continue and (2) that the concepts and policies of the past were no longer adequate to meet the ferment and tensions present in the developing American societies and that new policies were needed if the special relationship was to be maintained in the face of these developments. In the course of the NSSM 15 policy review, the Administration evolved the policies described in the earlier section to achieve this objective.

The purpose of the present paper is to assess these policies in the light of the events of the past 18 months to determine whether they are still adequate. Although the first step in the Administration's 1969 policy review was an effort to define U.S. interests in Latin America, the analysis underlying this definition was perhaps less detailed and systematic than the rest of the review. Consequently, the IG/ARA decided to preface the present reappraisal of our Latin American policies with the detailed analysis of U.S. interests in Latin America and Latin American interests in the U.S. which appears in an earlier section of the study. This definition of interests provides the framework for the NSSM 108 policy review. In the present section of the review, we shall (1) assess the extent to which each of the interests listed in the interests study has been affected by the events of the past 18 months and the likely trends of the next three or four years (as described in an earlier section of the study); (2) state the implications for our policies that this assessment reveals; and (3) make policy recommendations as appropriate. In assessing the impact of events upon interests, we shall consider one by one the impact of each relevant event on each of the eleven major interests listed in the interests study. (For easy reference, the interests are repeated in Section II(A) below and a summary of significant events is listed in Section II(B) below.)

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Today as in 1969 the most important factors in our relations with Latin America which the policy-maker must take into account are reactive nationalism directed against the U.S. and experimentation with extremism. In its assessment of Latin American interests in the U.S., the paper on U.S. interests concluded that these were the products of Latin America's frustration and sense of inadequacy deriving from its failure to realize its aspirations for economic and social progress; its historical relationship with and dependence on the U.S.; and the confusion and uncertainty caused by rapid change and the increasingly sharp impact on modernizing societies of a mass of information and new ideas transmitted by modern communications media. As we seek ways to adjust our policies to new realities in Latin America, these are the key factors to be kept in mind.

II. Implications of recent developments and anticipated trends for U.S. interests in Latin America.

A. The following have been determined to be the major U.S. interests in Latin America.

1. Preservation of a predominance (by the combination of numbers and importance) of independent, self-sustaining Latin American countries favorably disposed to the United States.
2. Denial of Latin America as an area from which a strategic attack could be launched against the United States.
3. Maintenance of the confidence of Latin America and of the world in the effectiveness, maturity and responsibility of our leadership as a great power in our relations with Latin America, with due consideration for the "mature partnership" concept.
4. Maintenance of access to the Panama Canal, including, under existing circumstances, its protection and control by the United States.
5. The existence of a strong inter-American system, including an effective collective security function.
6. Unimpeded transit for United States forces on the high seas and in international air space in the area.

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7. Mutually beneficial economic interchange, including reasonably favorable trade and investment climates.
  8. Denial to hostile powers of bases in Latin America that would enhance their non-strategic military capabilities.
  9. Continued access to bauxite in Jamaica and petroleum in Venezuela.
  10. Protection of the large number of United States citizens who live in, have economic ties with or visit Latin America.
  11. Continued access to certain naval and air bases and facilities in the area.
- B. The following are the events of the past 18 months which have possible implications for U.S. interests in Latin America.
1. The election in Chile of a Marxist popular front coalition which has moved rapidly and effectively thus far in initiating changes which endanger Chilean pluralism and economic and political ties with the U.S. and offer prospects for significant expansion of the Soviet presence.
  2. Further deterioration of Cuba's economic situation, increasing Castro's dependence on the U.S.S.R. Both trends further reduce the attraction of the Cuban "model" in Latin America. Even where extremists still look to Cuba, Castro has been forced to become much more selective in his support of revolution abroad. There was an apparent continuation in the U.S.S.R.'s adherence to the understanding that it would not introduce missiles into Cuban territory, an understanding extended to include facilities for servicing submarines carrying nuclear weapons. With the exception of Chile, there is continued observance of OAS sanctions against Cuba by all adherents to the 1964 decisions, but there are increasing indications that OAS solidarity on this issue is under pressure.
  3. Continued revolutionary activity by leftist groups, including increasing resort to urban

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terrorism, as well as continued "radicalization" of politics but no significant increase in the revolutionary threat to existing regimes.

4. Except for Chile, no major changes in the political lineup of Latin American regimes--no further cases of moderate or constitutional regimes being supplanted by authoritarian regimes or vice versa. Military influence continued to be strong, and in some countries moved in reformist directions.
5. Continued strong manifestation of nationalism with anti-U.S. overtones in many countries.
6. Continued growth of the Soviet diplomatic, cultural, and commercial presence and of Soviet military activities in Latin America.
7. Emergence of black radicalism in the Caribbean.
8. Significant Latin American arms purchases in Western Europe occasioned in part by restrictions on the availability of arms from the U.S.
9. Some economic progress (particularly notable in Brazil) but little appreciable abatement of social tensions.
10. Slow progress in the strengthening of multilateral institutions for the purpose of developing an effective multilateral framework for bilateral assistance. There has been some uneasiness on the part of some countries that our efforts to move in this direction mean loss of interest.
11. Growing Latin American fears of U.S. protectionism and impatience with the continued delays by the U.S. in implementing its plan for generalized LDC preferences. These developments have tended to reduce the favorable impact on Latin American opinion of the establishment of the SCCN and U.S. efforts to promote Latin American interests in the negotiation of the international agreement on LDC preferences.
12. Increased flows of United States private investment to selected areas of Latin America but at the same time increasing manifestations of economic nationalism in many Latin American countries.

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13. The emergence of diverging interpretations of the extent of the territorial sea as an increasing source of contention between the United States and a number of Latin American countries.

C. Assessment of the impact of recent events and anticipated trends upon U.S. interests.

Interest #1--A predominance of independent, self-sustaining states favorably disposed to the United States.

Events Which are Relevant to this Interest

#1--Chile. Although the growing consolidation of the Allende regime does not of itself seriously weaken the predominant grouping of independent nations, well-disposed towards the U.S., it could contribute to the undermining of the independence of other countries or help persuade them to adopt policies hostile to the U.S. On the former point, Chile could support subversive activities against other countries. To maintain his leftist credentials and to accommodate internal pressure, Allende is likely to facilitate some activities of insurgent movements against the governments of neighboring countries. This support is likely to be limited in scope and mainly covert, however, since Allende is unlikely to risk provoking his neighbors. Nevertheless, Allende probably will be unable to prevent more extreme members of his coalition from utilizing his regime's powers and resources more openly. This capability must be weighed against the intelligence assessment that no Latin American government is so weak that it could be overthrown directly by an insurgent movement organized or supported by Chile. Support from Chile for revolutionary groups in neighboring countries could erode the stability of the governments of those countries.

Chile will pursue a policy in the OAS and in its bilateral diplomatic relations of seeking to promote oppositon to United States policies. The degree to which this would threaten this U.S. interest must be weighed against the likelihood that other Latin American governments would allow their attitude toward the U.S. to be determined by the promptings

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of Chile rather than by a perception of where their interests lie. We do not believe Chile's activities in the OAS and in its bilateral relations are likely to succeed to the point of being detrimental to this interest.

Chile could serve as an example to other countries, arousing hopes of Marxist groups and lending respectability to Marxism as a solution for Latin American problems. The seriousness of this threat must be weighed in the light of the internal situation of other countries. The current intelligence estimate is that violent extremism in the hemisphere will remain a disruptive force, but is unlikely to result in actual seizure of power by extremists. Another factor to be weighed is the extent to which, on the one hand, alarm at the events in Chile will lead other governments to adopt more repressive measures toward leftist groups, which might seriously weaken their revolutionary potential but might also generate widespread disorder and eventual revolutionary crises; and, on the other hand, whether Chile's example might increase pressure on other governments to adopt more vigorous programs of economic and social reform, thus conceivably reducing the revolutionary threat in their countries. In the final analysis, the extent to which other countries might freely adopt Chile as a model will depend on the success of Chile's experiment with Marxism. If Marxism transforms Chile into another "wasteland" like Cuba, there will be no problem. But if it succeeds in satisfying the aspirations of the Chilean masses without stifling economic growth, it could become a powerful pole of attraction for other countries.

#2--Cuba. Cuba could threaten this interest in two ways. It could undermine existing pro-U.S. regimes through organization or support of subversive activities. It could promote opposition to U.S. policies among Latin American countries, possibly in cooperation with Chile. According to the intelligence estimate, the further deterioration of its economic situation has forced Cuba to become much more selective in its support of revolution abroad. We conclude from this that its chances of success in exporting its revolution throughout the hemisphere

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are no greater than before. Moreover, its reduced attractiveness as a model weakens its ability to influence other countries, although pro-Castro elements in those countries remain unflagging in their support. In sum, it is unlikely that Cuba would succeed in organizing opposition to the U.S.

The outlook is for increased tolerance of the Castro regime by some Latin American countries. This trend can be accounted for by one or more of the following factors: a declining concern about the Cuban threat; an increased sense of need to placate domestic leftist groups; or a desire to assert independence from the U.S. This has a potentially damaging effect on this interest.

#3--Revolutionary Activity. Revolutionary activity by leftist groups is a potential threat to this interest because it could lead to the establishment of leftist regimes which might come under strong Soviet influence or even control, or pursue policies openly and strongly hostile to the United States, or both. Violent extremism in particular will be a disruptive threat throughout the region, but will be unlikely to result in actual seizures of power by extremists; cooperation by Latin American insurgent and terrorist groups across national boundaries has not been extensive, but will probably increase in the next few years. Urban terrorism will increase and kidnapping will continue as a tactic. Some groups will probably continue to espouse rural insurgency as the best path to power.

We conclude that revolutionary activity per se will not seriously impair the interest of preserving a predominance of independent, self-sustaining Latin American countries favorably disposed to the U.S. However, in one or more countries extremists tactics, together with specific rallying causes that might arise, could erode institutions to a point where increasing repression might generate widespread disorder and eventual revolutionary crisis. Some governments, under extremist pressure and in an effort to gain or hold extremist support, may take anti-U.S. positions, and perhaps positions more friendly to the Soviet Union.

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#5--Nationalism. Latin American nationalism frequently has anti-United States overtones. Consequently, intensification of nationalist trends could have unfavorable implications for the interest of preserving a group of countries favorably disposed to the United States. The outlook is for further intensification of nationalism in Latin America. Some regimes will at times sound stridently anti-U.S. and our relations with them will be increasingly prickly. The nationalist desire to assert independence from the U.S. may cause some countries to seek closer ties with the U.S.S.R., which might pose a long-range threat to their independence. The nationalism which leads it to assert its independence from the United States, however, should also prevent a country from falling so strongly under Soviet influence as to lose its independence. We conclude that nationalism in the hemisphere will be an increasing source of friction in our relations which could be exacerbated unless we exercise considerable skill in dealing with it.

#6--Soviet Presence. In recent years, the U.S.S.R. has managed to expand its contacts and its presence in Latin America in several ways. Thirteen Latin American nations, including Cuba, now have diplomatic relations with the U.S.S.R. Also, in at least one documented case, Guatemala, the U.S.S.R. is providing financial subsidies through the Soviet Embassy in Mexico to the Guatemalan Communist Party to support insurrection against the government of Guatemala. Elsewhere, contacts in the diplomatic, trade and cultural fields have been pursued in low-key, "correct" style. The intelligence estimate is that the Soviets will encourage subversion only if they can do so without endangering their more respectable tactics.

Militarily, the Soviets have been engaged in a cautious "testing" of the U.S. in the Caribbean area during the past 18 months. Construction of a naval support facility near Cienfuegos, Cuba, was the most conspicuous Soviet effort along this line. The Soviets also sent naval reconnaissance planes to Cuba from the Soviet mainland on three occasions in the past 18 months. Soviet naval visits to the Caribbean have extended beyond Cuban waters to include

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intrusions into the Gulf of Mexico and port visits to Caribbean islands. In South America the Soviet earthquake relief airlift to Peru, though trouble-plagued, was an obvious attempt to gain political capital, primarily in Peru.

No regime at present seems so weak that this level of Soviet encouragement of subversion could topple it. Moreover, those nations which have sought diplomatic ties with the U.S.S.R. have usually been motivated by a desire for increased trade as well as a desire to assert their independence from the United States. The U.S.S.R. can and undoubtedly will use increased diplomatic and other ties to seek to counter United States influence, but there is little reason to believe that it would be capable by itself of bringing about the development of hostile attitudes on the part of the Latin American governments toward the United States. The decisive factor in the Latin Americans' attitude toward the U.S. would continue to be their perception of their own interests. U.S. behavior toward them would be an important element in this perception. We conclude that the increase in Soviet activities in Latin America does not at present constitute a serious threat to this interest. However, the U.S.S.R. is in a position to encourage the continued erosion of U.S. influence and prestige in the area by various means.

#8--Arms Purchases. During recent years, there has been an unmistakable trend in Latin America away from U.S. sources of arms toward Europe, which for the Fiscal Year 1967-1969 period provided more than double the amount of arms provided by the U.S. through military credit sales. Although this trend cannot be attributed solely to our unwillingness or inability to make available for purchase military jet aircraft and other "sophisticated weapons", these reasons have played a sizable role in creating a feeling of resentment and disillusionment among many military leaders and a view among them that U.S. interest in Latin America is waning. Although the growing political role of the military in Latin American has led them to see their relationships with the U.S. in broader terms than the provision of military equipment, their dissatisfaction with

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our arms purchase policy runs counter to our interest of maintaining a group of countries favorably disposed toward the U.S.

#9--Continued Social Tension. In the past 18 months, economic growth has been concentrated in three or four countries, with sluggish or reduced growth in most of the others. Rapid population growth has been an important factor in holding advances well below popular expectations. Thus social tensions have continued to be severe, with little prospect of abatement. Social tensions are one of the root causes of anti-U.S. nationalism and leftist extremism and are thus a threat to this interest.

#10--Multilateral Aid. There has not been enough time to see whether increased U.S. emphasis on the use of multilateral channels for development assistance will lead to increased self-confidence and independence on the part of the Latin American nations. There is also insufficient evidence to permit any firm conclusion as to whether the shift from bilateral to multilateral aid is being interpreted by them as a loss of U.S. interest and thus adversely affecting their attitudes toward the U.S. The most one can say at this point is that countries with greater economic dependence on the U.S. appear uneasy about the shift in aid policy. We conclude that there is insufficient evidence to indicate the impact the new aid policy is having on this interest.

#11--Trade Policy. The new U.S. commitment to consult on trade and U.S. efforts on behalf of Latin Americans in negotiations on trade preferences have had a positive effect on Latin American attitudes toward the U.S. but this has been offset by concern about U.S. protectionism. In view of the great importance of the U.S. as a market for Latin American exports, a continuation of the trend toward protectionism in the U.S. would undoubtedly lead to a sharp increase in anti-Americanism. In addition, a significant reduction in Latin American access to the U.S. market could affect the economic viability of some countries. We conclude that

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failure by the U.S. to maintain a liberal trade policy would have an adverse impact on this interest.

#12--Investment. The threat posed to important U.S. investments in Latin America by the continued growth of economic nationalism in many countries is a potential source of bitter conflict between the U.S. and the Latin Americans which could seriously threaten the interest of preserving a grouping of states well-disposed toward us. On the other hand, the restraint with which we have responded to acts of expropriation (e.g. our refusal to invoke the Hickenlooper Amendment against Peru) has helped reduce the unfavorable impact of this development.

#13--Territorial Sea. This dispute has emerged increasingly as an issue which could dispose a number of Latin American nations unfavorably toward us.

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In summary, we conclude that the events of the past 18 months do not constitute a serious threat to the interest of preserving in the hemisphere a predominance of independent, self-sustaining nations favorably disposed to the U.S. Such a predominance exists today and will probably continue to exist during the time frame which concerns us in this study. Nonetheless, the trends which we have identified--the rapid consolidation of the Allende regime in Chile and the potential threat which this regime could represent to the stability of its neighbors, the continued expansion of the Soviet presence, the persistence and probable intensification of violent extremism and anti-U.S. nationalism throughout the region, growing Latin American concern about protectionist trends in the U.S., and the serious potential for hostility on the part of some nations toward the U.S. created by conflict over national investment policies and the extent of the territorial sea--are potentially detrimental to this interest and could have an impact in the future which is greater than they have had in the past. We note, however, that many of these trends are manifestations of the complex historical process of

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the search for national identity in Latin America and that these trends were foreseen in the NSSM 15 Study.

Interest #2--Denial of Latin America as an area from which a strategic attack could be launched against the U.S.

Events Which are Relevant to this Interest

#1--Chile. So far, the U.S.S.R. has shown no interest in obtaining military bases in Chile. The intelligence estimate is that Soviet military activity there will probably be confined to foot-in-the-door operations, with military bases considerably less probable because of Soviet and Chilean awareness of likely adverse reaction by Chile's neighbors as well as internal Chilean constraints.

#2--Cuba. Cuba has already given ample evidence of its willingness to allow its territory to be used as a base for Soviet missile activity. Whether this will again occur depends less on Cuba than on the U.S.S.R. If recent events are any indication, watchfulness and a strong reaction by the U.S. will be necessary to ensure that the U.S.S.R. respects commitments made during the Cuban missile crisis.

#5--Nationalism. Growing nationalism with anti-U.S. overtones, which has increased during the past 18 months and which can be expected to increase further, might well lead some countries to seek closer ties with the U.S.S.R. as an assertion of independence from the U.S. However, it seems highly unlikely that this motive could lead governments to permit Soviet bases on their territory. The pressures of nationalism, as we have noted above, would work against too close an association not only with the U.S. but with the U.S.S.R. as well.

#6--Soviet Presence. The intelligence estimate is that any substantial expansion of the Soviet military presence would probably take place only if a

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regime receptive to Soviet influence were in power. The likelihood of this happening in the next three to four years does not appear great: the intelligence estimate is that violent extremism will be unlikely to result in actual seizures of power by extremists and that even though the pressures of nationalism, combined with latent frustrations, will continue to increase, governments, as in the recent past, will be able to deal with their problems.

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In summary, the events of the past 18 months have not, in our opinion, significantly increased the likelihood that the U.S.S.R. will acquire bases in this hemisphere from which it can launch a nuclear attack against the U.S. There are no indications, moreover, that the U.S.S.R. is seeking to acquire land bases for such purposes but we note its recent testing of the possibility of acquiring facilities in Cuba for its nuclear-armed submarines.

Interest #3--Maintenance of the confidence of Latin America and of the world in the effectiveness, maturity and responsibility of our leadership as a great power in our relations with Latin America, with due consideration for the "mature partnership" concept.

Events Which are Relevant to this Interest

#1--Chile. If Chile were to evolve into a full-fledged Communist state, possibly even becoming a satellite of the U.S.S.R., and committed to a policy of open opposition to the U.S., this could conceivably erode confidence in the effectiveness of our leadership. Other nations might believe that, as the NSSM 15 study put it, "our power had been diminished" because they consider this hemisphere "as within our 'special preserve'." This could lead to loss of influence in Latin America and elsewhere in the world. On the other hand, if we overreact, by resorting to extreme measures of economic denial or use of military force in an effort to overthrow the Allende regime, for

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example, this would lead to strong resentment in Latin America, thus reducing the effectiveness of our leadership. It would also raise doubts elsewhere in the world about our maturity and responsibility. By the same token, if we react calmly and with restraint toward Chile, this might strengthen confidence in the maturity and responsibility of our leadership. In this connection, we note the statement in the intelligence estimate that U.S. restraint with regard to the Allende regime has generally met with Latin American approval.

#2--Cuba. Continued observance by the OAS states of sanctions toward Cuba helps maintain the impression of effective U.S. leadership. However, support for our Cuba policy has begun to erode and this in turn could lead to erosion of our prestige. If we reacted by applying strong pressure on other OAS members to hold them in line, we might, if successful, limit the damage to our prestige. But it is also possible that this would be viewed as interventionism and would raise doubts about the maturity of our leadership. By the same token, if we reacted with moderation, this could conceivably strengthen the impression of mature and responsible leadership.

#3--Revolutionary Activity. The U.S., by refusing to become unduly alarmed over continued terrorist activity with anti-U.S. overtones, including kidnapping of U.S. officials, has demonstrated mature and responsible leadership.

#4--Authoritarianism. Authoritarian, but not left extremist, regimes would not have a significantly adverse effect on this interest. However, the existence of additional left extremist regimes, given that such regimes would be more likely to adopt anti-U.S. postures, could adversely affect confidence in our leadership. The emergency of such regimes might be possible in Chile, Peru, and Bolivia. At the same time, overreaction on our part to such a development would, as in the case of Chile described above, lead to resentment in Latin America and raise doubts about our maturity and responsibility.

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#5--Nationalism. The growth of nationalism with anti-U.S. overtones has undoubtedly had some adverse effect on U.S. prestige in the hemisphere and elsewhere. But it can also be argued that, by reacting with calm and restraint to this unpleasant phenomenon, we are demonstrating maturity. We would also be presenting a smaller target. In any event, nationalism with anti-U.S. overtones has so far not in our view attained a level which would seriously threaten U.S. leadership in the hemisphere.

#6--Soviet Presence. To the extent that the maintenance of Latin America as a U.S. sphere of influence contributes to an image of power and inspires respect, the recent and anticipated expansion of the Soviet presence could damage our prestige, since nations elsewhere in the world might conclude that our influence in the hemisphere was diminishing. Here again, however, it can be argued that, by viewing this development calmly, taking the position that, so long as it behaves, the U.S.S.R. has a right to maintain a presence in Latin America, the U.S. will favorably influence attitudes about the maturity and responsibility of its leadership. By the same token, overreaction in the form of putting strong pressure on Latin American governments in an effort to prevent them from establishing relations with the U.S.S.R. could create resentment and damage the effectiveness of our leadership, and would probably fail in any event.

#12--Investment. Conflict which has arisen from expropriation of U.S. property by Latin American governments has a potential for seriously damaging confidence in our leadership. If governments seize our property with impunity, an impression of weakness is created. On the other hand, if we react by imposing punitive measures, we create resentment in other Latin American countries, thus reducing the effectiveness of our leadership. We also raise doubts elsewhere about the maturity of our leadership.

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#13--Territorial Sea. Growing conflict over this issue between the U.S. and a growing number of Latin American states could damage the effectiveness of our leadership. It could also have an adverse effect on our prestige elsewhere in the world.

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In summary, the events of the past 18 months have not, in our opinion, seriously damaged confidence in U.S. leadership. However, there are a number of developments which may occur in the years immediately ahead which would severely test U.S. leadership. Among these are the increasing commitment of Chile to a policy of open opposition to the U.S.; increasing erosion of Latin American support for our Cuba policy; intensification of terrorism and nationalism with anti-U.S. overtones; and conflict over U.S. investment and the territorial sea. Our leadership will be judged, both in the hemisphere and elsewhere in the world, by the maturity and the skill we display in dealing with these trends.

Interest #4--Maintenance of access to the Panama Canal, including under existing circumstances its protection and control by the United States.

Events Which are Relevant to this Interest

#5--Nationalism. Nationalism in countries other than Panama is not likely to constitute a threat to access. The intelligence estimate is that Torrijos' tendency to be rather hostile toward the U.S. and his impatience for canal talks, reinforced by Panama's growing economic problems, could result in an ostentatious move toward the Soviet bloc if negotiations are long delayed or become deadlocked. He may also threaten to unleash anti-U.S. demonstrations. On the other hand, high Panamanian officials, including General Torrijos, are fully aware of the economic importance to Panama of an efficiently run canal and would be unlikely to allow that interest to be seriously threatened. They are also aware of our interest and determination in ensuring the continuing operation of the canal. In conclusion,

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while there may be some incidents that would interrupt the operation of the canal, it is unlikely that developments will occur which will seriously impair this interest.

#6--Soviet Presence. The Soviets have engaged in a cautious test of the U.S. in the Caribbean area during the past 18 months, including construction of a naval support facility near Cienfuegos, dispatch of naval reconnaissance planes to Cuba on occasions, Soviet naval visits into the Gulf of Mexico, and port visits to Caribbean islands. However, there are no indications that the U.S.S.R. is so foolhardy as to seek to interfere with access to the canal in peacetime. While the situation in Costa Rica bears watching, we do not foresee developments which would increase the U.S.S.R.'s capability of interfering with access or blocking the canal in wartime.

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In summary, none of the events of the past 18 months appear to us to have placed access to the Panama Canal in jeopardy. So far as the future is concerned, nationalism in Panama itself, where Torrijos may react violently if he is not satisfied with progress in the talks, could strain our defense and operation of the canal.

Interest #5--Preservation and Strengthening of the Inter-American system, including its collective security functions.

Events Which are Relevant to this Interest

#1--Chile. As we have noted above, Chile will pursue a policy in the OAS of seeking to promote opposition to U.S. policies and leadership. On the other hand, if Chile were known to be promoting subversion in other countries or seeking closer ties with the U.S.S.R., this could conceivably arouse alarm throughout the hemisphere and strengthen the inter-American system, perhaps leading, among other things, to increased interest in the collective security functions of the inter-American system.

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The net impact of developments in Chile on the inter-American system will depend on which of these factors, one working to weaken the system, the other to strengthen it, will have the greater influence on the other members. We conclude that the net impact will be adverse.

#2--Cuba. Cuba's influence in the hemisphere has declined and its ability to promote opposition to U.S. policies and leadership in the OAS has also declined. On the other hand, to the extent that the fear of Cuba recedes, the other countries, desirous of manifesting independence of the U.S. and of mollifying their leftist elements, may become less willing to support the OAS sanctions policy. This creates a possible area of conflict which could weaken the inter-American system.

#5--Nationalism. Nationalism as an emotional force tends to becloud issues and thus impedes rational discussion of these issues in an inter-American forum. To this extent nationalism weakens the inter-American system. Where a sense of nationalism assists a government to perceive its own interests more clearly, to this extent it can serve to strengthen the inter-American system. The growing force of nationalism, whether it enhances or damages the inter-American system on a given issue, will probably bring changes in the system as we now know it with unpredictable consequences for U.S. interests in the hemisphere.

We conclude that nationalism will become an increasingly important factor in determining the future character of the inter-American system, including the possibility of accentuated bipolarization--with possible benefits for as well as losses to the system as a whole.

#6--Soviet Presence. This is not a threat to the inter-American system. With the exception of Chile, those Latin American countries which have established ties with the U.S.S.R. have done this in the hope of promoting trade or as means of appeasing leftist elements in their societies or asserting independence of the U.S., without manifesting lessened attachment to the inter-American system.

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#10--Multilateral Aid. The increased U.S. emphasis on multilateral channels for our development assistance has led to more emphasis on and resources for several inter-American institutions, foremost among them, CIAP, the IDB, and the economic, social, and cultural programs of the OAS. It is too early to measure the full significance of this new emphasis for the inter-American system as a whole; it is clear, however, that the individual institutions have benefited.

#11--Trade Policy. Latin American countries have increasingly adopted the viewpoint that their trade problems require joint action, and they have seen in the OAS a suitable forum both for joining forces and for confronting the United States over its trade policies. These pressures have resulted in the establishment of a special organ of the OAS for this purpose (SCCN), in which the Latin American countries expect that the U.S. will be forthcoming in its dealings with them. The support for the inter-American system which this has implied on our part has unfortunately been overshadowed in Latin minds by the growing protectionist mood generally in this country and in particular the absence thus far of a generalized preference system. To the extent that Latin Americans conclude that this mood more accurately reflects our intentions toward the hemisphere than actions we might take in SCCN, the inter-American system itself will suffer some loss of prestige and confidence.

#13--Territorial Sea. Differences among a growing number of Latin American countries, and with the U.S., on the extent of the territorial sea will constitute a serious test of the inter-American system.

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In summary, events of the past 18 months have not, in our opinion, caused any significant weakening of the inter-American system. However, there is a potential for future trouble which will require careful attention. Developments in Chile could

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cause Chile to become a seriously disruptive force in the inter-American system. In these circumstances, the situation could become exacerbated if the U.S. were to play its hand badly. Assuming U.S. restraint, the worse Chile behaves, the more likely is it that the other countries will draw together in the OAS, seeking the protection of its collective security guarantees. Another source of contention will probably be the issue of the territorial sea.

Interest #6--Unimpeded transit for United States forces on the high seas and in international air space in the area.

Events Which are Relevant to this Interest

#13--Territorial Sea. It has not been determined whether the assertion of a 200-mile territorial sea would be used to impede transit in superjacent international air space. However, if the view of those countries which claim a 200-mile territorial sea were to prevail, this would constitute an extremely serious threat to unimpeded transit on the high seas.

Interest #7--Mutually beneficial economic interchange, including reasonably favorable trade and investment climates.

Events Which are Relevant to this Interest

#1--Chile. The events in Chile seriously threaten the investment climate in that country. Success by Chile in expropriating U.S. firms might encourage other countries to follow its example.

#5--Nationalism. This factor is best assessed under the heading of investment. (See #12 below.)

#9--Continued Social Tension. Continued social tensions resulting from slow economic progress have promoted and will continue to promote economic nationalism, with consequent unfavorable implications for the investment climate.

#11--Trade Policy. Our efforts to advance Latin American interests in the field of tariff preferences and our commitment to consultation in

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the SCCN have contributed to the maintenance of a favorable trade climate. However, continued protectionist tendencies in the U.S. and delays by the U.S. in implementing its plan for generalized LDC preferences have worked in the opposite direction.

#12--Investment. Growing economic nationalism in Latin America poses a serious threat to the maintenance of a favorable investment climate. U.S. restraint in reacting to expropriation, particularly its refraining from invoking the Hickenlooper Amendment against Peru, has mitigated the damage to our relations in the hemisphere. On the other hand, it may have encouraged some countries to impose tougher curbs on U.S. firms.

\* \* \* \* \*

In summary, this interest appears threatened mainly by two developments, the deteriorating climate for American investment in several countries and the persistence of protectionist tendencies in the U.S.

Interest #8--Denial to hostile powers of bases in Latin America that would enhance their non-strategic military capabilities.

Events Which are Relevant to this Interest

#1--Chile. A potential threat to this interest would arise if Chile were to provide sea transport facilities operated in large part by Soviet personnel since these would have a potential military application. However, Allende has given no indication he would welcome such a relationship with Moscow. It seems likely that the Soviets are more interested in using Chile as a cornerstone for the gradual, long-term expansion of their interests in Latin America than in duplicating Cuba's total dependence. Thus, they will resist, as will the Allende regime, the development of relations between them which might endanger either party's broader relationships with such states as Peru, Argentina, and Brazil.

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#2--Cuba. The USSR already has this kind of base in Cuba.

#3--Revolutionary Activity. There is no present likelihood that this will bring to power regimes which would permit hostile powers to establish such bases on their territory.

#5--Nationalism. The assessment of this event under Interest #2 is applicable here as well.

#6--Soviet Presence. The Soviets can be expected to give careful consideration to opportunities that might be presented, should a Latin American country be receptive, for the establishment of a Soviet military or naval facility. The establishment of such a facility outside of Cuba is not foreseen over the next three to four years. Should it occur in the longer term, several U.S. interests would be adversely affected.

\* \* \* \* \*

In summary, except for Cuba and possibly Chile, there is no present threat to this interest and none foreseeable over the next three or four years.

Interest #9--Continued access to bauxite in Jamaica and petroleum in Venezuela.

Events Which are Relevant to this Interest

#12--Investment. Economic nationalism in Jamaica (which may possibly be spurred by the example of Guyana to move toward expropriation of U.S. bauxite interests) and in Venezuela (which has imposed a retroactive production tax on U.S. oil producers) could conceivably develop into a threat to continued access to these two raw materials.

Interest #10--Protection of the large number of U.S. citizens who live in, visit, or have economic ties in Latin America.

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Events Which are Relevant to this Interest

#3--Revolutionary Activity. Although violent extremism presents no threat to existing regimes, it could lead to uprisings, kidnappings or other forms of violence that could endanger the lives of U.S. citizens. (In fact, several private U.S. citizens have been the victims of terrorist kidnappings in Latin America.)

#5--Nationalism. Although the anti-U.S. manifestations of nationalism have not yet led to the creation of a climate so unfavorable as to constitute a threat to the security of U.S. citizens, this is a possibility which cannot be ruled out.

#7--Black Radicalism. The assessment of Event 3 above is also applicable here. In fact, the possibility that U.S. citizens might be endangered by sudden violent uprisings is probably greater in the Caribbean than elsewhere because of the larger number of U.S. residents and tourists in this area (the black uprising in Trinidad in 1969 is an example).

#12--Investment. Rising economic nationalism has already endangered important American investments in several countries and there will undoubtedly be other cases of this in coming years unless new understandings, including conceivably the adoption of a general investment code, are worked out with Latin American governments. The restraint of the U.S. Government's reaction to expropriations in Peru and Bolivia has probably been effective in allaying Latin American fears of foreign domination. On the other hand, failure to apply the Hickenlooper Amendment may have encouraged some countries to impose tougher curbs on U.S. firms.

\* \* \* \* \*

In summary, the threat to the welfare of U.S. citizens has increased somewhat in the past 18 months. Given unstable political situations and rising nationalism in a number of countries, a potential for increased trouble undoubtedly exists and will continue to exist for some years to come.

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Interest #11--Continued access to certain naval and air bases and facilities in the area.

Events Which are Relevant to this Interest

#3--Revolutionary Activity. Although there have been no such cases to date, it is conceivable that terrorist groups could sabotage or otherwise interfere with access to such facilities.

#5--Nationalism. So far nationalism has not led any Latin American government to withdraw base rights, although it has been a factor in influencing decisions to reduce our holdings. Growing nationalism will probably result in continuing pressure for reduction of our base rights.

#7--Black Radicalism. The assessment of Event 3 above is also applicable here.

III. Assessment of Adequacy of Current U.S. Policies and Programs and Recommendation of Courses of Action

Introductory Note

In this section, we shall assess the adequacy of current U.S. policies and programs in the light of the foregoing analysis of the impact of the events of the past 18 months on our Latin American interests and make policy recommendations when this seems indicated. The policies we shall be considering here are individual and subsidiary elements in the broad general policy adopted by the Nixon Administration in 1969. That policy can be defined as the effort to transform the character of the special relationship from one which the NSSM 15 study described as "uneasy hegemony" to one of "mature partnership."

We adopted the new policy because we were convinced that the old policy of hegemony did not reflect the forces of change which have been sweeping through the Western Hemisphere and that a special relationship based on a policy of hegemony, however benign, could not be maintained in the face of the nationalism, with anti-American overtones, which had emerged as a major political force in Latin America. This historic change in policy was made in full consciousness of the risks that attended it. It was recognized that some of the Latin American nations,

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sensing new impulses to experiment with political models of a more extreme character in an effort to solve the problems of their societies, might adopt courses that ran counter to our interests. It was also recognized that the new policy would be extremely difficult to carry out, requiring as it did the shedding by both sides of deeply ingrained attitudes and habits. Nonetheless, careful consideration of alternative policies led to the conclusion that the alternatives carried even greater risks.

IG/ARA believes that this conclusion is still valid today and that the broad policy of "mature partnership" should be continued. It is conceivable, however, that within this broad policy framework subsidiary policies and programs may need revision in the light of recent events. It is the adequacy of these subsidiary policies that the following section assesses.

NSSM 108 asked for a reappraisal of the assumptions which underlay the Administration's Latin American policy. As we have seen, one of the central assumptions of that policy is that a "special relationship" exists between the U.S. and Latin America and that this relationship is in our interest and should continue. In response to the President's directive, we have given a good deal of thought to the fundamental question whether the concept of a special relationship, however modified to accommodate Latin sensitivities, is still essential to United States interests and indeed whether it is consistent with the concept of a mature partnership. We considered such questions as whether, on the one hand, geographic proximity and strong ties of history and tradition create a special relationship whether we like it or not and whether, on the other hand, there is not something patronizing about our insistence on the existence of a special relationship which flies in the face of our announced desire to establish a relationship of political equality with the nations of Latin America; whether indeed, given the enormous disparity of power between the United States and Latin America, a special relationship is possible which would not be dominated by the United States, thus negating that mutuality of interest which is the presumed justification of the special relationship. It also occurred to us that the substance of the special relationship may be less significant than the way we talk about it publicly.

We came to no final conclusions on this question. It is so complex and requires such detailed and extensive analysis that it would not have been possible to do it

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justice within the time allotted for the NSSM 108 study. Nonetheless, the question is of such fundamental importance for our relations with Latin America in an age of rapid change and rising nationalism that we believe the Administration should devote a special study to it upon the completion of the NSSM 108 policy review.

1. Internal political developments and bilateral political relations.

NSSM 108 speaks of "measures to improve bilateral political relations" with selected nations. It also speaks of "differential approaches" to nations and subgroupings. These are not clearly defined concepts. What we take them to mean are positive expressions of favor by which we seek to influence the attitudes and behavior of certain categories of country more strongly than others.

Our present policy on bilateral political relations has not been clearly articulated but can be deduced from our practice. In theory, we observe the most favored nation principle, which is consistent with the principle of the sovereign equality of states on which the OAS is founded. In actual practice, our policy has a strong traditional element of what can be called pragmatic differentiation. Because of purely pragmatic considerations of proximity, size, security, or shared interests, we have traditionally sought to maintain closer and more cordial relations with some governments than with others and continue to do so. By the same token, some subregional groupings assume greater importance for us than others. Thus, to illustrate, our relations with Mexico, because of its proximity, size, and the current orientation of its government, are probably closer than those with any other country in the hemisphere. We also attach particular importance to our relations with Brazil because of its size, potential and economic dynamism. Colombia and Argentina are important to us because of their size and potential and Venezuela and Jamaica because they control important raw materials. Panama is important because of the canal. Currently, Chile is important because of the problem presented by the first elected Marxist government in the hemisphere. In addition, developments in the Caribbean basin have greater sensitivity for us because of its proximity than do developments on the continent of South America. We reflect these varied interests and degrees of importance in our diplomatic relations in an entirely pragmatic and individual way without following one single yardstick.

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From time to time, there have been temporary departures or partial departures from this policy of pragmatic differentiation. Thus in the 1960s we tried to use various policy tools, such as the withholding of diplomatic recognition and economic aid, to promote social reform and political democracy in Latin America. In 1969 this policy was tacitly abandoned with the adoption by the NSC of a policy of "circumspect pragmatism", that is, of dealing "realistically with governments as they are." The latter policy was in keeping with the conclusions of NSSM 15 to the effect that our attempts to utilize such tools as the withholding of diplomatic recognition and economic and military aid to promote representative democracy had failed, that institutional forms of North American representative democracy may be ill-suited for much of Latin America, that our ability to effect political change in other countries is extremely limited, and that if Latin American political attitudes and institutions are to change at all, they must be changed by Latins in Latin style and at a Latin pace.

If we were to abandon our traditional policy of pragmatic differentiation and adopt a conscious policy of differentiating in our policy toward individual Latin American countries or sub-regional groups in accordance with certain arbitrary criteria, the following are the principal considerations among which we might choose in determining where to concentrate our efforts:

- a. The extent to which the country is favorably disposed toward the United States, shares our attitudes toward key problems, and/or is prepared to support our position in international forums.
- b. The extent to which the country supports an open internal political system as opposed to an authoritarian one.
- c. The extent to which it appears stable and likely to continue to be able to control internal forces inimical to U.S. interests.
- d. The relative size, importance, and influence of the country in the Latin American context.
- e. The degree of its effectiveness in pursuing economic and social development.

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f. The presence in the country of natural resources, base rights or other facilities important to the United States for security reasons.

g. Its geographical proximity to the United States.

The following are some of the kinds of techniques that might be utilized if one were to differentiate.

- public evidence of favor, in the form of exchanges of visits by heads of government and other important officials, and favorable public statements by important officials;
- private evidence of favor, in the form of consultation on important multilateral issues and exchange of correspondence between heads of government and other important officials;
- granting or withholding of bilateral economic, technical and military aid;
- entering into military or mutual assistance pacts;
- granting or withholding of diplomatic recognition.

Not all of these techniques would necessarily be appropriate to all of the various options we have cited. Furthermore, some of them would be of dubious utility in any event. For example, the opportunity to use bilateral assistance for political ends, at least over the longer term, is clearly reduced by the decision to channel our development assistance through multilateral institutions and to seek to avoid using development loans for short-term political considerations (NSDM 76). The degree to which, over the short run, a continuing bilateral assistance program can be utilized for purposes of "differentiation," may be restricted by the new organizational arrangements for foreign assistance. Military assistance is a flexible means for effectively implementing a policy of differentiation, but it is also likely to entail accompanying political costs.

A policy of constant or automatic differentiation on the basis of any one of the above-listed considerations would have serious limitations. It could markedly reduce our capability of flexible response to other listed considerations and to specific threats to U.S. interests. In addition, it would be extremely difficult to define in

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meaningful operational terms what we meant by such words as "favorably disposed," "stable," "forces inimical to U.S. interests," etc. Furthermore, certain of these considerations are too transient to permit any effective formulation or application of long-range policy tied to them.

We conclude that the present policy of observing the most favored nation principle in our formal diplomatic relations with the other nations of the hemisphere while in actual practice maintaining closer relations with some nations than with others on purely pragmatic grounds has been on the whole successful and has given our diplomacy desirable flexibility.

Recommendation: Our present policy of differentiating in our bilateral relations with the countries of Latin America on pragmatic grounds provides us with the greatest flexibility in our political relations and should be continued. The same pragmatic considerations should guide us in our relations with sub-regional groupings, such as the nations of the Andean Pact, the Central American Common Market and the Caribbean Basin.

## 2. Chile

Our present posture toward Chile was well-described by President Nixon in his recent television interview. The President said that what happened in Chile "was the decision of the people of Chile, and that therefore we accepted that decision and that in our programs with Chile we still recognize the government and we still have our People-to-People Program and we still have our Peace Corps programs. Those programs will continue as long as Chile's foreign policy is not antagonistic to our interests." We recognized the "right of any country to have internal policies and an internal government different from what we might approve of. What we were interested in was their policies toward us and in the foreign policy field."

Our policy toward Chile is spelled out in NSDM 97. Our assessment of the implications of recent events gives us no reason to question the adequacy of this policy. Our behavior toward Chile has given the Chilean government no basis for adopting a policy of hostility toward us or of drawing closer to the U.S.S.R. in a protective reaction. Consequently, if Chile should become hostile, it would be

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difficult to argue that we drove her to it. Moreover, our moderation toward Chile has won the approval of the other Latin American countries; a policy of active opposition would undoubtedly have had the opposite effect.

Recommendation: The present policy toward Chile should be continued so long as Chile does not embark on a course of deliberate hostility toward us or toward its neighbors.

3. Cuba

Our present policy toward Cuba is one of isolating Cuba and maintaining the 1964 OAS sanctions. Our assessment of recent events supports the adequacy of this policy. It has been a factor in limiting Cuba's ability to export its revolution. However, the OAS policy of sanctions toward Cuba is meeting resistance from some other Latin American countries.

Recommendation: Our present policy toward Cuba should be continued unless final action on NSSM 32 (which is still pending) results in another decision. However, in view of the intelligence estimate that antagonism toward Cuba in the hemisphere is likely to decline further and that pressures among other Latin American countries to re-examine hemispheric policy toward Cuba are likely to increase, we should keep our own policy under continuing review.

4. The Soviet Presence

In 1943 the U.S. actively supported the establishment by the Latin American nations of diplomatic relations with the U.S.S.R. as a measure of cooperation during the critical days of World War II. The basis of our present policy toward official permanent Soviet and other Communist country presence in Latin America is a preference that this presence be as limited as possible, although we are not opposed to normal Latin American trade with the U.S.S.R. or other Warsaw Pact countries. Our main reason for opposing official permanent Communist country presence in Latin America is that it facilitates Communist influence as well as Communist penetration for purposes of subversion, espionage and illegal political activity. In expressing our opposition to the recent establishment of Soviet missions, we have tailored our representation to the political equities of each situation.

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Further, our present policy does not seek to persuade host governments to terminate the Soviet presence in their countries. Instead we emphasize doing what we appropriately can to minimize the influence of Soviet missions in host countries and calling attention to illegal activities engaged in by Soviet diplomatic representatives when we have knowledge of such cases and urging their expulsion. We leave to the judgment of individual missions, the decision as to what action if any should be taken to convey U.S. views on this question to Latin American officials and leaders. However, concern is not to be expressed to host governments solely over an increase in trade with Communist countries or the purely trade promotional efforts of Communist commercial missions.

This policy was last enunciated in May 1970. We regard the notable increase in Communist government diplomatic representation in Latin America during the past few years as contrary to our interests and as a setback for this aspect of our Latin American policy. We attribute our lack of success primarily to (1) the Latin American nations' desire to exercise their sovereignty and play a more important role on the world scene, rather than merely leaving the Soviets for the U.S. to deal with on their behalf; (2) their perceived political need to mollify the growing leftist elements in their societies; and (3) the illusion that relations with the U.S.S.R. will bring in its train economic benefits. These factors are essentially beyond U.S. control or ability to influence decisively. In the light of these circumstances, the U.S. has been unwilling to make the question of the establishment of diplomatic relations with the U.S.S.R. a major issue in its relations with those Latin American nations who were contemplating such a move, for we believed that such an effort would not only fail but would also be counter-productive.

Our policy of low-key representations to remind host governments, where Soviet diplomatic establishments exist, about the security problems that such presence creates has resulted in greater awareness of the security danger.

We conclude that our opposition to official permanent Communist country presence in Latin America has failed for the reasons described above to persuade Latin American nations that their interests lie in the same direction. We also conclude that our opposition is unlikely to prevail in the future but that the increasing Soviet presence is of sufficient concern to us to warrant

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our continuing close collaboration with the host governments to minimize the adverse effect of such presence.

Recommendation: That we continue our efforts to impress upon host governments the security considerations posed by Soviet presence; ensure close liaison with host governments on the nature and extent of Soviet activities; and be prepared to respond favorably to host government requests for assistance to counter such Soviet activities as they believe inimical to their interests.

We accept the conclusions of the security working group on the adequacy of our policies toward Soviet military activities in the hemisphere.

#### 5. Western European and Japanese Presence

There does not at present appear to be a clearly articulated U.S. policy on what our attitude should be toward Western European-Japanese presence (cultural contacts, trade, investment, military assistance and arms sales, etc.) in Latin America. The NSSM 15 study gave this question some attention and concluded that "given the overall congruity of world outlook between the U.S. and its Western European allies, expanded contacts between Latin America and these nations should contribute to the furthering of broad U.S. goals. Moreover, they would help to dilute the intensity of U.S.-Latin relations in a period of heightened friction over a wide range of subjects. More cultural contacts and economic aid from Western Europe should benefit the whole set of relationships." However, we have seen no firm indications that it has become official policy to look favorably or otherwise on an expanded Western European-Japanese influence and presence in the hemisphere as a complement to our own.

Recommendations: We saw political and economic advantages in a greater Western European-Japanese presence in the hemisphere. Politically, this would help reduce the extreme visibility of our own presence throughout the hemisphere which has been one of the principal causes of friction in our relations with the Latin Americans. Economically, it might possibly lead to increased aid by these countries to Latin America. However, the implications of increased Western European and Japanese trade, investment, military assistance and arms sales in Latin America seemed sufficiently complex to lead us to suggest that a separate study of this question be undertaken.

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6. Territorial Sea

The present U.S. policy is to seek a world convention on the law of the sea covering all aspects of the problem and in the meantime to avoid concessions which would prejudice the attainment of such a convention. An increasing number of Latin American countries now claim a 200-mile limit. Although their primary purpose in claiming a broad territorial sea is to obtain exclusive control over fishing waters, acceptance of a 200-mile limit would not only affect U.S. fishing interests but would also have serious effects on the strategic mobility of U.S. naval and possibly air forces.

If present positions are maintained on each side, we shall soon find ourselves on a collision course with a large and important group of Latin American countries, with unpredictable consequences for our political interests in the hemisphere and our law of the sea position.

Recommendation: Pending the achievement of an international agreement on the law of the sea, we should make a major effort in Latin America and with the U.S. Congress to obtain agreement on an interim arrangement that would alleviate tensions with the Latin American countries relating specifically to fisheries jurisdiction, without prejudicing our position on the law of the sea.

7. Information

Following President Nixon's Latin American speech of October 1969 our information policy shifted from its former emphasis on publicizing U.S. aid programs to a new emphasis on stimulating psychological acceptance by the Latin Americans of the assumption by the Latin Americans themselves of a primary role in their economic and social development. USIA also seeks to encourage multilateral organizations to undertake vigorous and effective information programs. It has sought to recast the image of the U.S. relationship toward the hemisphere from one of hegemony to one of constructive and responsive partnership.

We do not have enough information to assess the adequacy of this policy. The policy goal of seeking to explain and win acceptance of the new policy of mature partnership is clearly correct. Our shift to this new policy was dictated by a conviction that the old policy was hurting our interests in Latin America because of its

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increasing unacceptability to most Latin American nations. If we are to realize the benefits which we anticipated from the new policy, it is essential that it be clearly explained and clearly understood throughout the hemisphere. What is not certain is whether our information policy is succeeding in this effort, in particular whether it has been able to reassure those Latin Americans who fear that the "low profile" really means loss of interest in Latin America. What is also unclear is the extent to which overseas personnel of all U.S. Government agencies understand the new policy and are practicing it in their daily contacts with the peoples and governments of Latin America.

Recommendation: The emphasis of our present information policy on promoting understanding and acceptance of our new policies of the "low profile" and mature partnership is correct and should be continued. However, an effort is needed to determine how effective this policy has been and what changes if any are needed in its implementation. USIA is in the process of carrying out a major image survey in Latin America. This survey will be an important element in orienting our information programs to be completely aligned with the new policy. An effort should also be made to determine whether U.S. Government personnel abroad adequately understand the new policy and are carrying it out effectively. The new Management Evaluation Group of the Department of State recommended by its management reform task forces may offer one vehicle for doing this. Policy statements and visits to the field by senior officials offer others.

#### 8. Other Policies

Our policies on security, the inter-American system, aid, trade and investment have major implications for our overall political relations with the Latin American countries. These policies have been reviewed in other sector papers which have addressed their political as well as technical aspects.

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