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B. SECURITY

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SECURITY/MILITARY

I. The U. S. Security Interest

The U.S. security interest in Latin America today consists of the following principal elements, in approximate order of descending priority:

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

B. Denial of Latin America as an area from which a strategic attack could be launched against the United States.

C. 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.

D. Maintenance of access to the Panama Canal, including under existing circumstances its protection and control by the United States.1/

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

F. Unimpeded transit for United States forces on the high seas and in international air space in the area.

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

H. Continued access to bauxite in Jamaica and petroleum in Venezuela.2/

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

2/ 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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I. Continued access to certain naval and air bases and facilities in the area.

.....

The significance of our security interest in Latin America derives from the following principal factors:

- Geographic proximity of much of the region.
- Our association with most of the Latin American countries in a political and security system which has generally served our broader interests.
- The existence of an inter-oceanic canal in Panama.
- Substantial economic interests.
- Latin American control of a limited number of strategic resources.
- The potential of one or more Latin American countries (e.g., Brazil, Mexico and Argentina) for becoming important powers.
- The cumulative effect these twenty-five countries can have on world order and our world position.
- The fact that by virtue of the "special relationship," the U.S. is often regarded, both in Latin America and elsewhere, as responsible to a substantial degree for the course of events in the hemisphere.

In addition, there are varying degrees of significance and concern among countries within the region that may have relevance for our security interest. Brazil's size, potential, current economic dynamism and sense of mission make it probably the most important country of the region. Mexico is of particular significance because of its contiguity, its size, its economic strength, and the wide range of common interests it shares with us. Jamaica and Venezuela are of special importance because of their bauxite and oil. Argentina and Colombia may become "middle powers" over time. Panama is important because it is the only practical location for an inter-oceanic canal and because of the presence of the existing canal. The Caribbean countries and especially the Bahamas have a special significance for the defense of the United States by virtue of the submarine surveillance and ASW installations located there and the relationship of this area to other U.S. interests (e.g., bauxite, oil, and an inter-oceanic canal).

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The current Marxist regimes in Cuba and Chile lend a particular importance, in a negative sense, to those countries.

II. Description of Potential Threats

No Latin American country is now or for the foreseeable future will be in itself a direct security threat to the United States. The potential threats to the United States security interest in Latin America over the next three to four years consist of:

-- 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.

-- the possible establishment of hostile non-strategic military and naval bases in Latin America;

-- the possible denial to the United States of access on reasonable terms and with reasonable security to the Panama Canal;

-- the possible denial to the United States of access to bauxite in Jamaica and petroleum in Venezuela;

-- the possible defense implications of the trend in Latin America toward expanded claims in territorial seas;

-- the possible denial to the United States of access 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;

-- the indirect effect on the world power balance of the undermining of our prestige, influence and self-confidence that could come from a series of negative political developments in the hemisphere;

-- a possible weakening of the inter-American security system.

The characteristics and potential importance of each

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threat are discussed in the sections that follow. Drawing upon the Intelligence assessment portion of this study, we have attempted to the degree possible to describe briefly the "intentions" (or "likelihood") dimension of each threat as well as its "capability" (or "potentiality") dimension. In some instances, however, -- as in the case of the possibile longer-term establishment of Soviet bases in the hemisphere -- we have considered it important to try to predict the policy implications of the hypothetical threat without attempting to estimate the likelihood that the threat would in fact materialize. The National Intelligence Estimate currently under preparation on the Soviet role in Latin America should permit a more extensive assessment of the short and longer-term threats that Soviet activities may pose to the United States security interest.

1. Missile Attack from Latin America

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 Soviet capability to attack the United States from Latin America would not provide the USSR with a decisive strategic advantage over the United States, such a capability would significantly escalate the level and complexity of the nuclear balance, introduce new control uncertainties, and increase the cost of defense.

This threat would be aimed at the weakest part of our defensive perimeter. Existing air defenses and planned anti-ballistic missile defenses are oriented toward the east and west coasts and toward the north; our weakest area is in the south. Operating from patrol stations in adjacent Latin American waters, a Soviet submarine is within missile range of a significant portion of our deployed strategic force, thereby increasing Soviet flexibility and further reducing the already short warning time. If the Soviets could obtain repair and replenishment facilities for their submarines in the area, the on-station time of these submarines could be considerably increased.

2. Hostile Non-Strategic Military and Naval Bases

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. In the future, however, should the Allende

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regime be receptive, the USSR might attempt to secure the use of Chilean facilities for the maintenance and replenishment of Soviet combatant ships and submarines. In the event that, over the longer term, such facilities were established, there would be serious security implications for the United States, including:

-- Increased Soviet capability to interdict sea lines of communications, particularly the strategic Panama Canal and Cape Horn routes and the flow of strategic materials from Latin America to the U.S.

-- Increased Soviet intelligence collecting capabilities and expanded communications facilities for command and control.

-- Impairment of hemispheric security arrangements, increased instability, and a possible arms race between bordering countries.

-- Increased Soviet capability to support subversion directed at existing governments.

-- Increased Soviet bargaining power vis-a-vis United States security interests elsewhere in the world.

It should be noted that the overt establishment of Soviet bases in one or more countries in the hemisphere could well have the effect of alerting the other countries to the danger, thereby strengthening the inter-American security system and jeopardizing the entire Soviet position in the hemisphere.

3. Denial of Access to Resources, the Canal and Facilities

The resources in question are bauxite in Jamaica and possibily petroleum from Venezuela. How critical these resources are is a function of time and circumstance. An important new factor in this regard are the events of the past months in the Mediterranean and the Middle East which favor a shift to sources of oil in the Western Hemisphere. At the present time, half of our foreign oil imports come by tanker from Latin America, accounting for fifteen percent of total U.S. consumption.

The Canal continues to be of major importance to our defense. Our purpose is to retain an absolute right to defend the present canal, which is vulnerable to many forms of attack,

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and to defend any new Isthmian canal system for the foreseeable future.

Denial of access to certain key military facilities would also constitute a threat to our security interest in Latin America. The United States maintains extensive bases and facilities for submarine detection, for ASW activities, and for military-scientific purposes in the Caribbean basin. Guantanamo Naval Base has been and remains an important naval training facility and provides a useful ASW capability. The base also plays an important role in helping to secure the approaches to the Caribbean and to the Panama Canal. Maintaining our presence there preempts possible Soviet utilization of the facilities.

4. Territorial Seas

With regard to the territorial sea issue, the principal threat stems from unilateral assertions, on the part of a number of Latin American countries, of jurisdiction over wide areas of the sea. These claims are based upon a desire for greater control over the resources of the seas adjacent to the coast. Actions in support of these territorial sea claims complicate our relations with the countries of Latin America. The absence of international agreement encourages a polarization between the Latin American countries on the one hand and the United States on the other. The resultant adversary relationship has an erosive effect on the whole range of our relations with Latin America.

We wish to record our concern over the implications of this issue for our security interest. It could have serious effects on the strategic mobility of U.S. naval and possibly air forces in the area. Since the underlying juridical problem will be the subject of a world conference on the law of the sea to be held in 1973, we do not believe it is appropriate to examine this question in greater depth in this paper.

5. Cuban and Chilean Support of Insurgency

While Cuba continues to supply training and other aid to Latin American insurgent groups, Castro has recently emphasized selectivity in his support and appears to be stressing the importance of self-sufficiency on the part of such groups.

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There was no hard evidence, for example, of Cuba's monetary or personnel support for the guerrilla effort in 1970 in Bolivia, even though this effort borrowed heavily from Cuban ideology, was strongly supported by the Havana media, and might receive some direct Cuban support were it to start up again and prosper. Cuba nonetheless appears to remain the principal sponsor of such groups as the FAR in Guatemala and the currently ineffective FSLN in Nicaragua. Cuba's unhappy economic performance has doubtless made Castro less adventurous abroad, and Cuba's recent closer linkage with the Soviet Union may have produced counsel for caution from Soviet advisors.

In Chile, the Allende Government is unlikely, in the short run, to risk foreign retaliation and strong domestic criticism by allowing Chile to become a base for large-scale insurgent operations or by providing overt governmental support to subversive activities against neighboring countries. There are indications, however, that Chilean support of insurgent groups in neighboring countries may increase. A base in Chile from which "revolutionism" could be supported, and possibly exported, would constitute a danger to its neighbors and could provide a focal point for unifying insurgent movements. A strong Marxist government of an influential continental country could serve as a model for movements in other countries and could be a source of ideological motivation, financing and other support. Over the long range, this could impart new importance to leftist revolutionary movements in Latin America and pose a significant threat to U.S. security interests. On the other hand, depending on the degree to which other Latin American countries discerned a threat in these Chilean activities, Chilean support of insurgency could exert a unifying effect within Latin America against Chile.

6. An Expanded Soviet Presence

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, as indicated by their expanded efforts to establish diplomatic and trade missions and by an increase in their naval and air activities. They can be expected to continue this expansion, not neglecting promising opportunities for encouraging subversion if they can do so without endangering their more respectable tactics.

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Though Latin America will remain a relatively low priority area for them, the Soviets will not hesitate to 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.

In Cuba, the Soviets will probably continue probing and testing U.S. firmness by increasing the frequency, size and duration of their naval visits. They may also continue to construct facilities at Cienfuegos. If they eventually decide that the United States has been conditioned to accept their presence, regular servicing of Soviet combatant ships and submarines may result. The eventual development of closer ties between Chile and the USSR could also lead to repeated Soviet naval visits and ultimately regular support of naval operations by Chilean facilities.

Soviet influence in Chile can be expected to grow. The Allende Government has announced it will use Soviet credits to build a fishing port, which would probably be located in Valparaiso. There are also unconfirmed reports of plans for the establishment of a Soviet commercial shipping arrangement which would include providing Chile with merchant vessels and a Soviet-manned merchant marine facility in Valparaiso. Commercial air routes involving Chile, Peru, the Soviet Union, and Eastern Europe are also under consideration. Close relations with Communist nations could contribute to the development of Chile as a base of support for intelligence, subversive and insurgent activities which would constitute a danger to its neighbors. As noted above, however, the development of Chile in this direction could act as a stiffening element with regard to Chile's neighbors.

In spite of these developments, a pattern of aid and dependence similar to what has emerged in Cuba is not likely, at least in the near term. 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

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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. This posture would not rule out assignment of military attaches to Chile and supply of certain equipment to the security forces, possibly with some kind of technical mission.

In the short range, the Soviet activities discussed here will probably not result in serious impairment of U.S. interests in the hemisphere. Soviet ability successfully to influence Latin American developments is likely to remain much less than that of the U.S., which is itself highly circumscribed.

7. Extremism, Insurgency, Nationalism and Radicalism

At present, despite the existence of rural insurgencies in a few Latin American countries and increasing urban terrorism in some, neither guerrilla movements nor urban terrorism are likely to result in actual seizures of power by extremists. In one or more countries, however, 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.

In general, the major thrust of multinational links among insurgent groups has been in providing safe havens and some funding, and also in facilitating transit for members of neighboring groups. The effectiveness of cooperative efforts across national boundaries by revolutionary groups will be hampered by limited resources, internal dissension and the reaction of security forces. Should disparate insurgent and terrorist factions succeed in joining forces, however, the problem of violent extremism could assume more serious proportions in a few countries.

Another cause for concern is the fact that growing Latin American nationalism, while containing positive features as well, often expresses itself in anti-U.S. action and rhetoric. This nationalism is demonstrating an increasing "radical" dimension in various sectors in Latin American society as evidenced by elements of the military, the business elite, and the media. Nationalism of both the right and left wings gains strength from the continued inability of Latin America

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to achieve prosperity in the modern world. The increasingly nationalist leadership of the larger and more developed countries will be less influenced by the United States. Although they will pay close attention to their relations with the United States 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.

This radical alternative to traditional Latin American political, economic, and military relationships with the United States could threaten our security interests. Hostile actions by elements of the radical "Black Power" movement, for example, could jeopardize important security installations in the Caribbean, or Torrijos could interfere with normal operation of the Panama Canal.

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 be exploited by powers hostile to the United States with important repercussions on our security interests.

8. Negative Political Developments

A series of negative political developments in the hemisphere would have an indirect effect on the world power balance by undermining our prestige, influence and self-confidence.

Chile is an example of one such development. Although the Allende regime has been reasonably circumspect to date in its foreign relations and has thus far avoided a direct confrontation with the United States, a serious deterioration in U.S.-Chilean relations can be expected if present trends in Chile continue. The impact of such a deterioration not only would be felt within the inter-American community, but also could adversely affect our interests outside the region.

This impact would be multiplied if the Chilean experience were to be followed by other political developments in the hemisphere that might have adverse implications for the United States. Such potentially adverse developments could result, for example, from controversy over territorial seas (as in the case of Ecuador) or could be essentially internal in nature

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(e.g., intemperate actions rooted in basic political or economic insecurity, as in Bolivia, or moves toward authoritarian socialism). Aside from the adverse impact that a series of such developments would have on our security interests within Latin America itself, such a series might well raise doubts concerning our capability and willingness to defend our security interests in other parts of the world.

III. POLICY IMPLICATIONS OF POTENTIAL THREATS TO THE U.S. SECURITY INTEREST

The cumulative importance of interrelated U.S. interests in Latin America has been discussed earlier in the Interests paper. These interests are in fact interrelated in a variety of ways. For example, a single threat can challenge multiple interests, or policies designed to counter a threat to a single interest may support or weaken other interests.

We recognize 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. It is also true that security/military policies in some instances contribute significantly to the support of political, psychological or other non-security interests.

We believe that the policy implications of potential threats to U.S. security interests can be best examined, at least in the first instance, by reviewing our interests and the potential threats to them on a single-interest basis.

The process followed in reaching the conclusions below was to determine, in relation to each interest, which of the potential threats challenged that interest, and in what ways. Certain policy conclusions emerged from this analysis; they are stated for each interest. Some policy conclusions will therefore be repeated, since they are applicable to more than one interest.

A. Preservation of a Predominance (by the combination of numbers or importance) of Independent, Self-Sustaining Latin American Countries Favorably Disposed to the United States.

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° Potential Threats to the Interest

This interest is threatened by the continued manifestations of violent extremism, insurgency, anti-U.S. nationalism, and radicalism. The threatened countries must divert scarce resources from economic and social development in order to provide reasonable conditions of law and order. In some cases, extremist tactics could provoke repression leading to widespread disorder and eventual revolutionary crisis. In any case, either because of genuine resentments, real ideological antipathy, or the desire to find a scapegoat for their own failures or excesses, these movements often demonstrate a strongly anti-U.S. bias. 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.

Cuban and possible Chilean efforts to aid insurgents constitute an additional threat. To the extent these efforts are successful, this U.S. interest will be eroded, since the aims of Cuban and presumably Chilean-supported insurgency are antithetical to the maintenance of this interest. An expanded Soviet presence might pose similar challenges to this interest.

Controversy arising over expanded territorial seas claims could threaten the favorable disposition of Latin American countries toward the United States.

Weakening of the inter-American system would loosen the bonds of common interest among the American states and make it more difficult to maintain a predominance of American states favorably disposed to the U.S.

The simultaneous materialization of several of these threats might also result in multiple negative political developments that would shake Latin American confidence in U.S. policies and cause Latin Americans to choose sides in an adversary relationship with us or ultimately to become hostile to us.

° Policy Implications

-- The continued requirement to divert resources to the maintenance of law and order indicates that some selective economic, public safety, or military internal security assistance would be useful for some of the smaller, weaker countries.

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-- In order to maintain this interest in the face of the pressures generated by hostile groups, we will need to increase our contacts, and hopefully our influence, with key influence groups in local societies.

-- A comprehensive exchange of information among hemispheric governments about Cuban and Chilean efforts to aid insurgents would serve to keep governments alert to the dangers.

-- While its limitations are evident, the OAS remains an important support for this interest. We defer further discussion of this question to the inter-American system sector paper in this study.

-- USIA and other non-military programs and activities can play a major role in encouraging understanding of and support for the U.S.

-- With regard to unilateral claims to expanded territorial seas, the potential impact of this issue on this interest can be expected to be taken into account in the formulation of the U.S. position for the international conference on the law of the sea to be held in 1973.

B. Denial of Latin America as an Area from which a Strategic Attack Could be Launched Against the United States.

° Potential Threats to the Interest

This interest is threatened primarily by the Soviet capability to launch strategic weapons against the United States from submarines and potentially from land bases. The submarine capability is real and growing; the land-based capability is not now considered likely to materialize in the next three to four years.

The United States has a number of highly important submarine surveillance facilities located [redacted] in the Atlantic approaches to the Caribbean. The physical security of these installations [redacted] would be jeopardized by violent extremism that might arise from the growth of "black-power" radicalism or from the deep-rooted economic and social problems of these areas. Their retention would be threatened by the growth of the anti-U.S. nationalism that might arise from these same sources.

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The expansion of the Soviet presence complicates both of these potential threats. An increase in Soviet military activity, reflecting primarily their increased naval capability, would provide them opportunities to test U.S. resolve and to demonstrate to the countries of the area their increased power. Increased Soviet diplomatic, economic, and cultural activities will provide them with opportunities for exploiting the unsettled conditions of the area and for encouraging subversion when they can do so without risk to their broader interests. Such exploitation and subversion could result in support for, or at least acquiescence in, any Soviet move to acquire land bases for strategic weapons.

° Policy Implications

-- Except for the case of an attempted reintroduction of missiles into Cuba, the prevention of the possibility of a land-based missile attack could be best assured through political rather than military measures directed toward the base country.

-- Increased submarine surveillance and ASW capabilities in the Caribbean may become necessary.

-- U.S. policy towards the Caribbean countries (and especially [redacted] should take into account the importance of retention and security of our naval facilities.

-- This interest can best be served by policies aimed at ameliorating the basic economic and social problems that manifest themselves in violence, extremism and radicalism. Economic assistance and liberal trade measures should play a useful role in this regard.

-- Public Safety assistance and/or military assistance for internal security purposes might play an important role in assisting the host country to assure the physical security of our important installations [redacted]

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-- Fullest possible exchange of information concerning the nature and implications of Soviet activities is essential.

C. Maintenance of the Confidence of Latin America and the World in the Effectiveness, Maturity, and Responsibility of U.S. Leadership as a Great Power in our Relations with Latin America.

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° Potential Threat to the Interest

A series of negative political developments in the hemisphere would challenge this interest. In preceding pages we have cited examples of the sorts of events which could constitute such a series. We believe it likely that, over the next three to four years, there will be further adverse developments of this character.

There are several additional possible threats to this interest. They are the trend toward expanded claims in territorial seas; continued manifestations of violent extremism, insurgency, radicalism and particularly anti-U.S. nationalism; and the various dimensions of an expanded Soviet presence.

°Policy Implications

-- The nature and style of the U.S. response to these threats is a far more significant determinant of Latin American and world confidence in the U.S. than are the threats themselves.

-- With regard to the territorial seas question, a proposal that might engender Latin American confidence is that we agree on a 12-mile limit for naval and maritime purposes but negotiate a special convention permitting a much wider limit for fishing.

-- The policy implications of the threat posed by extremism, insurgency, radicalism, and anti-U.S. nationalism have been addressed in paragraph A, above. Latin American and world confidence in the quality of U.S. leadership could best be maintained by a sober and non-reactive stance on the part of the U.S. in the face of such manifestations.

-- As indicated in other sections of this portion of the paper, the threat of an expanded Soviet presence in the near term can best be met by such measures as increased exchanges of information with host country governments, surveillance of Soviet naval and other military activities, combined with diplomatic and other programs designed to minimize the role and influence of Soviet missions in host countries.

D. Maintenance of Access to and Protection and Control of the Panama Canal.

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° Potential Threats to the Interest

This interest is physically threatened by manifestations of violent extremism, radicalism, and more importantly anti-U.S. nationalism on the part of the Panamanians. Despite precautions, the Canal is very vulnerable to the type of damage that could be inflicted by mob action. Since this threat is substantially amenable to control by the Panamanian Government, it is not likely to materialize unless that Government supports it -- perhaps in resentment over the progress of treaty negotiations.

Panamanian tactics in the treaty negotiations might include staged anti-U.S. demonstrations and other hostile public actions in an effort to embarrass the U.S. and enlist political sympathy from other Latin American countries. They might even include some ostentatious move toward the Soviet Union, taking advantage of the increased Soviet presence in the area.

If Panama attained the capability, serious efforts to enforce its claimed territorial seas could seriously complicate our access to the Canal.

In wartime, this interest would be threatened by Soviet submarine activity in the Caribbean or by the loss of our surveillance and ASW bases in the area.

° Policy Implications

-- The U.S. and Panama have sharply conflicting interests in the Canal which promise to make the forthcoming treaty negotiations difficult, at best. Until a satisfactory treaty is negotiated, it may prove necessary to buy time through limited economic and other concessions in order to cool Panamanian emotions and to limit the anti-U.S. sympathy which Panama might elicit from other countries.

-- NSDM 64 has termed U.S. protection and control of the Canal to be non-negotiable in treaty discussions.

-- It is possible that U.S. information programs in other Latin American countries explaining the U.S. treaty position might help to gain their tacit support, or at least to prevent the development of massive support for Panama.

-- In wartime, it will be necessary to defend the approaches to the Canal. This emphasizes the importance of the retention of submarine surveillance and ASW capabilities in

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the Caribbean.

E. A Strong Inter-American Security System

° Potential Threats to the Interest

The inter-American security system has for many years facilitated regional cooperation on matters of importance to the United States and has permitted a collective address to issues affecting hemisphere security. Although Latin Americans clearly count on the United States to continue to provide protection against extra-hemispheric threats, their declining concern for the potential security threat from outside the hemisphere has doubtless contributed to a more independent and relaxed attitude on the part of some toward such collective measures as the isolation of Cuba and the maintenance of machinery to keep watch over the inroads of international communism.

The ability of the OAS effectively to employ its peaceful settlement mechanisms has been and will continue to be contingent to an important degree upon the willingness of both disputants to submit their problems to it. Under the Rio Treaty, collective security mechanisms can be activated at the request of only one party. In any case, failure to utilize or call upon the established mechanisms and procedures of the system in the face of a dispute or conflict would have a clearly erosive effect on their efficacy.

The trends identified elsewhere in this paper which potentially threaten U.S. security interests might also threaten the utility of the OAS in serving our security interests. For example, the application of U.S. measures geared to seizures of fishing boats on the high seas and to expropriation without compensation could bring further accusations against us in the OAS and polarize Latin American opposition to such measures. The Allende regime in Chile could well pursue actions within the OAS, particularly with regard to Cuba, that could weaken the effectiveness of the collective commitments of the system.

° Policy Implications

We accept the conclusions of the inter-American system sector paper in this study.

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F. Unimpeded Transit for United States Forces on the High Seas and in the International Air Space in the Area

° Potential Threats to the Interest

This interest is potentially threatened by expanded Latin American territorial sea claims to a distance of up to 200 miles. In those instances where claims extend to the rights of innocent passage and overflight, such claims could restrict the movement of U.S. forces through these portions of the high seas and perhaps in the superjacent air space as well.

Denial of access to the Panama Canal would seriously threaten this interest. This possibility is discussed elsewhere in this paper. The denial of the use of military bases presently available to us for refueling and provisioning purposes could seriously impede the movement of U.S. forces.

An atmosphere of rising nationalism and extremism with anti-U.S. overtones could complicate attempts by the United States to resolve territorial sea disputes and might well contribute to unfriendly action against the Canal or other facilities important to us. Such factors might also produce restrictions on refueling and provisioning calls by U.S. naval vessels.

° Policy Implications

- This interest will be generally served by those policies aimed at preserving a "favorable majority," by information programs, and by the actions we would take to protect other interests against the effects of anti-U.S. nationalism.

- The major policy consideration pertinent to this interest is the effect that policies designed to support it will have on our other interests. The interrelationship of these interests and policies to support them is particularly significant in connection with negotiations on territorial seas or law of the sea issues.

G. Denial of Non-Strategic Bases to Hostile Powers

° Potential Threats to the Interest

Anti-U.S. nationalism or radicalism might make a Latin American country receptive to establishment of a Soviet military or naval facility. Given their increased interest in Latin America, the Soviets can be expected to give careful

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consideration to any future opportunities of this sort.

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. It would increase Soviet capability to interdict sea lines of communications, particularly the strategic Panama Canal and Cape Horn routes, and the flow of strategic materials from Latin America to the United States. Such a base would increase Soviet intelligence collecting capabilities, expand communications facilities for command and control, and increase Soviet capability to support subversion directed at existing governments. It could increase Soviet bargaining power vis-a-vis United States security interests elsewhere in the world. Finally, it could threaten hemispheric security arrangements, increase instability, and stimulate an arms race between bordering countries.

On the other hand, the overt establishment of bases in one or more countries in the hemisphere would raise Soviet visibility to unprecedented heights and could have a solidifying effect on the inter-American security system and thereby seriously jeopardize the Soviet position in Latin America.

° Policy Implications

- There is a lack of contingency planning within the government concerning the actions we would be prepared to take to help avoid the materialization of this threat.

- The same considerations supporting the first stated interest (i.e., the preservation of a favorable majority) will also support this interest.

H. Continued Access to Bauxite in Jamaica and Petroleum in Venezuela

° Potential Threats to the Interest

The degree of criticality of bauxite from Jamaica and petroleum from Venezuela is a function of time and circumstance. The events of the past months in the Mediterranean and the Middle East favor a shift to sources of oil in the Western Hemisphere. At the present time, half of our foreign

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oil imports come by tanker from Latin America, accounting for about thirteen per cent of total U.S. consumption[1/]. Venezuelan shipments, including Venezuelan crude oil refined in the Netherlands Antilles, represented approximately three-fourths of these imports from Latin America.

A threat to our continued access to these resources could result from the same manifestations of violent extremism, insurgency, anti-U.S. nationalism and radicalism that endanger other interests. Outbreaks in the Caribbean area are likely to have a strong anti-U.S. flavor. Although Latin American self-interest in preserving the receipt of dollar credits will operate in our favor and toward maintenance of a continued raw material flow, sabotage in Venezuela or pressures generated by the growth of black power radicalism in Jamaica could interrupt this flow.

In the event of extended hostilities with the Soviet Union, a threat to these relatively secure sources of important raw materials might be posed by Soviet naval activity within the Caribbean Sea and the Gulf of Mexico.

° Policy Implications

-- A technical study is required of the strategic requirements for bauxite, oil and perhaps other strategic resources obtained from Latin America. The degree of criticality of each resource under varying peacetime and wartime conditions must be appraised before the full policy implications of the above threats can be adequately considered.

I. Continued Access to Naval and Air Facilities

° Threats to the Interest

The United States currently uses or has access to certain military bases, facilities, and transit rights for submarine detection, ASW activities, military-scientific purposes in the Caribbean basin, and air and sea movement through South America.

The threat to the submarine surveillance facilities has already been discussed in the consideration of Latin America's potential as a base for strategic attack against the U.S. Such facilities could be threatened by violent extremism, anti-U.S. nationalism, and radical "Black Power" movements. Guantanamo, which is important as a naval training facility, ASW base, and a part of the security system protecting the approaches to the Caribbean and the Panama Canal, is a target for Cuban propaganda and potential sabotage.

1/ Provisional for 1970. Figure for 1969 was twelve per cent.

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° Policy Implications

-- The discussion of the role of our surveillance facilities in paragraph B above is pertinent here.

-- Our transit rights would best be secured by those measures taken in support of preserving a "favorable majority," as described in paragraph A above.

IV. POLICY ANALYSIS

Our analysis of the policy implications of the various factors affecting the U.S. security interest produces several broad conclusions.

First, the trends identified in the 1969 analysis of the environment are, in the main, those that characterize present circumstances. These trends were then and remain the product, above all, of the stresses and pressures generated by the drive for economic and social progress and by a strong nationalism often accompanied by an anti-American bias. 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.

Second, the broad policy outlines of 1969 remain, by and large, appropriate today. The policy that grew from our 1969 analysis sought a "low profile" and a "more mature partnership." It was believed that these concepts were those best designed to accommodate the increasing strains in our relationship. Our policy response in the field of security assistance was consonant with the President's decision of October 15, 1969, that the United States should continue to provide assistance and work carefully with the Latin American military but in ways which would reduce or lower our profile. Specific components of our security assistance policy were continuation of the reduction of grant MAP materiel assistance, a program of military credit sales, a grant training program, and a substantial reduction in the strength of our military missions. (The policy guidelines of October 1969 were modified in November 1970 when, as a result of concern over developments in Chile, the President decided that we should increase our efforts "to establish and maintain close relations with military leaders in the hemisphere.")

Third, our security policies as they actually materialized during the past eighteen months resulted in decreases in security assistance beyond what had been contemplated. We continued to

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reduce our MAP materiel assistance, while military sales, which were intended to compensate for the grant reductions, remained beset with restrictive provisions. Even more important, there were no credit sales in FY 70 because Congress did not pass the necessary legislation. The small MAP materiel program for FY 71 was suspended in connection with the restructuring of MAP necessitated by the Cambodian emergency[1/]. Although our policy called for continued MAP training, this too was significantly reduced as a result of the restructuring. Meanwhile, we continued with our program of reductions in the strength of our military missions, reductions not welcomed by some of the Latin American governments. The overall effect of the reductions in military mission personnel, the suspension of grant materiel programs, and the lack of FMS credit probably implied to some Latin American military establishments a U.S. intention to disengage that was not contemplated in U.S. policy. This combination of circumstances was an important factor in the resort by some countries to foreign suppliers.

Fourth, the recommendations in the IG/ARA's "military presence" study of January 12, 1971, which proposed certain measures for carrying out the President's decision of last November for increased efforts with Latin American military leaders and which responded to the above described "shortfalls" in the execution of our security assistance policies, remain valid and should be approved. The recommendations of January 12 are attached to this paper at Tab A.

Fifth, in 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, the recommendations of this paper must be viewed in the light of the conclusions and recommendations of the other sector papers in this study.

V. RECOMMENDATIONS

The following recommendations reflect both the broad conclusions in section IV and the policy implications of our analysis in section III.

A. That the IG/ARA's recommendations to the SRG of January 12 be approved (see Tab A).

The first four of these recommendations, which concern the role of U.S. military personnel in influencing host government

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1/ The program was eventually restored in early January 1971.

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military, are directly responsive to the following policy implications of threatened interests discussed in section III:

-- the need to increase contact and influence with key sectors of local societies to help maintain a "favorable majority";

-- the need for greater exchange of information concerning Cuban, Chilean, and Soviet activities.

The January 12 study contains additional recommendations which, while primarily designed to serve specific military ends, could contribute in significant degree to the above needs. These recommendations are those that concern training, visits and exchange of information (recommendations 8, 9, and 11).

The remaining recommendations of the January 12 study, which concern grant materiel assistance[1/], the elimination of legislative restrictions, a responsive FMS credit program, and provision of naval vessels, relate to the need cited in section III for selective military assistance for internal security purposes.

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

We foresee the need to formulate a clearly defined policy toward the possible establishment of a Soviet military or naval base in Latin America, and to develop implementing courses of action that might be taken to help avoid the materialization of such a threat. Although our previous discussion makes clear that we do not consider such a threat likely to materialize over the next three to four years, we believe that planning for the contingency is prudent.

A possible scenario is described below. We offer this tentative scenario in full recognition of the facts that the content and timing of its initiation would be carefully reviewed in the light of the circumstances in which the contingency occurred and that the full running of the scenario would depend on the nature of the base.

1/ Attached at Tab B are the principal options, with Pros and Cons, that were considered by the IG/ARA in arriving at this recommendation. These options are also discussed in an IPMG memorandum of January 19 to Mr. Kissinger.

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The scenario might well start with diplomatic warnings to the Soviet Union and the Latin American country involved that the United States would view with concern the establishment of a communist military base in the hemisphere. Diplomatic approaches through the OAS designed to rally the support of Latin American countries might similarly stress that such intervention in the hemisphere is unacceptable. Should political initiatives fail and a hostile base be established, the United States would consider the possible application of economic sanctions through the OAS against the Latin American country which had permitted the establishment of such a base. Were the use of force to be considered necessary, it should be applied under the auspices of the OAS. Should OAS auspices not be possible, some other multilateral arrangement (e.g., one involving a group of like-minded Latin American countries) should be sought. Only as a last resort should force be applied unilaterally.

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

We foresee a continuing significant role for AID's Public Safety program in providing assistance to civilian security forces in selected countries. This program is designed to help participating countries meet short-term security threats, such as terrorism and urban violence, riots, and rural violence that may develop into guerrilla warfare. The program can help build civil internal security mechanisms that can prevent the development of threats to internal order without unnecessary force or deal with them in their incipient stages so that military force will not be required later to redress a full-blown insurgency.

Public Safety programs can thus contribute to the maintenance of internal stability, an important precondition for economic and social progress and political viability. As stated in "United States Policy on Internal Defense in Selected Foreign Countries," issued by the Senior Interdepartmental Group May 23, 1968, and reconfirmed by NSDM 20 July 10, 1969, these programs have a dual rationale, i.e., development as well as security. This double purpose has been cited in the Under Secretaries Committee's proposed response to NSDM 76, and we affirm its validity.

In most countries where we have Public Safety programs, particularly those where there are no military forces and internal defense functions are performed by a National Guard (Panama, Costa Rica and Nicaragua), these programs provide a useful means of contact and influence with a key sector of the host government hierarchy. We recognize that from time to time

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our Public Safety programs can be accompanied by associated political costs, particularly in countries with governments that demonstrate authoritarian or repressive characteristics. It is possible that such costs may increase in the event Public Safety is removed from the developmental rubric and placed within a security context, although they might be mitigated by concurrent legislative affirmation of Public Safety's dual rationale of development and security. We nonetheless believe it serves our security interest, as well as our overall economic and political interests, to continue these programs and to provide adequate resources for them, when requested and when appropriate.

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

E. 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.

F. 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.1/

G. That the SRG commission a thoroughgoing 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.

1/ See also the Political-Psychological sector paper.

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H. That the Arms Control and Disarmament Agency, in co-operation with the IG/ARA, conduct a study of the feasibility of a possible arms limitation initiative.1/

Attachments:

Tab A - List of Recommendations (taken from the IG/ARA study of January 12 on U.S. Military Presence in Latin America).

Tab B - The Future of Grant MAP Materiel - Options Paper.

1/ Although not a matter constituting a current threat to the U.S. security interest, the recent series of reported purchases of French Mirage aircraft (Argentina, Brazil, Colombia, and perhaps Venezuela) indicates a possibly increasing arms race potential in Latin America and demonstrates the kind of problem to which an arms control initiative might well relate. While recognizing the unimpressive record of previous arms limitation initiatives in the hemisphere, the IG/ARA has concurred in a suggestion from the Arms Control and Disarmament Agency that the Agency, in cooperation with the IG/ARA, conduct a study of the feasibility and nature of a possible Latin American arms control initiative and the role of possible U.S. support for such an initiative.

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TAB A

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LIST OF RECOMMENDATIONS
(Taken from the IG/ARA study of January 12
on U.S. Military Presence in Latin America)

1. Utilization of Military Personnel.

That the Departments of State and Defense send to the field definitive guidance removing any doubts about the permissibility, propriety and desirability of utilizing mission personnel and attaches for purposes of influencing host government military leaders toward U.S. foreign policy objectives.

2. MILGP Manning Level.

That the freeze on further implementation of the MILGP study be lifted and that a new level of not to exceed 290 U.S. military spaces for the region be approved, leaving the detailed breakdown of each MILGP to be worked out among the Ambassadors, USCINCSO and Washington. In deciding upon the new levels for individual posts, the IG/ARA will oppose any increases that are not demonstrably contributive to the objective of increasing U.S. influence.

3. Size of Attache Offices.

That the Departments of State and Defense take action as feasible to provide for the small increases in several attache offices recommended by the Ambassadors.

4. Quality of Military Personnel.

That the Department of Defense take concrete measures to improve the quality of MILGP and attache personnel. These measures should include actions to improve overall military qualifications, language proficiency, knowledge of the area, the attractiveness of career and promotion patterns (to include possible establishment of foreign service career fields), military and civilian education levels, and personal qualities such as degree of empathy and political sensitivity.

That the Department of Defense report to the SRG by March 15, 1971 the actions taken and to be taken.

5. Grant Materiel Assistance.

That the present policy of phasing out grant materiel programming activity in Latin America be modified to permit

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materiel programs for selected countries. In determining the selection of countries and the size of country programs the IG/ARA will take into careful consideration all relevant factors including the security need, the local budgetary implications, and the political impact.

That the programs stress high-impact items in order to achieve the maximum influence.

That, accordingly, sufficient funds be reprogrammed for FY-72 in order to provide a program on the order of that funded in FY-70 ($9.3 million exclusive of supply operations).

That funds be programmed for subsequent years at levels not below that for FY-72, with possible small increases to be determined through normal interagency procedures.

6. Legislative Restrictions.

That the Administration make concerted efforts to eliminate from the Foreign Military Sales Act such burdensome legislative restrictions on our military sales program as the "Conte" Amendment (precluding credit funds for "sophisticated weapons systems"), "Pelly" Amendment (reference to preclusion of sales and credit following fishing boat seizure), and "Reuss" Amendment (reference to sales to military dictators).

That in the upcoming security assistance legislation, the present $75 million regional ceiling on military materiel to Latin America be eliminated or raised in order to permit flexible response to materiel requests.

7. FMS Credit Requirements.

That Latin American requirements for FMS credit be accorded a sufficiently high priority in relation to other regions to support a dependable and responsive program of military credit sales particularly for those countries in which such sales can significantly affect our ability to retain influence with the host country military (not less than $70 million annually for FY-72 and subsequent planning years).

8. Training Program for Latin American Officers.

That training programs for Latin American military personnel in U.S. military schools and the Information Program for Foreign Military Trainees be maintained at at least the FY-72 level ($10 million).

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9. IAGS.

That the IAGS continue to be supported and adequately funded to permit continuation of mapping and school operations (not below $2.9 million per year as compared with $4.2 million in FY-71).

10. Naval Vessels.

That the United States be responsive to Latin American requests for naval vessels, particularly for those countries in which such response can significantly affect our ability to retain influence with the host country military; and that sales of excess naval vessels rather than loans be emphasized to the extent such vessels are available.

11. Related Military Programs.

That the following related military programs be continued and supported:

-- Inter-American Chiefs of Military Service Conferences and Latin American VIP visits.

-- Latin American Liaison Personnel Program (currently being expanded).

-- Combined exercises.

-- Visits of U.S. officials to Latin American defense establishments.

12. Related Non-Military Programs.

That within the context of the primary purposes and legal restraints of CU, USIS, and development assistance programs, those activities that provide maximum opportunities for influencing the military be expanded. A report of actions taken or to be taken should be submitted by the IG/ARA to the SRG by March 15, 1971.

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The Future of Grant MAP Material

Options Paper

The United States provides military equipment to Latin America through cash and credit sales and grant aid. The President's FY 1972 budget contains funds to meet anticipated Latin American credit sales requirements. At issue, however, is the future of grant materiel assistance.

In accordance with U.S. policy worldwide, there has been a shift from grant MAP to credit and cash sales over the past few years. The Senior Interdepartmental Group decided in 1968 that grant materiel assistance should be phased out in 1970 with any exceptions for future years to be determined through the CASP procedures of the IG/ARA. For FY 1971, the IG/ARA recommended exceptions for 11 countries, totalling $6.2 million; it recommended $4.0 million for 9 countries in FY 1972.

The President's FY 1972 budget does not contain programmed funds for materiel aid, the assumption being that any urgent Latin American requirements would be funded from a worldwide contingency fund.

The IG/ARA, nonetheless, recommends resumption of grant materiel assistance to be programmed for selected countries as a means of enhancing U.S. foreign policy objectives in the region. This recommendation was originally contained in the IG/ARA study of January 12, 1971, on military presence and programs in Latin America, prepared in response to an NSC directive of December 8, 1970. In this present policy review, the IG/ARA reaffirms its earlier recommendation.

Since the recommendation represents a modification of the 1968 SIG decision and a departure from provisions of the 1972 budget decisions and since it could have Congressional implications, the SRG may wish to have before it the IG/ARA approved position and the two principal alternative options considered and rejected by the IG/ARA.

Option 1 (as approved by the IG/ARA January 12, 1971)

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). In determining the selection of countries and the size of country programs, the IG/ARA, as part of the normal CASP procedure, would take into careful consideration all relevant factors including the security need, the local budgetary implications, and the

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political impact. High-impact items would be stressed in order to achieve maximum influence.

Pros:

1. By demonstrating U.S. concern for local security problems in selected countries, provides leverage to increase U.S. influence with key civilian and military leaders.

2. Helps selected countries maintain the internal security necessary for orderly political, economic and social development.

3. Permits advance programming of military assistance funds for those Latin American countries with greatest need.

4. Increases the ability of the armed forces in selected countries to perform effective civic action programs.

5. Might to some degree discourage third country supply of military hardware and assistance. (NB: Given the modest size of the recommended program, its leverage in discouraging significant third country military purchases or aid is limited.)

6. Would be consistent with the portion of the President's decision of October 15, 1969, that refers to his desire that the United States "continue to provide assistance and work carefully with Latin American military ...."

Cons:

1. Some segments of Congress may oppose the continuation of a grant aid program whose major purpose might be seen as increasing our influence with Latin American military leaders or establishments. This attitude could jeopardize Congressional acceptance of any liberalization of existing sales restrictions and the $75 million ceiling in the FMS Act, actions which could be more effective than a small grant program in achieving the objective of influence.

2. Resumption of a MAP materiel program might be viewed as a) inconsistent with the last portion of the President's decision of October 15, 1969, that he wanted the United States to continue to provide assistance and work carefully with the Latin American military "but in ways which would reduce or lower our profile," and b) a step backward in our attempt to encourage self-reliance and budgetary discipline

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in meeting security needs. (NB: It should be noted, however, that the $9.3 million recommendation represents a significantly "lower profile" relative to prior fiscal years -- FY 66-69.)

3. In cases where the recipient nation had recently purchased or was known to be considering the purchase of substantial amounts of military equipment, particularly if in the "sophisticated" or "prestige" category, it would be difficult to explain even a modest program to some segments of Congress. (NB: This would be one of the sorts of factors that would figure in the IG/ARA's scrutiny of each request.)

4. We might be criticized for resuming a program that was suspended last year with relatively little complaint from some of the former recipients.

5. To the degree that the recipient Latin American government is repressive or otherwise unpopular, any overt U.S. assistance can be politically costly in that such assistance is readily misinterpreted, sincerely or otherwise and in the United States as well as in Latin America, as U.S. endorsement of the local regime. Grant MAP materiel can be a particularly visible kind of assistance in these circumstances.

(This "con" applies to all three options but is reduced in significance to the extent that the assistance that is provided responds to emergency needs broadly recognized as legitimate by general opinion in the host country.)

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. (In the context of his budgetary decisions for FY 72, the President has already decided to request a $100 million worldwide Contingency Fund for all purposes -- security, economic and humanitarian assistance -- from which urgent Latin American requirements could be funded.)

Pros:

1. A large all-purpose Contingency Fund would provide the greatest possible flexibility for meeting Latin American needs. Such a fund would also be fully consistent with the proposal to present a single security assistance bill.

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2. A single Contingency Fund conforms with the President's intention to streamline and integrate all security-related aid programs.

Cons:

1. Latin American requirements, while small, are nonetheless important. They would tend, as in the past, to be overshadowed or preempted by emergency requirements for large sums of money in more active or higher priority areas of the globe.

2. The wielding of influence with the Latin American military would be enhanced by a continuous dialogue over grant military programs. The provision of grant materiel assistance on a contingency basis would preclude this sort of dialogue.

Option 3.

Earmark up to $9.3 million of the President's Contingency Fund for use as necessary in Latin America. Allocations against this amount on a contingency basis would be approved for specific countries by the IG/ARA.

Pros:

1. Enables us to respond to emergency needs of selected countries on a contingency basis.

2. Would demonstrate U.S. concern for local security problems in selected countries during an emergency, thus providing a degree of leverage for increasing U.S. influence with military and civilian leaders in Latin America.

3. Since no money would be programmed in advance for any specific country, this option may not draw as sharp Congressional criticism as might a resumption of materiel programming.

4. Might to some degree discourage third country supply of military hardware and assistance. (See NB under Option 1.)

Cons:

1. By earmarking a portion of the Contingency Fund, would reduce the Administration's flexibility in drawing

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upon the Fund's full resources in response to world-wide needs.

2. Might draw Congressional criticism on the grounds that this procedure circumvented the Congressional scrutiny usually directed to regular grant programs.

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C. DEVELOPMENT

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DEVELOPMENT ASSISTANCE

Experience over the past 18 months confirms the validity and continued relevance of the major assumptions underlying U.S. development assistance policies in the hemisphere, although some adjustments based on recent events are in order. Our assessment endorses the policy of a lowered bilateral assistance presence and involvement, and a greater reliance on multilateral lending institutions for transferring an increasing share of development resources.

I. U.S. Interests in Development Assistance

The section on U.S. interests in Latin America notes that moderation of the frustrations which are a primary source of anti-United States nationalism and experimentation with extremism in Latin America will require our continued deep concern for the rate of progress in social and economic development. Effective programs to facilitate an adequate rate of progress will also be needed. Among our interests directly affected, and quite apart from humanitarian concerns, is the preservation of a predominance of independent, self-sustaining Latin American countries favorably disposed to the U.S.

The section on U.S. interests also concludes that the primary objective interest of the Latin American countries lies in achieving a reasonable rate of economic and social progress, although they also desire to avoid dependence on any outside power.

The confluence of these U.S. and Latin American interests marks development assistance as a field of considerable sensitivity and foreign policy importance for the U.S.

II. The Assumptions Underlying Current Policy

The controlling assumption underlying current U.S. development assistance policy is that an economically advancing hemisphere politically well-disposed to the U.S. is strongly in our national interest. A cardinal premise is that U.S. helpfulness on development matters is a necessary, but not sufficient, condition to the attainment of that goal.

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Continuity of the U.S. commitment to Latin American development is considered central to our bilateral political and economic relationships with almost all of the hemisphere's countries. A positive developmental stance by the U.S. in trade, assistance and commercial policies is believed to offer the best hope that healthy hemispheric relationships can be maintained over time. This stance does not, however, assure unflagging progress, or that stable governments well-disposed to the U.S. will predominate at any given time.

Among the major assumptions which called for adjustments in U.S. assistance policies for the 1970's were:

1. Although Latin American development efforts were relatively and in some instances dramatically successful, progress in many countries in the 1960's was not adequate to keep pace with population growth, heightened expectations and mounting internal political pressures.

Great hopes, fed on the unrealistic targets of the Alliance for Progress, were frustrated, as major problems of housing, education and health facilities, large scale unemployment, and income maldistribution persisted. The benefits of such growth and change as occurred were not widely shared or perceived by the ordinary citizen. His discontent was increasing. Pressures on some governments and political structures threatened to overwhelm domestic saving and investment potential, and nullify the effect of improved technological, management and political capabilities. As Latin American politics focused more intensely on development -- on rapid and basic change -- political and ideological fissures among economic and class groups appeared. Frequently, these conflicts were expressed in extremist political forms. Traditional political molds were broken in the face of dramatic shifts in the outlook, role, class origin and methods of those who govern. Cleavages over paths to development, allocational priorities and strategies, and the possible sacrifices of democratic forms, intensified by the irrationalities of populist political mobilization and the reformer's zeal, promised to keep the hemisphere in political turmoil for many years ahead. They posed this key question for the 1970's: Can these heightened tensions be channeled constructively into development progress by the frail political, technological, and economic structures of much of the hemisphere; or will they prove unmanageable, and lead to continuing disruptive conflict and aggravated problems of failure?

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2. It was also apparent that already manifest nationalism would intensify and, because of the dimensions and visibility of U.S. investment, trade and presence in Latin America, the U.S. would be a prime xenophobic target; blame for inadequate progress would increasingly find expression in anti-"gringoism".

At the same time in some countries, there had been an encouraging capacitation in the management of key elements of public sector development policy. In almost all countries considerable familiarity with the rules under which assistance programs operated had developed. One consequence was the increasing embarrassment to the U.S. from those bilateral assistance requirements, with little or no developmental rationale, such as "additionality" and other procurement rules, which Latin Americans recognized and complained about as being costly to them. In addition, there was a greater ability in the hemisphere, or at least a desire, to evaluate advice intelligently, and to reject externally designed priorities not fully consistent with domestic perceptions of national political and economic imperatives. This composite of increased nationalism, confidence, assertiveness, and in some countries competence, led us to conclude that a muted, less directive U.S. assistance presence and involvement in Latin America was needed and would be welcomed. We did not assume, however, that a reduced U.S. presence would necessarily yield short-run political benefits or be immediately perceived by Latin America as necessarily consonant with their interests. There was a danger that the implementation of this policy would be seen in Latin America as reflecting a reduced U.S. commitment to hemispheric development.

3. We assumed that by reducing the bilateral U.S. assistance involvement, we could significantly reduce the risks of nationalistic attacks, and thus encourage improved bilateral relations. Essentially, if adequate and needed assistance resource flows were to continue, strengthened multilateral mechanisms were needed to work out priorities, channel assistance, and see to it that resources were effectively utilized.

We attached a positive and important value to growing desires of Latin Americans to assume more responsibility for the development of their countries. Encouraging and facilitating Latin American psychological independence of the U.S. through assistance policies and operations designed to elicit and support their initiatives and decisions was viewed as essential to healthy U.S.-Latin American relations and to development.

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III. The Need for and Roles of External Assistance

While the major countries of the hemisphere possess considerable potential for achieving progress, they are burdened with a staggering legacy of problems which place their future development attainments in serious question. These problems are deeply rooted in social and political factors which transcend economic growth trends and economic causes. For the less endowed smaller countries of the Caribbean, Andean area, Central America, and for Uruguay and Paraguay, the obstacles are even more formidable. In all countries, oversized problems seriously strain undersized political, managerial, technological and economic resources. Despite instances of impressive growth -- which most often is closely associated with fortuitious strengths in world markets for Latin American export commodities -- gains have not been adequately distributed. Bringing the benefits of progress to the common man remains almost as difficult a goal today as a decade ago. Yet, demands for change and political pressures for progress are far more strident.

The most severe challenges to development stem from the region's high population growth rates and the rapid internal migration from rural to urban areas. In many countries, the problem is dramatically posed by the large and growing pools of underemployed and unemployed persons in the cities. While sustained high growth and investment rates in Brazil, Colombia, Mexico and Argentina may effectively absorb much of this surplus labor, the ability of these countries to sustain needed growth and investment is in doubt. In other countries, the problems of too many people and too little work are even more ominous (e.g. Jamaica, Peru, El Salvador, Uruguay).

In addition, population increases have tended to absorb impressive gains registered in many countries over the last decade in the development of health, sanitary, education and power facilities. Major investment and organizational efforts have been made, but tangible benefits to most people are not evident. Urban centers cannot meet or keep abreast of the overwhelming requirements for educational, housing, power, water and other facilities. In rural areas, little headway has been made in ameliorating the lot of the campesino. Mal-distribution of land remains the rule. Archaic marketing, food processing and distribution systems still characterize the agricultural sector, assuring high prices to consumers and reduced incomes to producers.

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There are several interrelated roles to be served by future external assistance. They will vary in importance and relevance from one country to the next, and over time. First, external assistance will be important as a form of capital transfer. External constraints will continue to limit growth capabilities.[1/] Second, external assistance can assist countries to focus intelligently on their priorities, and to shape their resource allocation policies more effectively. While politically improvident for the U.S. to do so forcefully, multilateral institutions should increasingly condition and shape their lending policies to these ends. We should so encourage the Inter-American Development Bank (IDB). Third, solutions to the problems of underdevelopment require breakthroughs in technology, management and investment systems. The costs of conventional approaches to mass education, for example, are simply out of reach. New technologies, management systems and conceptions of educational purposes are required. Similarly, the problem of mass unemployment will require new approaches, new technologies and improved educational systems. Although very difficult to achieve, simultaneous progress will be required in the agricultural sector to stem the tide of migration to the cities. A major challenge to the U.S. will be to apply effectively its superior technology, research capabilities, and management systems to these problems.

IV. The Bilateral Assistance Role

1. The Developmental Contribution

With growing reliance upon multilateral lending, A.I.D. has concentrated on innovative agricultural, education, and health sector financing -- fields in which bilateral

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[1/] We do not herein treat the conjectural question of appropriate future levels of external resource transfer. Needs will depend upon growth targets. There will be trade-offs between assistance flows and trade benefits. Also, there are potentially important trade-offs between private sector flows and assistance. In this case, it is unlikely, though, that reduced private investment flows will be offset by increased assistance. As a general proposition, it is safe to assume that conditions which impede inflows of private capital will reflect national policies and circumstances not inviting to concessional lending.

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assistance programs have traditionally pioneered. Our technical assistance activities provide a parallel focus on agricultural and educational research and institution building, although these activities still include programs which arguably reflect higher U.S. than country priorities (e.g., public safety and AIFLD programs).

We conclude that bilateral programs should continue to evolve in this direction -- as we understand, do the planners for the A.I.D. reorganization.[1/] We envisage carefully integrated bilateral technical assistance and lending programs primarily in the urban, agricultural, and education sectors playing an important innovative role, with emphasis upon improvements in technology, management systems, human infrastructure, and research. New lending approaches, once proven, would as in the past tend to be adopted by the multilateral institutions. Innovation will require program flexibility, and the careful integration of the various assistance tools which are available (lending, technical assistance grants, training, P.L. 480, housing and investment guarantees).

2. Political Aspects

Bilateral assistance has served a multiplicity of U.S. long-run political interests and has been central to our bilateral relationships in this hemisphere. While absorptive capacity and related developmental considerations generally dominated in A.I.D. programming, assistance transfers were shaped frequently by political purposes. Where assistance was clearly "political" (lacking a clear developmental justification), Supporting Assistance was normally employed.[2/] Typical recent "politico-developmental" situations are as follows:

-- Guatemala, where a deteriorating internal security situation is closely linked to acute economic problems, and the country was prepared to mount well-conceived development

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1/ The trend towards increased reliance upon multilateral lending is reflected in the following. A.I.D. lending, as a percentage of total IBRD, IDB, and A.I.D. loan commitments to the hemisphere, was: FY 1965 - 47.3%; FY 1966 - 40.6%; FY 1969 - 18%; FY 1970 - 16.9%; FY 1971 - 15.7%.

2/ Denominating "short-run," or clearly political aid as "security assistance," as is currently contemplated for the future, may be politically constraining. This characterization of assistance could be politically embarrassing for recipient countries. One solution would be to label such aid as "contingency assistance."

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programs, but essential external assistance was not available in a timely or appropriate form through multilateral institutions.

-- Panama, where U.S. bilateral assistance, serving important Panamanian developmental goals, is an integral element in an over-all U.S. effort to secure important U.S. objectives. While developmental criteria govern the programming of assistance (as in Guatemala), political concerns strongly influence our willingness to be forthcoming.

-- Jamaica and Colombia, where friendly well-disposed governments perceive an important development assistance need unlikely to be met by other donors.

-- Regional situations, such as the need to buttress our greatly circumscribed negotiating position on trade within the IA-ECOSOC with regional offers of expanded U.S. assistance for export development.

Presidential initiatives in this hemisphere have been frequent and most often have been in the form of assistance offers (e.g., science and technology and export development).

We believe continued flexibility should be retained for shaping assistance programs to meet these long-run politico-developmental needs.

3. The Political Costs of Bilateral Assistance

While the direct political gains to the U.S. of bilateral assistance programs were often substantial, so too were the costs -- particularly the costs of our over-involvement. Directive or paternalistic activist initiatives by U.S. officials carried the political liabilities of resentment and abrasion, particularly where our prescriptions did not fully coincide with the policies of the host countries. These resentments were fueled by the excessive rigidities of U.S. assistance procedures. We believed that our involvement was perceived as most conspicuous in the numbers of direct hire U.S. Government officials present. The greater the number, we reasoned, the greater the risk of resentment.

The costs were significant, and the policies adopted to date for minimizing them, realistic. For example, the elimination of additionality requirements has removed one major persistent source of irritation. This points strongly to the need for assuring that the proposed new assistance legislation is not encumbered by

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restrictions unrelated to development purposes (such as Conte-Long and additionality[1]) and politically abrasive, but ineffective, limitations such as the Hickenlooper Amendment[2].

Another major source of abrasion has been reduced by our increased attention in programming to assure sensitivity to country priorities, and the avoidance of projects which are inherently difficult and controversial to implement, negotiate or monitor.

Viewed in the context of the over-all U.S. commercial and cultural presence, and the greater importance which Latin America attaches to U.S. trade policies, our "lowered profile" bilateral assistance effort, at current levels[3], is a relatively marginal facet of U.S. presence. In most countries, the volume of bilateral programs are over-shadowed by multilateral lending activities. Development assistance issues as seen from Latin America reside largely in U.S. policies towards the multilateral lending institutions. The risks that bilateral assistance programs will become the focus of anti-Americanism are thus greatly reduced. Indeed, there are indications that with the reduced over-all U.S. profile, the reduction of the U.S. bilateral assistance presence is causing some apprehension in Latin America (intensified by growing concern over trade matters) that our current policies reflect a

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1/ The elimination of additionality and the liberalization of procurement away from tying to U.S. sources, as well as the increased reliance upon multilateral lending, may carry adverse balance of payments consequences. This will bear careful watching.

2/ This assessment reaffirms the NSDM 76 decision, paragraph 6(d), that: "We should propose that the Hickenlooper-type amendment in the new foreign assistance legislation (a) avoid any mandatory time limit for application of sanctions, and (b) require only that the President 'take into account' expropriations in determining country eligibility for U.S. assistance."

3/ This assessment makes no precise recommendations about future bilateral assistance levels. Current levels seem to fit current policy assumptions, and the ability of Latin America to absorb the sector-oriented and institution-building lending upon which A.I.D. concentrates.

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diminishing U.S. interest[1]. Our continued willingness to be helpful multilaterally, and where appropriate bilaterally, and intensified efforts to communicate the rationale of our new policies to the hemisphere should relieve these apprehensions.

With new assistance legislation, major reductions in overseas personnel can be achieved. It is our assessment that under current low profile policies, the question of overseas staff size is no longer a "political" issue, but instead is a management concern. Small cadres of overseas personnel will, we foresee, be required for the effective planning, coordination, implementation and monitoring of capital and technical assistance activities[2].

4. The Organization of Bilateral Assistance

Our assessment indicates the desirability of retaining a regional orientation in assistance programming and implementation. There are persuasive reasons for allocating resources and shaping country programs (currently assured, in part, in the regional CASP process) within a regional context[3]. There is the need (a) to align closely our bilateral programs with the several prominent international lending institutions, (b) to harmonize bilateral assistance with political guidance as to the sensitivities,

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1/ The President's FY 1972 budget request to the Congress eliminates the separate line item, Alliance for Progress appropriation request. A world-wide appropriation is requested, without special reference to Latin America. This change has been noted by a number of Latin American countries, and may be interpreted by them as evidence that the U.S. no longer subscribes to the Alliance for Progress, and is diminishing its support to the region. CIAP deliberations may be influenced by this change.

2/ We note the strong effort which has been made to instill a strong sense of the "mature partnership" in overseas personnel.

3/ NSDM 76 (paragraph 5c) takes a partial step in this direction, providing that: "A Western Hemisphere Subcommittee should be established chaired by the new Under Secretary for Western Hemisphere Affairs, inter alia, to recommend guidelines for the appropriate share of resources of the U.S. development institutions that would go to Latin America."

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peculiarities and political trends in specific countries and in the region as a whole, and (c) to be flexibly responsive to regional and country needs (e.g., export development programs, Presidential initiatives, etc.). In short, programming U.S. assistance in a regional context would avoid the dilution, if not submergence, of important regional and country considerations, and the divorce of assistance activities from integrated over-all policy implementation for the hemisphere -- the possible consequences of worldwide programming[1/].

As currently conceived, the proposed organization of IDI and IDC[2/] involves the creation of regional divisions. The degree to which policy planning and program functions will be regionalized, however, has not been determined. We believe it essential to assure close links between assistance and over-all U.S. hemispheric policies, and to tailor assistance programs to country-specific and unique regional assistance requirements. For example, in the planning of the new development assistance entities, which are to be governed by mixed public-private boards of directors, care will be required that the President's flexibility in mounting new assistance initiatives is not diminished. In brief, the reorganization should carefully accommodate our special relationship with, and interest in, Latin America.

Many functions currently assigned to or coordinated by A.I.D. will be assigned to separate entities upon reorganization. These

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1/ In current planning for the proposed International Development Institute (IDI), considerable emphasis is placed upon worldwide research into development questions. Much of this, in our view, is needed. Nonetheless, experience in this region indicates the greater need for technical assistance and research geared to the often unique problems of individual countries.

2/ IDC - The proposed International Development Corporation will conduct capital loan assistance activities. Present planning for the A.I.D. reorganization contemplates that "The main criterion for use of Corporation (IDC) resources should be their effectiveness in promoting development. There should be no attempt to relate Bank loans to short-term foreign policy considerations." NSDM 76, paragraph 5a.

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functions -- loan financing, technical assistance, research, training, food commodities, housing and investment guarantees -- comprise a set of specialized assistance tools, which, in different mixes, are often simultaneously addressed to discrete developmental problems. It is often the skill in combining these tools in an integrated context, in different mixes appropriate to varying country situations, upon which effective assistance is built. Accordingly, there is a clear need for strong coordinating mechanisms to assure that U.S. inputs are flexibly combined and balanced[1/]. Although CIAP, IDB, IMF and IBRD will furnish guidance in setting assistance priorities, neither they nor our growing reliance on country initiatives and strategies will assure this integration of U.S. assistance tools.

Vigorous Administration support in Congress of increased reliance on multilateral entities and the proposed reorganization of our assistance effort will be essential. Long delays in the reorganization can be expected to erode the effectiveness of overseas operations, and to intensify Latin American apprehensions about the future course of U.S. assistance policy. We urge that careful attention be given to this matter.

V. The Multilateral Framework

1. The World Bank Group

Corresponding to an increase in worldwide operations, the World Bank has markedly increased its lending commitments to Latin America in the recent past:

Lending Commitments to Latin America[2/]

FY 1968	FY 1969	FY 1970	FY 1971 (est.)	FY 1972 (est.)
$398.7	$498.9	$748.9	$747	$750
39%	26%	31%	27%	24%

1/ The recently created Council on International Economic Policy is charged with focusing on the full range of international economic policy issues. It will consider the international economic aspects of essentially foreign policy issues such as foreign aid. The Council may provide the integrating focus for assistance through the Operations Group established to coordinate its activities.

2/ By amount and as a percentage of worldwide commitments. In $ millions.

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Annual IBRD lending in Latin America already is approaching the level of worldwide bilateral lending contemplated by the new IDC. The Bank's anticipated policy permitting program lending, its increased use of sector analysis and its greater activity in the fields of education, health and population, will more strongly establish its central place in Latin American development. We should continue to encourage the Bank to adopt program lending and to emphasize its sectoral approach[1/].

Unlike the IDB, the Latin Americans do not perceive U.S. financial support for the World Bank as support for Latin America in any direct sense, and few direct political benefits accrue to the U.S. from World Bank activity in the hemisphere. Moreover, there are very limited opportunities for the U.S. to influence IBRD lending programs in the direction of U.S. political interests.

2. The Inter-American Development Bank

The substantial U.S. pledge to the IDB replenishment in 1970 importantly contributed to Latin America's continuing confidence in the U.S. commitment to hemispheric development. U.S. support to the Bank is the critical symbol of U.S. forthcomingness on development assistance in the multilateral framework. Accordingly, prompt Congressional actions on the proposed replenishment at the pledged levels should be sought. The Bank is now a major source of development lending and is seen in the hemisphere as being especially sympathetic to Latin American developmental aspirations. Its lending commitments have increased markedly over the past few years.

IDB Lending Commitments
($ Millions)

FY 1968	FY 1969	FY 1970	FY 1971 (est.)	FY 1972 (est.)
$431	$631	$681	$750	$825

1/ The Export-Import Bank and Commerce suggest: "The IBRD management should be strongly urged by the United States to engage in program and sectoral lending, especially in sectors of the social welfare type, reducing correspondingly its emphasis on project loans, particularly those which might be financed by the Ex-Im Bank with a resulting increase in U.S. procurement of equipment and services." This point is being considered by an NAC Subcommittee.

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The centrality of the Bank to over-all U.S. assistance relationships makes our policies towards this institution particularly important. At the same time, our status as the dominant donor, and the potential or actual use of the U.S. veto power over soft lending (FSO) operations, pose delicate problems. U.S. actions to delay or deny lending on political or on development policy grounds seriously risk polarization of Latin American members and the U.S. Such actions can damage both the credibility of the Bank as an independent multilateral institution and U.S. intentions to strengthen the regional framework through a lowered presence.

(a) Political Aspects

When the Bank entertains lending to countries at political odds with the U.S. (e.g., Chile and Peru), serious dilemmas arise. During the past eighteen months, it has been possible to delay, but not deny, loans to Peru through careful management of the issue within the Bank, while avoiding confrontations. We believe that where U.S. policies call for delaying Bank lending, this can be achieved for substantial periods through non-overt means, short of the use of the veto. Non-overt actions need not involve major risks of confrontation or exposure, although they generate some tensions and thus put the credibility of U.S. multilateral policies in some jeopardy. The possibility of Congressional pressures to retaliate in the IDB against politically "misbehaving" countries is, instead, the major danger. Should these pressures become irresistible, or U.S. legislation (Hickenlooper Amendment) so require, or should we determine that the denial of lending to a country is essential for overriding policy reasons, troublesome "polarizing" consequences will likely stem from our use of the veto.

(b) Operational Issues

On the operational level, the Bank has weaknesses. The Bank's bias is toward the interests of the borrowing countries. The Latin Americans are less critical than we of loan proposals, and they resist making over-all development performance a condition of borrowing. We have at times had to state our disagreement with some of its lending policies and practices to the Bank management.

Significant steps have been taken recently to overcome some of these weaknesses. An effort is underway to win Latin American acceptance of a broadening of the Bank's membership to include other developed countries. In addition to providing additional resources, this effort if successful will help to mute the differences arising from our dominant donor status. With the appointment

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of a full-time, technically-oriented U.S. Executive Director, we have encouraged a broad, long-range program, both in the Board and with management, aimed at improving technical and managerial aspects of Bank operation. The beginnings of change are already evident. Major organizational aspects of the Bank are scheduled for review, and consultant studies on ways to improve effectiveness have been commissioned. There is evidence of a more positive attitude in the Board towards conforming loan operations to CIAP recommendations. To the extent improvements are made, there should be fewer situations where the U.S. faces an uncomfortable choice between a high profile position of opposing a loan, or accepting it, despite unsatisfactory technical or assistance policy aspects.

The outlook for improved management and technical performance in the Bank is encouraging, particularly with the recent change in the Bank presidency. Because of the substantial resources being made available to the Bank, the importance to the U.S. and Latin America that the application of those resources be developmentally sound, and the probable sharper Congressional scrutiny of the Bank, intensified U.S. encouragement of the Bank toward improved performance is necessary. Having met its mature partnership responsibilities by reposing confidence in and allocating substantial resources to the Bank, the U.S. can reasonably insist that its management, and the other member countries, meet their responsibilities as well. This course of action would immediately take the form of early discussions with the new President and his senior staff by the U.S. Governor and the U.S. Executive Director about the full range of U.S. concerns with the Bank. Many of the topics to be covered have already been raised, while others will require further analysis before being broached.

3. Inter-American Committee for the Alliance of Progress (CIAP)

In President Nixon's policy speech of October 31, 1969, he said:

"I propose that a multilateral inter-American agency be given an increasing share of responsibility for development assistance decisions. CIAP -- the Inter-American Committee for the Alliance for Progress -- could be given this function. Or an entirely new agency could be created[1/]. Whatever the form, the

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1/ When discussed in the 1970 IA-ECOSOC meetings, this possibility was strongly rejected by the Latin American countries. Many were concerned that this language implied the creation of a strong OEEC-type "super national" entity in Latin America.

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objective would be to evolve an effective multilateral framework for bilateral assistance, to provide the agency with an expert international staff, and over time, to give it major operational and decision-making responsibilities."

Although important assumptions upon which the President's proposal rested are not wholly supported by subsequent experience, our attitude and policies toward CIAP merit continued support, in essentially unchanged form. We note, however, that few if any countries are now or will in the foreseeable future be prepared to cede authority to CIAP to make resource allocations. We should pursue this goal gradually, with expectations tempered by an awareness of the Latin American reluctance. The international lending organizations are also unwilling to share their decisional authority with CIAP. Nevertheless, CIAP is valued by the donee countries and international lending institutions.

The Latin American countries generally view CIAP as a useful forum for exposing their external assistance requirements to the international lenders. The IBRD and IMF have used the forum to air performance and technical issues, and in the case of the IBRD, occasionally to challenge IDB lending programs it views as inconsistent with appropriate country lending strategies.

For the U.S., a strengthened CIAP serves several purposes. CIAP has on several recent occasions overcome its caution and taken the lead in negotiating difficult performance conditions with Latin American countries, obviating the necessity of a direct U.S. negotiation or a refusal to approve financing on grounds of inadequate performance. CIAP country reviews offer a useful device, and should be used where necessary, for avoiding confrontations on over-all IDB lending strategies, particularly since the IDB increasingly follows recommendations developed in this forum.

Our continued support of CIAP is also of symbolic political value in communicating an intention to mold our assistance policies in close harmony with Latin America[1/]. Finally, CIAP provides a

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1/ In this regard the recent successful CIAP review of U.S. policies was especially helpful. So too were U.S. offers of unilateral contributions to CIAP, in 1970, of $3 million and $5 million respectively for strengthening CIAP staff capabilities and for undertaking regional and national capital market studies under CIAP auspices.

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potentially useful forum for the discussion of regional issues (e.g., external debt[1/], private investment issues, economic trends, etc.), and thereby provides a safety valve for Latin American concerns.

CIAP is currently experiencing an "identity crisis" in respect to its future role. Changing circumstances in the hemisphere, a keener appreciation of the dimensions of the developmental problems ahead, and, to some extent, uncertainties about the future course of U.S. policies, have precipitated a reexamination by CIAP of its future role. By and large, we view this reexamination as a healthy reflection of an institutional awareness of the need for change.

There are indications that the somewhat metaphysical question, "Is the Alliance for Progress dead?," will figure prominently in CIAP's deliberations. The recent elimination in the President's FY 1972 budget request of the line item Alliance for Progress request, may fuel this debate. The psychological importance of rhetoric and symbolism in the Latin American setting cannot be underestimated. The U.S. response and role in such deliberations requires care. We continue to attach importance to CIAP as a key instrument for giving expression and concrete identity to the multilateral framework. We would strongly reiterate that the U.S. continues to support the goals and objectives of the Alliance, and that, in our view, the U.S. commitment is best reflected, consistent with the underlying philosophy of the Alliance partnership, in our increasing support of multilateral regional institutions, and, in particular, in our support of CIAP.

1/ In response to the President's October 31, 1969 commitment to develop a positive approach to the external debt service problem in Latin America, U.S. initiatives at the February 1970 IA-ECOSOC meeting resulted in agreement that CIAP encourage the international financial institutions to undertake a comprehensive study of the issue. The World Bank and the IMF are now well into this study. The World Bank has issued an interim report on Latin American external debt but does not intend to make specific recommendations until similar surveys for other geographic areas are complete. The IMF is concentrating on assessment of past debt situations within Latin America and has recently issued the first two of a series of country analyses.

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4. The OAS as an Assistance Channel

This subject is treated in the Inter-American System paper.

VI. Issues and Options

Bilateral Political Issues in the IDB

The IDB is the prominent symbol in Latin America of the U.S. commitment to multilateral assistance. In Latin American eyes the Bank's credibility and political viability turn heavily upon its Latin American character, and its insulation from U.S. political differences with individual borrower countries. Because of the size of the U.S. financial contribution, the U.S. holds a veto power over the Bank's soft lending (FSO) operations. Through careful management of the issues, the U.S. has thus far avoided confrontations in respect to potential lending to countries with which we are at odds on important political issues (e.g., Peru and Chile). The Bank's continued viability and the credibility of the U.S. commitment to multilateral assistance require that such confrontations be avoided in the future.

The dangers for future disruptive confrontations in the Bank include:

-- uncompensated expropriations may require U.S. use of its veto power pursuant to the Hickenlooper Amendment;

-- through its appropriations power over Bank replenishments, Congress may insist that the U.S. use its veto to punish borrower countries in conflict with the U.S. on major short or long-run political issues;

-- the Executive Branch may itself decide that overriding long-term political differences between the U.S. and a prospective IDB borrower are so basic as to preclude availability of U.S.-furnished IDB resources for that country (e.g., hostile, Marxist Chile).

A source of manageable but continuing tensions in the IDB lies in the U.S. tactic of delaying certain loans through non-overt means (e.g., finding technical objections). While we can delay these loans, we cannot indefinitely postpone them short of using the veto.

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The questions at issue turn on the degree to which we should insulate U.S. tactics or voting within the IDB from long- and short-run bilateral political concerns.

Option 1.

Divorce U.S. tactics and voting within the IDB (except for legislative imperatives such as Hickenlooper) from bilateral political concerns (e.g., short-term such as Ecuador and tuna boats, or long-term such as loans to Marxist countries). Base U.S. tactics and voting strictly on technical and developmental grounds. We would not seek to eliminate U.S. veto power in the FSO.

Pros

1. Is consistent with the mature partnership policy of strengthening independent multilateral assistance mechanisms.

2. Would largely avoid major political confrontations destructive to the credibility of the Bank and U.S. assistance policies.

3. Would increase the credibility of U.S. objections to loans on technical or policy grounds.

4. For most prospective IDB lending to countries with which we are at political odds, this approach would yield the same results as U.S. objections on political grounds. These countries will tend to manifest poor economic policies which pose serious technical obstacles to IDB lending.

Cons

1. Is unrealistic in light of likely Congressional concerns that U.S. resources will be made available through the IDB to countries with which we are at political odds.

2. Would eliminate our opportunity to demonstrate displeasure in cases where we are at long-run political odds with a borrower country.

Option 2.

Maintain current policy of avoiding formal use of the veto, except when legislative requirements or the need to avert punitive

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Congressional action so require, or where strong and overriding policy considerations dictate (e.g., a very hostile Marxist Chile). We would continue to exercise influence at the staff and board levels to delay or deny loans to countries at odds with the U.S. on important political issues.

Pros-

1. While the veto would be used only sparingly, this policy permits continued differentiation in assistance policies towards Latin American countries where there are major bilateral policy questions at issue (e.g., Peru expropriation).

2. So long as the use of the veto can be avoided, it need not result in political confrontations injurious to the Bank or overall U.S.-Latin American relations.

3. Would reduce the probability of Congressional displeasure with a Bank apparently unresponsive to U.S. political concerns.

Cons-

1. Would perpetuate tensions in the Bank regarding U.S. tactics in delaying Board consideration of pending loans to countries with which the U.S. is in conflict.

2. Is not fully consistent with our efforts to strengthen the Bank.

3. There are limits to how long any single loan proposal can be delayed. Furthermore, delaying tactics tend to exacerbate bilateral political differences, while undermining the Bank's credibility as an independent institution and the credibility of the U.S. commitment to multilateralism.

Option 3.

In addition to efforts already underway to widen Bank membership to other donor countries, commence efforts to revise the Bank Charter (and amend relevant U.S. legislation) so as to eliminate the U.S. veto in the FSO. A choice between Options 1 and 2 would have to be made in any case, as elimination of the veto does not imply a politically neutral voting posture by the U.S.

Pros-

1. Would reduce U.S. political exposure in the Bank.

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2. Would strongly enhance the "multilateral" nature of the Bank.

3. Would yield immediate political benefits for us in Latin America by strongly reaffirming U.S. confidence in the multilateral framework.

Cons-

1. Would greatly limit our capacity to influence individual loans and lending policies in the direction of greater technical acceptability.

2. Would greatly reduce, if not eliminate, our ability to deny loans to countries with which we have basic long-run policy differences.

3. Primarily because of the predictable negative Congressional reaction to the loss of U.S. control over technical matters or important political issues, could imperil the survival of the institution.

4. If elimination of the veto were proposed in the near future, this would jeopardize the proposed replenishment in Congress, as well as the acceptability of the larger multilateral approach.

VII. Summary and Conclusions

1. 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.

2. 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

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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.

3. 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.

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

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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.

4. 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.

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

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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.

5. 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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D. TRADE

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U.S.-LATIN AMERICAN TRADE RELATIONS

I. Problem: The Gap

Trade policy has become central to our hemispheric relations.

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 or declining trends in bilateral development assistance, irritated by the conditions attached to that assistance, and doubtful about the net value of foreign private investment, they have fixed on trade as the most economically effective and politically acceptable vehicle for gaining external resources, and as a potential scapegoat for, and diversion from possible domestic failures. They are increasingly impatient and critical at the potentially widening gap between our commitments and our actions. (For a summary of Presidential commitments and their current status, see Annex A.) While pressing for a firmer political commitment, they count heavily on our prompt and positive action in the trade field. Hemispheric interest in trade discussions, previously limited to lower level OAS forums, will be heightened by the fact that trade (Article 37 of the Charter) has been made the major agenda item of the General Assembly (the supreme political organ of the OAS) which will meet in San José, Costa Rica, on April 14, 1971, with the Secretary of State attending. (The text of Article 37 appears in Annex B.) In short, our attitude on trade has become for the Latin Americans one of the crucial tests of our real intentions; trade questions accordingly have become central to our hemispheric policy.

In part the gap reflects a basic difference in the perception of facts and interests.

--Latin America's trade problem is basically structural: overdependence on traditional commodity exports; inefficient, overprotected industries; a lack of export consciousness and know-how; internal policies inconsistent with export development. The Latin Americans, however, tend to view external barriers as the principal impediment. The area's trade welfare is closely linked to progress and

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prosperity in the developed world, particularly in the United States. The Latin Americans, however, searching for greater insulation against trade fluctuations, seek to exact reductions in external barriers which they believe keep them dependent on raw material exports, without adequately recognizing that only they can create the exports for which they seek increased access. Their unrealistic expectations can never be fully or even nearly satisfied.

--The scope for U.S. trade action is limited: roughly 50% of our imports from Latin America are presently duty free; duties on the remainder are relatively low (average incidence 8%); and the largest part of this (about 60%) is subject to quantitative restraint programs from which the Latin Americans derive price advantages (sugar, oil). However, duties on certain important 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).

Our ability to take significant trade actions to further regional foreign policy objectives is seriously constrained by a) domestic, and b) global foreign policy considerations:

a) At the same time the Administration was pledging an "action for progress" hemispheric policy, domestic protectionist sentiments showed new vigor. For the Latin Americans the most serious threats were the Mills Bill (which inter alia would have imposed new restrictions on wool and man-made textiles and shoe imports), and the Poage and Melcher/Mansfield Bills (which could have adversely affected imports of agricultural and livestock products, respectively). 1/ None of these bills was enacted, but the threat posed by active Congressional consideration seriously detracted from the Administration's policy and caused the Latin Americans to doubt seriously that the Administration could fulfill its commitments. An expanding trade policy with Latin America implies

1/ In addition, new restraints on some cotton textile imports, continued voluntary restraints on fresh beef, marketing orders on tomatoes, and pressures to repeal TSUS 806.30 and 807 rankled.

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willingness to accept more imports, face up to protectionist pressures, and provide more realistically for domestic interests through adjustment assistance rather than trade restrictions. Even with strong Administration leadership, however, it is not certain we can count on the necessary Congressional and public support for an expanding trade policy.

b) Although current Latin American policy assumes that there has been and ought to be a special relationship with Latin America, our overall trade policy (except for transitional measures such as generalized preferences) is based on non-discriminatory treatment of all our trading partners and elimination of discriminatory arrangements by others. This overall trade policy is basic to our global foreign policy and trade interests. It also benefits the Latin Americans because all of them (except for former British dependencies in the Caribbean) are excluded from the preferential arrangements that many other LDC's enjoy, and need our strong support in pressing others to eliminate discriminatory arrangements. There are some means by which Latin American interests can be favored without directly discriminating against other countries (e.g. allocating assistance for export development, including products of principal Latin American interest in generalized preferences), and we have used these. However, in setting tariffs and allocating quotas we have been unable (except to a minor degree in earlier years) to favor Latin America because it would: (1) prejudice our relations with other countries; (2) undermine our efforts to eliminate discrimination against ourselves and Latin America by third countries; and (3) undermine established principles of international trade. Because the United States and Latin Americans need expanding access to world, not just regional, markets, it is particularly important that we avoid actions that would encourage discriminatory trade blocs.

We recognize that trade development is a slow, long-term process. Therefore, the style of our trade relations is also important. Trade concessions appear to the Latin Americans to be more important than they are; what we appear to be doing may be almost as important as what we do. Nevertheless, the inescapable fact is that style can only supplement and enhance positive action, it can not replace it; there has to be an underlying basis from which style can operate. We also must consider carefully the consistency

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between short-term measures and long-term goals; the two are not always compatible.

II. Interests and Goals

There appears to be a distinct lack of consonance--or even a conflict--between the U.S. and Latin American perception of interests and goals, as well as several inter-interest conflicts, which gives rise to our foreign policy problem.

As perceived by the Latin Americans, four fundamental interests or goals are affected by their trade relationship with us:

1. More rapid economic and social progress. This basic drive is frustrated by the intransigence of economic problems since no achievable rate of growth would fully satisfy continually rising expectations. It is also frustrated by Latin Americans' continuing sense of inadequacy in the face of U.S. economic and technological power and by their fear of the adverse effects restrictive U.S. actions can have on their exports and economies.

2. National identity and independence particularly from the U.S. This basic and growing interest has particular significance to trade because of the conflict with the desire to protect and exploit the national economy and its natural resources. This conflict gives rise to an ambivalence and questioning of foreign investment, and in turn results in an increased focus by Latin America on trade and trade concessions.

3. Substantial trade, with improved access to U.S. markets.

4. Maintenance of an effective inter-American system. Latin Americans view the OAS mechanism as a more effective means to confront the United States than individual efforts.

From the U.S. standpoint, there also are four fundamental interests or goals affected by our trade relations with Latin America:

1. Preservation of independent and self-sustaining countries favorably disposed to the United States.

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2. Maintenance of Latin American confidence in the United States as an effective, mature and responsible power in world affairs.

3. Economic and social progress. While no realistic rate of U.S. resource transfer would enable Latin America to satisfy rising aspirations, continuing economic and social progress will support our other interests in the area. Because of the key role of expanding trade in this process we believe it is particularly important that they perceive the real conditions underlying export growth.

4. Our substantial economic interests in trade and investment. Latin America is the largest LDC market for U.S. exports, accounting for 14% of our total foreign sales. 1/ It also is an important source (15%) for U.S. imports. It is and will probably continue to be a major producer, and our principal source of certain basic commodities and industrial raw materials (particularly bauxite and oil). (We were not able to assess accurately its fundamental longer-range strategic importance as a U.S. supplier. However, we believe this is of such importance in assessing our interests that a comprehensive study should be undertaken soon.) Expanding trade also can assist the private sector in Latin America, since much of the foreign trade sector remains in private hands, as well as provide support for market-oriented policies and programs.

Latin America, as a region, has a serious problem in its declining share of world trade and U.S. imports, which has led to a serious and growing deficiency in its ability to finance imports to sustain an adequate rate of growth. LDC's as a group have the same problem, but Latin American export performance has fallen behind the LDC average. Latin America depends on exports for more than three-fourths of its foreign exchange requirements. Few Latin American economies are diversified enough to stabilize when trade falls off; as a group the contribution of exports to GNP is over 10%. Even more important, the area's growth potential is largely defined by its ability to import capital goods and finance overseas borrowings; exchange bottlenecks stemming from declining or stagnating export volumes and/or

1/ Percent figures on this page and page 6 are 5-year averages (1965-69) for trade between the United States and the 22 Latin American members of the OAS.

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prices can stymie development to a greater extent than indicated by export shares of GNP, per se. For the Latin Americans, the United States, which buys 34% of their exports and supplies 40% of their imports, will continue to be an essential market.

Over the long term it is best for the United States to recognize and support Latin American desires to provide higher living standards and increased welfare for their nationals. Expanding trade is an essential step toward this. Because of the marked difference in size and resiliency between the U.S. and Latin American economies and in the role trade plays, we could absorb substantially increased imports from Latin America with only marginal effects on our overall domestic economy (but with differential and possibly serious effects on certain industries). On the other hand, we have the capacity to do substantial harm to Latin American economies by restricting the region's exports. Because the United States has consistently maintained a major share in Latin American imports, we also can expect to benefit to some extent from an increased Latin American ability to import.

Many Latin Americans are increasingly seeking export-led growth, and some have been quite successful. As a group, however, they have given insufficient attention to developing comprehensive export strategies supported by consistent internal economic policies, and in some instances basic inconsistencies (e.g. between trade and investment regimes) exist. Although the basic decisions and actions must be made by the Latin Americans, the United States can assist in implementing these.

Rising economic nationalism and defense of their vulnerable trade position--stemming in part from what the Latin Americans perceive as external strangulation--are likely to lead to increasingly serious confrontations with DC's on trade, investment and related matters. Throughout the developing world, governments are seeking tighter controls over and higher income from the exploitation of their resources. The results include not only expropriations, divestments and increased taxation on foreign investors but, currently, joint efforts by LDC producers of some products (notably oil) to dictate prices. These measures have an impact on a country's trade prospects that it may not fully

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appreciate. 1/ They also have an adverse effect on public and Congresssional attitudes in the U.S. that makes it more difficult for us to make trade concessions benefiting that country's exports. Another implication of Latin America's economic nationalism and tactics to defend its trade position is a possibly increasing conflict of interest between U.S. direct investors and U.S. groups promoting protectionism.

Both Latin America and the United States will benefit by having a forum (which could be the Special Committee or other existing regional and international organizations) for consultation and negotiation in evolving a more mature partnership. Such discussions should involve a frank exchange of views by both sides, not just an airing of Latin American grievances. Even if it should not be possible to move ahead with new programs, the opportunity for an exchange of views on sensitive trade issues is preferable to airing Latin American frustrations either unilaterally or through CECLA or some other group in which the United States is not represented.

III. Conclusion

1. Trade is central in our hemispheric political relationship. Trade per se represents an important U.S. economic interest in our relations with Latin America. But the Latin American perception of trade as a touchstone factor in our relations brings to it a highly important political significance.

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

3. Expanding trade is in our mutual long-term interest. However, trade concessions will produce short-term repercussions with domestic political costs. These costs must be weighed carefully against those which an unresponsive trade policy would inflict on our hemispheric foreign policy.

1/ As a prime example, recent Venezuelan regulations regarding taxes and prices to be paid by foreign oil companies will, unless loosely applied, weaken the basis for possible U.S. preferences for Western Hemisphere oil, by discouraging the new investment needed for an expansion of capacity.

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IV. Program of Action

If we are to stem the widening gap between commitments and action, as our respective interests dictate, our most urgent task is to fulfill promptly our existing commitments.

1. Prompt submission and strong Administration support for early enactment of generalized preference legislation. The Latin Americans consider prompt implementation of a liberal system of generalized preferences, as pledged by the President, absolutely basic to the Administrations's whole policy of "action for progress." Other LDC's (as well as the developed countries with which we have been discussing this question) also consider generalized preferences essential as we begin the Second Development Decade, but the fact that our position on preferences has been closely related to Latin American developments--and product coverage has been expanded to take particular account of Latin American interests--makes it fundamental to our hemispheric policy.

It may be felt that early passage of the Administrations's preference proposal may not be possible, or may result in such distortions as to be counterproductive to our foreign policy. However, the Latin Americans (and others) will view failure to submit legislation as failure to fulfill our fundamental trade commitment. Such a step would cause a sharp reaction and reinforce anti-American sentiment in Latin America. It could also reinvigorate pressures for a preferential trading arrangement confined largely to Latin America, which the President said would be considered if generalized preferences fail. 1/ It is important, therefore, that the Administration submit its legislative proposal early this year. It will be considerably easier to explain Congressional inaction than Administration reluctance to submit legislation.

2. Strong Administration effort to comply with the spirit of the "standstill" commitment not to impose new restrictions on Latin American exports. While preference

1/ Most Latin Americans have strongly supported generalized rather than alternative preferential arrangements. We expect they would support alternative arrangements if generalized preferences should fail, but the decision would be difficult since nations actively engaged in increasing their economic independence of the United States can readily see that one such arrangement (regional preferences) would have an opposite effect.

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legislation is essential to move ahead, it is equally important that we not slide back. The "standstill" commitment reiterated at Caracas is well hedged in legal terms, but the inference generally drawn by the Latin Americans is that we will avoid any new restrictions. This is vital to the Latin Americans and will largely determine their confidence in our actions and policies. To resist restrictive measures will require determined Administration leadership.

3. The President, in his October 31, 1969 speech, pledged assistance to Latin American export development, and various subsequent proposals have elaborated on this. Although the Latin Americans have been slow in developing new programs, ongoing projects have continued or expanded and some new projects are under way. We expect further requests for financial and technical assistance in the coming months. It will be essential, therefore, to ensure adequate funds for this purpose in future years under the reorganized development assistance program.

4. The Latin Americans welcomed the President's pledge to consult in advance on actions that might adversely affect their trade, and procedures for this have been established--and used--in 1970. Their improvement (e.g. by allowing adequate time to consult before certain decisions are made) would strengthen hemispheric relations.

* * * * *

In addition to fulfilling existing commitments we believe that the critical importance of trade to our hemispheric policy and our interests requires us to develop new actions to maximize Latin American export earnings. A "more mature partnership" policy implies a U.S. "responsibility" to provide--to the extent feasible--increased export opportunities for the Latin Americans in industrialized country markets. It also implies a Latin American "responsibility"--to the extent feasible--to pursue more rational policies (nationally and regionally) designed to complement these actions. The United States cannot require the Latin Americans to adopt such policies; indeed such action would be inconsistent with a "more mature partnership." However, we should seek to formulate and implement policies so as to elicit from the Latin Americans the desired "responsible" approach to their trade problems.

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Options

There are essentially five areas for trade action: tariffs, non-tariff barriers, commodity policies, joint action in international forums, and export development, each with numerous possibilities for different measures. Rather than attempt to catalog and discuss these, the options that follow describe four possible approaches to a hemispheric trade relationship, citing as examples measures that could be considered once the approach was determined. (A list of important issues on which U.S. decisions affecting Latin American trade are expected to be made in 1971 appears as Annex C.)

The principal issue in determining a hemispheric trade policy is the degree and nature of the selectivity (or discrimination) in treating imports from Latin America. The options that follow are distinguished by varying degrees of selectivity. (A discussion of the President's present legal authority to discriminate among suppliers in trade matters appears as Annex D.)

Option 1. We would develop measures (which could be transitional) favoring all (or some) Latin Americans and discriminating (where necessary) against other countries; for example: preferred treatment in allocating market shares under quantitative restraint programs (e.g. meat, textiles, sugar); top priority in allocating funds for export development assistance; strong U.S. support for Latin American interests in international trade forums; tariff reductions only for Latin America on such products as rum, fruits and vegetables, canned beef; exemption from new U.S. trade restrictions.

Pro: (a) Quicker and larger short-term benefits to Latin American exports to U.S. markets (although probably not to other DC markets). Indirectly, U.S. exports to Latin America would be stimulated by the region's increased purchasing power.

(b) Our "special relationship" with Latin America would be given real substance. We would maximize our demonstration of awareness and commitment to Latin America, and might accordingly attenuate nationalistic pressures adverse to U.S. interests. This policy would appeal to those in the United States who strongly back hemispheric unity and give priority to Latin America over other areas.

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(c) To the extent increasing imports from Latin America simply displace imports from other countries (e.g. under quantitative restraint programs) total U.S. imports would not increase; where U.S. barriers actually decrease (e.g. tariff cuts) total U.S. imports would be expected to increase somewhat.

Con: (a) In some cases this would breach MFN principles and seriously prejudice our relations with other countries.

(b) It could reduce the willingness of other developed countries to help Latin America and encourage tighter, discriminatory trade blocs perhaps restricting Latin American exports to growing third-country markets.

(c) It would increase Latin American economic dependence on the United States (which they may not want) and amplify pressures for further concessions.

(d) It could suggest to influential elements in Latin America that the way to get largest concessions from the United States is to combine maximum demands with the pressure of nationalistic moves against U.S. interests. This point of view might spread to other developing areas.

(e) The Administration has no assurance of domestic support for existing trade commitments to Latin America. There would be strong opposition domestically to the granting of additional non-reciprocal concessions. Even those favorable to helping Latin America might question the timing of this policy. Breaching the non-discrimination principle could tempt Congress to impose new discriminatory strings on trade policy.

(f) It would conflict with our long-term goal of a free international trading community responding to market forces, and would probably have an adverse long-term effect on the U.S. economy. The short-term balance of payments effect would be negative.

Option 2. We would develop transitional measures which would provide special benefits for all LDC's; for example:

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implement and administer quantitative restraint programs so as to reduce to the extent possible their adverse impact on LDC exports; strong U.S. support (bilaterally and in international trade forums) for LDC interests in reducing trade barriers in other DC's; consideration of additional products of principal interest to LDC's for inclusion under a generalized preference system, after Congressional enactment of preference legislation.

Pro: (a) Depending on overall import levels, this policy could bring fewer immediate benefits to Latin America than Option 1 but would be expected to bring greater long-term benefits as world trade expands.

(b) This option would reflect the spirit of our UN commitments that LDC's have special trade needs requiring the adaptation of traditional policies to changing circumstances. The quintessence of development is change and policies that inhibit change (e.g. quota allocations based on historical market shares) repudiate this.

(c) Latin Americans would probably benefit because of their generally strong competitive position among LDC's without the visible ties to the United States implicit in Option 1.

(d) We would demonstrate our awareness of and commitment to developing nations as we enter the Second Development Decade. We could exert increased pressures on other DC's to join in sharing more of the development "burden."

Con: (a) Depending on the degree of displacement of imports from DC's this could lead to higher import levels than Option 1 and thus increase domestic opposition.

(b) Preferential treatment of LDC's in quantitative restraint programs would produce adverse reactions from certain DC suppliers (e.g. Australia for meat and sugar). It also would establish a principle which other DC's could apply to their imports of such LDC products as cotton, vegetable oilseeds and oils, citrus, with serious repercussions on U.S. exports. Under these circumstances the United States would be required by Section 252 of the Trade Expansion Act to retaliate.

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Option 3. We would develop measures favoring all (or some) LDC's without discrimination against other countries; for example: multilateral efforts to reduce tariffs and NTB's on products supplied principally by LDC's (e.g. processed agricultural products, fruits and vegetables) without requiring full reciprocity from the LDC's; expanded assistance for LDC export development. (This approach would, in effect, continue present trade policy based on GATT principles.)

Pro: (a) This would encourage a multilateral freeing of trade over time.

Con: (a) Available measures are extremely limited because of (1) U.S. domestic pressures against import liberalization, (2) a reluctance of other DC's to liberalize their restrictions, and (3) the relatively small number of LDC products that would benefit from MFN-type liberalization.

(b) Results would be slow in coming because of the need for multilateral negotiations.

(c) Since there would be no preferential treatment, overall import levels would probably have to rise substantially to benefit Latin American exports.

(d) Latin Americans would be increasingly disappointed that we were not responding rapidly to their trade demands. A lack of U.S.-inspired momentum would make it increasingly difficult to maintain the institutions (i.e. Special Committee) of the Administration's current policy.

Option 4. We would take no measures specifically designed to give special treatment to Latin America or LDC's generally, but would continue to work for multilateral liberalization of trade on an MFN basis; for example: a new round of GATT tariff negotiations; concerted efforts to reduce NTB's on a global basis.

Pro: (a) This would encourage a multilateral freeing of trade over time with long-term economic benefits for all.

Con: (a) Since this is a long-term program and not possible immediately, it would not alleviate the present problem. The Latin Americans (and other LDC's) would feel the

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DC's had reneged on commitments to take measures reflecting their special needs and were continuing to act only for themselves.

(b) Unless import levels greatly increased, most LDC's would derive few short-run export benefits.

(c) This policy could alienate even responsible elements in Latin America and give extremists a platform to demand anti-U.S. actions. The form and strength of a Latin American reaction would depend on several incalculable factors. At a minimum there would be disappointment and reawakened cynicism regarding U.S. policies that would adversely affect our hemispheric objectives. Latin Americans would look elsewhere for assistance, creating new opportunities for unfriendly nations.

(d) The United States has led developed countries in the effort to provide LDC's better trade expansion opportunities. If it were to abandon these, the global effort to improve the LDC's trade position could easily collapse.

(e) Long-term U.S. interests in the economic and social development of Latin America would be impeded through decreased economic growth and greater social and political instability.

A corollary issue in all of the preceding options is whether, within the selectivity limits imposed by the options per se, we should seek to favor politically "friendly" countries or subregional groups and/or punish others. Although there are limited areas where such selectivity can play a role (e.g. product selection, export development assistance), trade is generally an unwieldy instrument for bestowing rewards or punishment in pursuit of short-term foreign policy objectives. Trade policy is best based on long-term economic considerations because tampering with market forces can adversely affect our interests both as an importer and exporter. We can and do enjoy beneficial trade relations with countries of all political stripes. Finally, criteria for distinguishing between friends and foes are arbitrary, and decisions would be even more difficult by the frequency and suddenness of changes. On the other hand, such selectivity would probably make it easier to obtain domestic support for liberal trade measures. (Annex E discusses this question in greater detail.)

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Style

The new style in the Administration's Latin American policy has been an important element in establishing an improved atmosphere in regional councils. Style will continue to be important as our policy evolves. Where significant actions are taken we should capitalize on opportunities to obtain credit (e.g. when generalized preference legislation is about to be submitted to Congress, the President or Secretary could call in Latin American Ambassadors to announce the plan). Where we are unable to act we should try to soften the blow (e.g. if it is decided not to submit preference legislation soon, the President or Secretary could explain why to the Latin American Ambassadors). Other important aspects of style include our receptivity to Latin American requests for advance consultation, consultations with embassies here and in the field prior to revealing our positions, staffing of delegations, etc.

Consonant with the new style and with the program of action adopted we also should seek a frank and friendly exchange of views regarding Latin American actions which affect their ability to expand exports. The Latin Americans should be encouraged to discuss with us any measures they may take which affect our interests. On appropriate occasions, such as the introduction of preference legislation, we should point out that our ability to obtain Congressional approval may be importantly affected by their treatment of our interests.

Annex A - Presidential Trade Commitments to Latin America and Their Current Status.
Annex B - Article 37 of the OAS Charter.
Annex C - Trade Issues Expected to Affect Latin America in 1971.
Annex D - The President's Legal Authority to Discriminate Among Suppliers in Trade Matters.
Annex E - The Pros and Cons of Political Selectivity Through Trade Policy.

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Annex A

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Presidential Trade Commitments to Latin America and Their Current Status

"To help other Western Hemisphere nations to increase their export earnings and thus contribute to balanced development and economic growth, I have committed the United States to a program which would help these countries improve their access to the expanding markets of the industrialized world." 1/

* * * * *

1. Trade Preferences

--WE WILL PRESS FOR A LIBERAL AND GENERALIZED TARIFF PREFERENCE SYSTEM FOR ALL DEVELOPING COUNTRIES. 2/

--IF IT IS NOT POSSIBLE TO WORK OUT A SATISFACTORY ARRANGEMENT FOR GENERALIZED PREFERENCES, OUR GOAL IS TO HAVE SPECIAL TRADE PREFERENCES FOR LATIN AMERICA. 3/

The United States has proposed a liberal system for tariff preferences in its markets and has pressed other developed countries to liberalize their proposals. These proposals were endorsed as a "mutually acceptable system of preferences" by UNCTAD in October, and the developed countries have expressed their intention to seek implementation in 1971.

Since agreement has been reached on a system of generalized preferences, the statement regarding special preferences for Latin America has not become operative. In fact, most Latin American nations have supported generalized rather than special preferences. Through the SCCN we have made our generalized preference scheme more responsive to the Latin Americans by adding 79 products of particular interest to them.

1/ Report to the Congress, "U.S. Foreign Policy for the 1970's: A New Strategy for Peace," February 18, 1970.
2/ Address to the Inter-American Press Association, October 31, 1969.
3/ Remarks on the Rockefeller Report, November 10, 1969.

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2. Export Development Assistance

--WE WILL SUPPORT INCREASED TECHNICAL AND FINANCIAL ASSISTANCE TO PROMOTE LATIN AMERICAN TRADE EXPANSION. 1/

The United States has made various offers to the Latin Americans, including the President's announcement that an estimated $15 million would be allocated for export development programs in the FY-1971 budget, an offer of technical assistance from the Export-Import Bank, and Secretary Stans' offers of Commerce Department assistance to the six countries he visited in 1970. Anticipated FY-1971 AID programming for export development presently amounts to $10-15 million in loans and $3.7 million in grants, and several of Secretary Stans' projects are being implemented. However, there have been no Latin American requests for Export-Import Bank assistance to date.

In preparation for the fall SCCN meetings an inter-agency task force was established to prepare a comprehensive program for export development assistance in Latin America. This program was presented to the Latin Americans in October and is presently under study by their governments. A number of Latin American governments are likely to express interest in this area, and we expect to enter discussions of specific project proposals bilaterally or at SCCN meetings in 1971. We also anticipate that some ongoing AID export assistance projects will be expanded. We have agreed to provide up to $675,000 to the Inter-American Export Promotion Center in FY-1971 and have reiterated this Administration's interest in expanding our effort in this field.

3. Trade Consultations

--WE WILL SUPPORT THE ESTABLISHMENT WITHIN THE INTER-AMERICAN SYSTEM OF REGULAR PROCEDURES FOR ADVANCE CONSULTATION ON ALL TRADE MATTERS. 2/

Regular procedures for trade consultations (in advance and ex post facto) under SCCN auspices were established at Caracas in February, 1970, and have been successfully used. In particular they provided a forum for a unified Latin American

1/ Address to the Inter-American Press Association, October 31, 1969.
2/ Ibid.

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expression of strong concern over the restrictive features of the Mills Bill. Consultations have also been held on revision of the Sugar Act, and on possible restrictions on imports of footwear.

4. Non-Tariff Barriers

--WE WILL LEAD A VIGOROUS EFFORT TO REDUCE THE NON-TARIFF BARRIERS TO TRADE MAINTAINED BY NEARLY ALL INDUSTRIALIZED COUNTRIES AGAINST PRODUCTS OF PARTICULAR INTEREST TO LATIN AMERICA AND TO OTHER DEVELOPING COUNTRIES. 1/

Although discussions on non-tariff barriers continue in the GATT, little progress has been made in reducing or eliminating non-tariff barriers of interest to LDC's. Ambassador Gilbert's GATT statement last spring urging other developed countries to join with us in this effort evoked no strong response from other GATT members, and the Latin Americans have preferred to direct their pressures for reductions at the United States through the SCCN rather than through international trade forums. In the future we hope to use the SCCN to concert U.S. and Latin American pressures for multilateral action through international forums.

If a multilateral effort to reduce non-tariff barriers affecting LDC exports is to succeed, the United States will need to reinvigorate its efforts (perhaps through the OECD as well as GATT) and support these with specific proposals that would involve reductions in its non-tariff barriers. Action on many U.S. non-tariff barriers, however, will require legislation. Consequently, Congressional support is essential to any such effort.

5. Standstill

--THE PRESIDENT AUTHORIZED REITERATION OF THE GATT "STANDSTILL COMMITMENT" (STATING WE WILL REFRAIN FROM RAISING TRADE BARRIERS TO LDC EXPORTS EXCEPT FOR COMPELLING REASONS) SPECIFICALLY TO THE LATIN AMERICANS.

1/ Address to the Inter-American Press Association, October 31, 1969.

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We have continued to comply with the standstill commitment. However, had the Mills Bill, the Poage Bill, and/or the Melcher/Mansfield Bills, which were all active in the last Congress, been passed, we would have been hard pressed to justify compliance with the spirit of the standstill. This will also be the case should these bills become active issues in the new Congress.

* * * * *

In summary, the Administration has made a very substantial effort to respond to specific Latin American trade problems. Nevertheless, this effort has not yet succeeded in eliminating the gap between objectives and achievements primarily for two reasons: (a) at the same time the Administration committed itself to "improve access to the expanding markets of the industrialized world," the Congress was actively considering three legislative measures (the Mills, Poage, and Melcher/Mansfield Bills) that could have significantly reduced Latin American access to the U.S. market; and (b) the U.S. Government has not yet supported its program of action for progress with reductions in trade barriers on products of general interest to the Latin Americans.

Although the 91st Congress finally adjourned without enacting the bills feared by the Latin Americans, the protectionist support which these measures elicited succeeded in alarming the Latin Americans with respect to U.S. trade policy, and in casting grave doubts on the willingness and ability of the U.S. Government to pursue the President's program. This uncertainty has been compounded by the absence of action reducing U.S. trade barriers within the Administration's control (on fresh and frozen beef, for example). If action for progress is to encompass trade, then action in the trade field--akin to AID untying and IDB replenishment in development assistance--will be essential in 1971. Prompt submission of and strong Administration support for generalized preference legislation will be critical in this regard.

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Annex B

Article 37
of the Charter of the Organization of American States as Amended by the Protocol of Buenos Aires in 1967

The Member States, recognizing the close interdependence between foreign trade and economic and social development, should make individual and united efforts to bring about the following:

a) Reduction or elimination, by importing countries, of tariff and non-tariff barriers that affect the exports of the Members of the Organization, except when such barriers are applied in order to diversify the economic structure, to speed up the development of the less-developed Member States, or to intensify their process of economic integration, or when they are related to national security or to the needs for economic balance;

b) Maintenance of continuity in their economic and social development by means of:

   i. Improved conditions for trade in basic commodities through international agreements, where appropriate; orderly marketing procedures that avoid the disruption of markets; and other measures designed to promote the expansion of markets, and to obtain dependable incomes for producers, adequate and dependable supplies for consumers, and stable prices that are both remunerative to producers and fair to consumers;

   ii. Improved international financial cooperation and the adoption of other means for lessening the adverse impact of sharp fluctuations in export earnings experienced by the countries exporting basic commodities; and

   iii. Diversification of exports and expansion of export opportunities for manufactured and semimanufactured products from the developing countries by promoting and strengthening national and multinational institutions and arrangements established for these purposes.

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Trade Issues Expected to Affect Latin America in 1971

1. The Administration's position on submission of and support for generalized preferences legislation.

2. The Administration's position on measures that would restrict the Latin Americans' present access to the U.S. market -- Latin Americans are deeply concerned at numerous legislative proposals that would limit our imports of wool and man-made textiles, shoes, fruits and vegetables, metals and minerals, as well as impose extremely rigorous health and sanitary requirements upon their products.

3. The Administration's position on the treatment of Latin America under new sugar legislation -- The sugar act will be renewed this year and most of the 23 hemispheric suppliers have requested increased quotas. Even if the act should be extended in its present form, the share of the market available to Latin America is expected to decrease because of increased Philippine production. In addition, domestic producers are requesting changes that would increase their allotments and further reduce the foreign share. Latin American sugar exports to the United States are important to so many Latin American countries that the Latin Americans held a meeting in Brazil to formulate a joint position to be presented to us. This position was presented to the Secretary of State on February 23, 1971.

4. The Administration's position on the level of meat imports in 1971 -- Fresh and frozen beef is a new and promising export for 7 Central American and Caribbean suppliers; Mexico is a traditional supplier of this product. We could probably not negotiate new voluntary restraint agreements if the share of traditional suppliers (Australia, New Zealand, Canada and Ireland) were cut back in the Latin Americans' favor. Therefore, to increase imports from Latin America significantly we would have to increase the overall level of imports, and by an appreciable amount.

5. Imposition of restraints on cotton textile imports -- The confidential guidelines for administration of the Long-Term Arrangement on Cotton Textiles specify that restraints should be imposed upon any country's imports that exceed a value of $50,000 in any category. Latin American supplier countries have complained that our practice with regard to

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the LTA has been unduly restrictive and has harmed their efforts at export diversification.

6. Administration efforts on further extension of the legislation implementing the International Coffee Agreement in the face of opposition from important elements of the industry and the Congress -- Present legislation was passed for only a short period (until July 1, 1971) and the House Ways and Means Committee has stated that it would not consider further renewal until our long-standing dispute with Brazil over soluble coffee is resolved.

7. The Administration position on hemispheric preferences for petroleum imports -- Venezuela and other potential Latin American oil exporters are anxious to receive the same treatment accorded Canada and Mexico, who are accorded favorable access as "overland" suppliers. A declaration of "hemispheric preferences" would have to be based on evidence that suppliers in the Western Hemisphere are a secure and stable source capable of meeting our growing oil import requirements.

8. The Administration position on strategic stockpile disposals -- Latin American producers of tin, antimony, quartz and other stockpile materials argue that our disposals of these commodities depress world prices and thus harm their trade.

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The President's Legal Authority to Discriminate Among Suppliers in Trade Matters

The President's legal authority to discriminate in trade matters is limited both by the terms of relevant domestic legislation and by international agreements containing most-favored-nation treatment obligations.

U.S. foreign trade legislation is generally structured with a view to its application on a non-discriminatory basis as among free-world countries. A principal exception is the Laurel-Langley Agreement which accords preferential treatment to certain imports from the Philippines until 1974. There is also some legislation and some administrative action, which by perpetuating past patterns of trade, tend to favor traditional suppliers.

In addition, certain laws require or permit discrimination against countries under specific conditions as a punitive measure (e.g. Sec. 252 of Trade Expansion Act, Sec. 408 of the Sugar Act).

The President has no comparable authority for discriminating in favor of certain countries. The only exception worth noting is his authority under the Sugar Act to allocate any part of a deficit to a particular country (or countries) when he determines this is in the national interest. This provision was included with the Dominican Republic in mind, however, and has not been used to benefit any other country. The Meat Import Act permits the President to take account of "special factors" in establishing country quotas, but its first requirement is that quotas be allocated on the basis of shares in a representative period. National security criteria govern any measures taken under the petroleum import program which may, in practice, favor certain suppliers as opposed to others.

Use of discretionary authority to discriminate among countries in trade matters requires considerable caution, because of the overriding importance of maintaining the integrity of the MFN principle; to weaken this would set an unfortunate precedent for other countries to follow in their trade relations. Difficulties also arise in making arbitrary decisions distinguishing "friends" from "foes."

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The Pros and Cons of Political Selectivity Through Trade Policy

The following arguments can be made for and against a selective trade policy, favoring those Latin American countries whose policies and actions are generally consistent with our own and/or punishing others.

Pros

1. Our "friends" would receive quicker and larger short-term benefits (e.g. opportunities for increased access to the U.S. market; development assistance funds).

2. We would weaken CECLA in its present form.

3. It would probably be easier to obtain domestic support for liberal trade measures.

4. It could give us additional leverage in opposing actions inimical to U.S. interests.

5. Certain trade policy measures (e.g. assistance for export development) can only be effective where the recipient is willing to cooperate.

Cons

1. Without breaching seriously the non-discrimination principle, there is limited scope for selective measures.

2. Criteria for distinguishing between "friends" and "foes" are arbitrary, and decisions would be most difficult particularly in light of fast and frequent changes.

3. We would repudiate current policy which calls for greater acceptance of Latin American decisions, and reinvigorate paternalism.

4. We could undermine support for Latin American unity and cooperation.

5. We would encourage controlled economic relationships which would most likely be disadvantageous in the long run to both the Latin Americans and ourselves (a la Commonwealth preferences).

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6. If subregional preferences were involved, we would establish a dangerous precedent that could be used against us and against those we were favoring.

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E. INVESTMENT

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INVESTMENT

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Annex A - Description of Agency Responsibilities and Practices Relative to Investment

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INVESTMENT

I. U.S. Foreign Investment Policy and Its Underlying Assumptions

U.S. policy regarding foreign investment by its citizens in Latin America has increasingly emphasized the importance of a compatible relationship between that investment and the changing, at times turbulent, Latin American environment. We have pursued policies of encouraging and protecting U.S. investment with an ever greater attention to its bearing on overall U.S. foreign policy interests.

The President stated the broad outlines of current policy in his October 31, 1969 address:

> "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 line with this belief, we are examining ways to modify our direct investment controls in order to help meet the investment requirements of developing nations in Latin America and elsewhere."

Three major assumptions underlay our investment policies:

° Latin America's need for foreign investment. As President Nixon said:

> "For a developing country, constructive foreign investment has the special advantage of being a prime vehicle for the transfer of technology. And certainly, from no other source is so much investment capital available."

° Obstacles to foreign investment in Latin America will persist and increase. These are founded primarily in economic nationalism -- expressed most often as a desire to control and channel foreign investment into economically and socially useful channels, not to exclude it. As the President has said:

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"In practical terms, we shall confront increased pressures ... against foreign investments. Foreign investments are the most exposed targets of frustration, irrational politics, misguided nationalism. Their potential for mutual benefits will only be realized through mutual perception and tact."

"As we all have seen, however, just as a capital-exporting nation cannot expect another country to accept investors against its will, so must a capital-importing country expect a serious impairment of its ability to attract investment funds when it acts against existing investments in a way which runs counter to commonly accepted norms of international law and behavior. And unfortunately, and perhaps unfairly, such acts by one nation affect investor confidence in the entire region."

° Both investors and Latin Americans need to be flexible and adaptive:

"The nations of this hemisphere must work out arrangements which can attract the needed technical and financial resources of foreign investment. For their part, investors must recognize the national sensitivities and political needs of the 1970's. There is no more delicate task than finding new modes which permit the flow of needed investment capital without a challenge to national pride and prerogative ... Private investment must play a central role in the development process, to whatever extent desired by the developing nations themselves."

In addition, current U.S. foreign investment policy was developed in full recognition of our long-standing policy on expropriation, and experience with it in Latin America.1/

1/ The United States recognizes that each country has the sovereign right to expropriate private property within its territory for a public purpose provided that reasonable provision is made for the payment of prompt, adequate and effective compensation.

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II. Recent Developments Affecting U.S. Investment Policy

The investment climate in Latin America, as it has developed in the past two years, cannot be easily described. Both positive and negative trends are observable. As an over-simplification, it can be said that the climate has worsened and that economic nationalism continues to grow, but that confiscation of foreign private investment has not occurred to the extent that many feared a short time ago. Important developments and trends include the following:

° Restrictions on foreign investment have increased in the Andean countries, Argentina and Chile. In Brazil, Central America and Mexico conditions have remained stable or improved. In the Caribbean, the picture is mixed, with improvements in the Dominican Republic counterbalanced by economic and black nationalism in the English-speaking areas. Almost everywhere, however, the potential for greater difficulties is present; economic nationalism is pervasive. In historical terms, the present situation may be one stage of a cycle, to be followed by a more moderate trend. But this hoped-for trend is not yet evident, and present indications point to more restrictive policies and growing problems.

° The IPC case was not followed by a wave of similar expropriations in Peru or elsewhere. A somewhat similar precipitous seizure of Bolivian Gulf properties in 1969 appears moving toward settlement. Nationalistic acts and pressures against foreign investment are currently very severe in Chile and Guyana, less so in Venezuela and Peru. Issues now center more on the means and terms of compensation than on outright and arbitrary seizures without compensation, although the terms of compensation, with significant exceptions, appear to the American investor as grossly inadequate.

° The rapid development and signature of the Andean private foreign investment code demonstrates the strength of the anti-foreign investment feeling, even in such moderate regimes as Colombia. The code will, if ratified and implemented, inhibit the investment climate in the signatory countries of Colombia, Ecuador, Peru, Bolivia and Chile.

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° Although it continues to prefer majority U.S. ownership and control, U.S. business has shown increasing sophistication in accepting the need for flexibility, including flexibility on the part of the U.S. Government in cases of expropriation. Business has, however, been adamant against the U.S. Government's endorsing any specific mode or modes of business operations abroad to the exclusion of others.

In sum, U.S. companies operating in a difficult period have continued in many areas to enjoy prosperity and to make a contribution to the development effort. Some have worked themselves out of difficult confrontations, and a substantial number have accepted foreign minority equity participation. In general, the larger U.S. companies have been strong reeds in the winds of change.1/

III. U.S. Interests and Goals in Investment in Latin America

U.S. interests and goals relating to investment by its citizens in Latin America may be characterized as major.2/ While investment can bring economic benefits to both the United States and the hemisphere, it also can importantly affect other U.S. foreign policy interests. Its economic benefits are apparent. Investment encourages trade through the export of U.S. equipment and spares for industry once established, and indirectly through its general contribution to economic

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1/ Investment data for 1970 is not yet available. Data for the period ending in 1969 offers perspective on this analysis. U.S. private investment has continued to flow to Latin America in recent years. The net increase amounted to $2.4 billion during the period 1966-69. The book value at the end of 1969 was $13.8 billion. The bulk of the increase in U.S. investment during 1969 took place in Mexico, Panama and Brazil, with a concentration on manufacturing. A net reduction of $116 million occurred in Chile.

Income on Latin American investments by U.S. business averaged about $1.2 billion per year during the period 1965-1969.

2/ See also paper on U.S. Interests in Latin America.

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growth. It assures the U.S. of a supply of required raw and strategic materials including, most particularly, petroleum. And, of course, to the extent that foreign investment profits the U.S. investor, it has brought further benefits to the U.S. economy.1/

The development process in Latin America has generated a growing requirement for capital and technology, much greater than our own and others' abilities to provide public funds to fulfill. Private investment from all sources, including the U.S., is a major contributor to this process -- both quantitatively (capital flows) and qualitatively (management know-how and technology). A continued substantial flow is essential to the development process.

The political advantages of U.S. investment are, on the other hand, less apparent. U.S. presence in Latin America, based in considerable part on its investment (and its trade) presence has been a factor in the growth of economic nationalism and of demands for reducing the impact of the United States on the national life of the country. These demands represent the pains of progress and not necessarily the penalties of error. But they nonetheless present problems both to existing investment and to the flow of new investment. When problems develop to a serious point, they may jeopardize larger U.S. interests in the host country.

Through the years, private investment contributed greatly to the U.S. presence in Latin America and to its economic growth, and thus was central to the general hegemony which we wielded over the area. As we have moved from a hegemonous relationship, our investment presence, which by nature is long-term and not easily removed, has to some extent, even unintentionally, continued to follow the spirit of an earlier day and has thus become at times an irritant.

On balance, a longer-term perspective on foreign investment will best serve our interests. Latin American nations have a need for investment which they continue to

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1/ Of course, not all U.S. investments succeed. Poor investment decisions, poor planning, inefficient management, burdensome conditions, quick profit motivation -- these are found abroad as well as at home.

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recognize, even if many do not publicly acknowledge it. We clearly have an economic interest in private investment and perhaps longer-term political interests as well. However, there may have to be significant changes in the form and relative magnitude of the U.S. business presence in Latin America if serious political costs are to be avoided. The days of political hegemony are gone, but our influence continues, in substantial part through private investment. Our troubles with investment in Latin America will continue, but withdrawal is not a solution. Continued discussion of the subject in a variety of forums is essential.

A number of international forums, both official and unofficial, provide opportunities for discussion of country policies toward investment as well as other investment issues, and we should make increasing use of these. The CIAP country reviews, OECD, DAC, and the OAS-IDB sponsored mixed public-private Round Table on Private Investment in Latin America provide current examples of such opportunities. In addition, such other periodic discussions as bilateral reviews of country policies by the IBRD and IMF should be increasingly utilized.

IV. Policies for the Future

There are a variety of constraints on U.S. investment in Latin America. Some, such as growing economic nationalism, are particularly troublesome. It is the task of the U.S. Government to select, in light of these constraints, policies regarding the encouragement and protection of U.S. investment which further the U.S. interest, without unduly jeopardizing other important U.S. interests in the hemisphere. These policies must accommodate both short- and long-term concerns. On the one hand, we seek to maintain the security of existing investments, and on the other, to maintain productive relationships with nations which increasingly will make decisions about foreign private investment with careful attention to their own perceived national interests, and which will tend to reject certain types of foreign investment in its traditional forms.

In examining realistic investment policy options available to the United States, we must recognize the limits of

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U.S. Government influence. Most private foreign investment decisions are made independent of U.S. Government input or counsel. We should not overemphasize the impact of Governmental action on those decisions.

A. Encouragement of Investment

We have identified three policy approaches the United States might pursue in encouraging investment in Latin America (rejecting policies of automatic, indiscriminate encouragement or discouragement): neutrality, selective discouragement, or selective encouragement.

1. Neutrality -- the U.S. Government neither encourages nor discourages any or all investments. Under this policy, OPIC would not engage in new activities. EXIM would continue its present operations.

There are several arguments to be made in favor of this approach:

° It recognizes that the primary burden of attracting development capital should be on the developing countries. The United States should not obscure this point by offsetting poor attitudes and policies of LDC's through bilateral encouragement activities.

° Investment decisions are made by investors in any case, and not by the U.S. Government. Extensive host government approvals are required and the effect of our policies and representations may be minimal. Furthermore, our ability successfully to carry out a policy based in part on politically-oriented criteria is subject to question.

° To follow a neutral policy in encouragement would leave the U.S. Government with a freer hand than otherwise in protection problems. That is, not having encouraged the investment, the investor would be precluded from claiming greater protection than the U.S. Government might wish, all things considered, to provide.

On the other hand, the drawbacks of adopting a policy of neutrality are not insignificant:

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° The policy lacks a number of the political and economic advantages to the U.S. of the selective encouragement policy and the U.S. would lose one means of gaining a greater degree of control over important materials.

° Its adoption would require the immediate and highly visible cessation of new activity by OPIC and would leave that agency nothing but a caretaker role for presently outstanding guaranties.1/ This would have early and negative consequences on investment unrelated to economic merits or to broader economic or political considerations. Pressure would increase on Eximbank and IFI's for assistance to investments perhaps not meeting those agencies' criteria but which could have qualified for OPIC assistance.

° At least temporary reductions of U.S. direct private investment flow to some Latin American countries would result, although in the longer run substantial amounts of investment might continue to flow. Further, absent U.S. Government encouragement of their investment, the rate of return initially required by investors might be greater. U.S. influence on investment modes, terms and targets would be reduced.

2. Selective Discouragement -- discouraging new U.S. investments in Latin America except those which would serve current and longer term U.S. interests. Arguments in favor of this approach include those in support of a policy of neutrality. In addition, the policy would ease potential investment disputes even more than would one of neutrality, since it would serve to minimize the making of investments with potential problems for the United States. It would support efforts to reduce U.S. presence abroad, but could still accommodate exceptional situations (the acquisition of raw or strategic materials, a clear host country policy favoring foreign investment, and a favorable climate for it).

On the other hand, the policy has clear disadvantages, including all those applicable to that of neutrality. Most significantly, in pursuing it, the U.S. Government would become liable to charges of actively injuring the development prospects of a country by acting to prevent an

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1/ Congress might well view this as in contravention of OPIC's present legislative mandate.

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investment which was acceptable to the country. Adoption of such a policy could be harmful to the environment affecting existing investment in some countries.

3. Selective Encouragement -- This, in practice, is present U.S. policy stemming from the President's statement that we will not encourage investment where it is not wanted or where local political conditions face it with unwarranted risks. The policy was gradually adopted by AID investment guaranty programs, is followed by OPIC under its legislative mandate, and is followed by State in its advice to all implementing agencies. It is viewed by State as the policy which is followed de facto by other agencies which tend to ascribe the reasons for their decisions to "technical" factors. Selective encouragement succeeded a period of virtual across-the-board encouragement, and was strengthened by our low profile policy.

The policy of selective encouragement turns on a presumption that encouragement is desirable, but should be withheld where conditions warrant. Investment is encouraged only when an examination of the facts of each case shows it to be desirable. A number of factors would be considered, such as development impact, competitive efficiency, industry concentration, assessment of political risk, markets to be served, nature of the deal (with special consideration for investment modes such as joint ventures, management contracts, preagreed divestment, etc.), country and regional differences, particularly with respect to receptivity to foreign investment, and the willingness to consider international arbitration procedures for settlement of disputes. In addition, investments bearing on U.S. national security interests and our interest in development in the country would receive close attention.

The policy has a number of advantages:

° It recognizes that it is not in the U.S. interest to encourage investment which is not likely to prosper, which might excessively increase U.S. exposure, which might not sufficiently contribute to the development needs of the host country, or which might otherwise conflict with important U.S. political considerations.

° It recognizes the vitality and importance of the U.S. investment guaranty program.

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° It facilitates implementation of the policy, set forth by President Nixon, of encouraging the development of "new modes ... of needed investment ... without a challenge to national pride and prerogative." The policy is particularly receptive to experimentation with new investment modes involving participation by local and third country investors and host governments. Examples of new modes include joint ventures, varying forms of management contracts, forms of local capital participation (including host government capital), licensing agreements, or joint financing with companies of other developed countries. Such arrangements should seek to strike a balance between a private investor's interest in controlling decisions that affect his investment and the host country's interest in assuring that the form of investment is consistent with its political and economic theories.

° OPIC-guaranteed, or Eximbank financed, investors are more likely to seek early U.S. Government involvement in an investment dispute than are investors who had little if any previous contact with the U.S. Government.1/ The cost of earlier involvement will be offset in some cases by host country awareness that active U.S. Government involvement is likely. This can induce caution on the host country's part, and the known preference of the U.S. Government for negotiated solutions increases the pressure on both investor and host government for accommodation. Early U.S. Government involvement, during which active preventive protection steps can be taken, is clearly preferable to post-confiscation "recuperative" or punitive steps. At the same time, such a policy would have one disadvantage. Official U.S. involvement may make it more difficult to avoid U.S. Government entanglement in an investment dispute that could lead to a serious problem.

On balance, the present policy of selective encouragement best serves U.S. interests and should be continued. However, we believe that the explicit adoption of the policy would be beneficial. 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

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1/ U.S. encouragement of investment suggests to the investor and the host country that in addition to minimal traditional actions the U.S. would seek in some stronger way to protect that investment.

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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.

In this connection, we believe it would be useful for the President or the Secretary of State to restate the U.S. Government's belief in the positive contribution which private investment can make to development; our intention to encourage such investment on a selective basis in accordance with development criteria and the receptivity and wishes of the Latin nations themselves; and finally, to state that we will not abandon our belief in the rules of law and reason in dealing with investment problems.

B. Protection of Investment

We have identified two realistic policy options in the area of protecting U.S. private investment in Latin America. Extreme approaches, such as indiscriminate active protection, or no protection at all, have been rejected. The options extend to traditional protection only, and to our present policy of selective active protection.

In selecting a policy of either traditional protection or selective active protection, certain considerations are relevant:

o The U.S. Government should not become involved in every difference that arises between a host government and a U.S. businessman. In some cases the dispute will be resolved through administrative or judicial channels. In others, where exhaustion of local legal remedies would be futile, the dispute may be resolved by negotiations directly between the company and the host government. As long as both parties appear to be seriously interested in negotiating a solution to the dispute, such as a revision of ownership and control arrangements, in a mutually acceptable manner, U.S. Government involvement in the dispute should be kept to a minimum.

o Unresolved major disputes may threaten other U.S. interests, and involve the U.S. in an adversary relationship with the host country. Our protective efforts should be private, if possible, to avoid unnecessary confrontations and vulnerability to charges of coercion and violations of the OAS charter. Only in a few cases will public action be

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called for--principally as a deterrent to other expropriations.

o Investment disputes are not usually clear cut events, but rather are a complex web of actions and reactions over an extended period of time. U.S. Government intervention is more likely to be effective if initiated during the period of incipient dispute--though it risks replacing the U.S. for the investor as a prime target of the host government. On the other hand, if the U.S. avoids early intervention, and the dispute is unresolved and of major importance, protective action may be called for--or may be forced by considerations such as Congressional pressure or the Hickenlooper Amendment. At that point protective efforts may in large part consist of after-the-fact retaliation, which has seldom proved effective. Careful judgment in the field early in an incipient dispute about its direction and seriousness, and early consideration and decision on a course of action, are required.

o The atmosphere surrounding future disputes may be conditioned by U.S. policy pronouncements on encouragement and protection. Policy changes should be carefully communicated, so as not needlessly to increase the risk of disputes over existing investment, and to avoid misconceptions by investors and host countries as to likely U.S. action in future disputes.

o Consideration of the turn-off or phase-down of U.S. development assistance efforts may be appropriate in protecting a private investment.1/ In development terms private investment and public assistance are complementary. If a dispute serves to inhibit new investment, the effectiveness of continued public assistance may be correspondingly reduced. Any action by the U.S. to cut off or reduce development assistance may, of course, have severe political implications.

Against these considerations, the merits of the two policy options may be examined.

1. Traditional Protection. The term refers to the traditional and effective steps taken by the U.S. Government, such as informal mediation and espousal of

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1/ See the paper on development assistance for a discussion of the relationship of political considerations to U.S. development assistance efforts.

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meritorious claims. Traditional protection of investment implies some protection for property interests; it goes beyond efforts to protect life and liberty, which are made on behalf of all U.S. citizens abroad. It involves at least an investigation of the facts and use of good offices. These efforts incur no political cost, since they have long been assimilated into the comity of nations and are expected and accepted by all governments. Beyond this minimum, traditional protection may include the possibility of presentation and espousal of claims in meritorious cases.

A policy of traditional protection only might undercut the effectiveness of U.S. Government efforts to selectively encourage investment, since U.S. investors would understand they could not look to their government for special support in case of need.

2. Selective Active Protection. The current policy, it involves at least traditional protection in all cases plus additional protective efforts for investments on a selective basis. These efforts may extend to non-overt or, in extreme cases, open economic sanctions, but not the use of force.

In pursuing protective efforts, our action should be unambiguous, and of sufficient duration to insure impact and credibility; movement from one level of effort to another should be based on a careful reassessment of U.S. interests and the realities of the situation. In many cases, of course, the U.S. Government will decide to limit itself to minimal protection actions.

The following range of protective efforts, listed in roughly ascending order of severity, is available to the U.S.:

o Informal representations and mediation (stating our assessment of the situation and our active interest in a satisfactory resolution);

o Formal representations and similar measures, making clear that these are expressions of continuing U.S. Government active interest and protective efforts;

o Non-overt and overt economic pressures (e.g., slowdown of aid program, delays in discussing other issues of

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interest, delays in consideration of or voting against proposed IFI assistance projects, turning off Ex-Im long-term credits). Such pressures, of course, have most impact when applied over a considerable period of time.

o Seeking support from third countries, speeches by prominent officials, "inspired" press articles, etc.

o Formal economic sanctions (only in cases involving very important U.S. interests).

In the event that all protective efforts fail, residual rights arising from U.S. Government direct financial interests, such as subrogation from insurance or loan defaults because of host government acts, would of course be energetically pursued.

In determining what if any courses of active protection to follow in a particular situation, a case-by-case analysis is needed, including consideration of:

o The investor--his conduct, relations with the host government, his behavior in the dispute in question, and whether the U.S. Government encouraged his investment. 1/

o The country--its conduct and attitude towards foreign investment generally, its relations with the U.S. Government, the importance of the investment to the local economy, U.S. national security and other interests in the country or region, the product of investment (e.g., minerals) and the country's adherence to the rule of law.

o The dispute--its bearing on other U.S. interests in the country and other U.S. investments, its implications

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1/ It should be emphasized that there is no necessary correlation between selective protection and investments which enjoyed selective encouragement. All investment, present and future, encouraged or not, is eligible for consideration for selective protection. Similarly, no investment is guaranteed in advance to be eligible for more than traditional protection. Each case would be decided on its merits.

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vis-a-vis other countries and industries, and the extent to which it involves discrimination against U.S. (as opposed to domestic or other foreign) investment, and the legal position of the investor.

The policy of selective active protection affords the maximum feasible protection for existing and future U.S. investment, and the maximum developmental benefits for Latin American nations. It should be affirmed and maintained. Flexibility in acting to protect U.S. investment is vital, since the success of our efforts depends heavily on maintaining uncertainty in the minds both of investors and host governments whether protection measures beyond traditional ones will be utilized. Flexibility is at the core of the policy.

Accordingly, in its protective efforts, the U.S. Government should not be forced to apply sanctions--to use the Hickenlooper Amendment regardless of overriding considerations. Nor, however, should it be deprived of the power to employ equivalent measures. The continued deferral of action under the Hickenlooper Amendment in the IPC case 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 the hemisphere--though it may have encouraged some countries in imposing tougher curbs on U.S. firms.

Admittedly, this policy of protection is not devoid of political risks. Drastic sanctions will in fact rarely be employed but must be available if U.S. credibility is to be maintained. Such measures always incur a heavy political cost, which may in some instances be wholly excessive. Use or threats of drastic sanctions can have very negative or beneficial consequences on investments other than the one in dispute. There can be no certainty in advance on this point.

Efficient implementation of a policy of selective active protection will not, of course, put an end to investment disputes. We must continue to seek ways to minimize the likelihood of disputes arising, and, as well, methods for amicably and efficiently resolving

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them.[1] The task is a major one, and requires thoughtful consideration. Accordingly, we recommend that the President or Secretary of State establish a commission composed of U.S. business, legal and financial authorities and government representatives.

The Commission (a temporary body) should be requested to perform the following assignments, and to report its findings and recommendations within 6-9 months:

o To examine the range of existing investment disputes, including the role of the U.S. Government, and to seek new approaches which would promote adequate settlements without damage to U.S. relations with the host country.

o To examine the status of existing investment throughout Latin America and to consider possible actions in future investment disputes (for example, new types of investment agreements or contracts, establishing at the outset the mechanism for resolving disputes, and the development of investment "codes").

In addition, the Commission could address the larger issue of the present role of the U.S. Government in encouragement of new private investment and recommend whether and how this role should be modified.

1/ We believe the International Centre for the Settlement of Investment Disputes (ICSID), administered by the IBRD, may in the future be of assistance in settling investment problems. Guyana, Jamaica, and Trinidad are members. Prospects for wider acceptance would be enhanced if an international investment insurance agency (IIIA) were established, and some Latin American countries joined it. We should, in accordance with NSDM 76, provide strong leadership toward establishment of IIIA. We recognize, however, the continuing Latin American resistance to it.

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Description of Agency Responsibilities and Practices Relative to Investment

1. State and U.S. Embassies Abroad. Embassies maintain continual contact with resident American and local businessmen, with visiting businessmen, and with government officials concerned with economic and investment matters. These contacts involve matters affecting investment opportunities and incipient or actual protection problems. Embassies are in this sense an early warning system, and although foreign policy inputs are made by State in Washington at all stages, specialized investment problems are handled operationally by the agency most directly involved. In important cases, the Ambassador normally becomes deeply involved, as an official U.S. representative and as a mediator. The Embassy role has not changed greatly in the past two years and might be described as one of ad hoc selective encouragement and selective protection.

2. Commerce. Commerce has a major role in promoting and counseling the U.S. business community on factors affecting investment in the region. Through its publications, through continual contact with business groups and through other informational services, it provides assistance which influences investment and marketing decisions. The Commerce role is of long standing and has not appreciably changed over the years. In addition, Commerce can exercise a restraining influence on the flow of private capital to the region through controls exercised by the Office of Foreign Direct Investment. Because of the special treatment extended to less developed nations, these controls have not had a demonstrable adverse impact on the region's development.

3. A.I.D. A.I.D. has had a pervasive role in influencing both U.S. and Latin private investment. Recently, however, the major operational programs designed to directly encourage U.S. foreign investment, such as the Investment Guarantee and Investment Survey Programs, were lodged in OPIC. A.I.D. is now concentrating more on the promotion of private enterprise and investment by Latin Americans.

4. OPIC. As recently as 3 years ago the principal OPIC function of guaranting investment was encouraged broadly to maximize U.S. private foreign investment, which was then viewed almost uncritically as beneficial to economic development. In response to needs to reduce risk and to

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promote development, OPIC has adopted a policy of selective use of investment guaranties. This policy now rests partly on criteria embodied in OPIC's statute, which reflects the development-oriented policy previously applied by A.I.D.

5. Eximbank. Eximbank engages in short and medium term insurance, guarantees and long term credit transactions.

6. Treasury. Treasury's interests in private foreign investment are an outgrowth of (a) its responsibilities for the international monetary system and satisfactory financial relationships between countries in support of world trade and investment and growth, (b) its central role in the formulation and implementation of U.S.G. policy with respect to the IFI's, and (c) its concern with the strength of the dollar and our balance of payments. These interests lead to Treasury support for relatively free flows of international capital and a satisfactory investment climate for private investment.

7. International Financial Institutions (IFIs). IFIs have a major and increasing role in investment considerations. IFIs finance development, influence the volume and source of imports into LDCs and influence LDC government policies towards private foreign investment. U.S. Government support of IFIs seeks to promote lending policies and practices consistent with U.S. aims for LDC development, and attempts to achieve a balance between protecting their independent international character on the one hand and insuring on the other hand that they have access to sufficient public and private funds.

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F. INTER-AMERICAN SYSTEM

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THE INTER-AMERICAN SYSTEM

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THE INTER-AMERICAN SYSTEM

I. Underlying Considerations and Assumptions

The basic considerations and assumptions underlying U.S. policy formulation in 1969 with respect to the Inter-American System (including NSSM-15) were the following:

1. The unique historical relationship among the American Republics has provided, both as an intangible and a practical force, the fundament of the Inter-American System. In his October 31, 1969 speech President Nixon spoke of this relationship as "our partnership in the Americas."

2. U.S. participation in the Inter-American System, including the OAS in particular as well as the IDB, serves U.S. interests in the following ways:

a. It provides a mechanism for helping maintain close relations and a sense of solidarity with and among the countries of the Hemisphere, reflected both in dealing with Hemispheric problems and in Latin American attitudes toward U.S. actions in fulfillment of its worldwide responsibilities.

b. It provides a forum for the U.S. to deal with other countries of the Hemisphere in matters of multilateral concern and for maintaining a dialogue covering different points of view both between the U.S. and the other members and among the latter.

c. It provides a multilateral mechanism for protecting the Hemisphere from external aggression and subversion, including a general commitment (through decisions taken under the Rio Treaty) to oppose the spread of international Communism; and it has as a result enabled the U.S. to secure Latin American cooperation in such actions as the isolation of Cuba.

d. It inhibits aggression within the Hemisphere.

e. It promotes the peaceful settlement of disputes.

f. In thus providing multilateral collective security and peacekeeping machinery, it spares the

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U.S. from assuming these roles unilaterally and from the resentments unilateral action would engender; and it provides a preferred alternative to action by the UN, which would be likely to bring with it a cold war dimension and other extraneous issues and influences.

g. It provides a multilateral avenue for developmental assistance including technical assistance, and for reviewing self-help measures by recipient countries, thus reducing the political and psychological frictions that often arise in bilateral assistance, as well as requiring a proportionate Latin American contribution to the financing of assistance programs.

h. Beyond the foregoing specific reasons for U.S. participation in the Inter-American System, it would be unthinkable for the U.S. to withdraw from it, as it represents a comprehensive regional organization for which there is no alternative and as withdrawal would represent a shattering reversal of U.S. policy and efforts built up over more than 80 years of history. President Nixon emphasized our "firm commitment to the Inter-American System.....as exemplified by the OAS."

i. There is a further implicit assumption that the U.S. will not abandon the OAS as a regional organization in favor of a smaller association, bound together by military ties or by some other limited common denominator but progressively deprived of its character and authority as a regional organization.

3. While recognizing the advantages of U.S. participation in the Inter-American System, we also recognize there are certain liabilities and certain inherent restraints on U.S. freedom of action, including:

a. In accepting the principles of non-intervention and of collective action in the fields of peace and security, the U.S. has placed a voluntary restraint on its freedom to take unilateral action in these fields, e.g. under the Monroe Doctrine.

b. To the degree that U.S. developmental assistance is extended through the IDB and the OAS, the U.S. has limited its ability to manage the assistance provided.

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c. Despite its two-thirds contribution to the OAS, the U.S. has accepted the fact that it has only one vote.

d. The U.S. must be prepared to be confronted in the OAS by concerted Latin American demands, especially in the fields of trade and assistance.

4. While committed to common purposes and high ideals, including a devotion to democratic principles, the Inter-American System has always comprehended states whose practice of these ideals has varied widely. The advent of radical, nationalist, authoritarian military regimes, claiming a new ideology for achieving long-term economic reform and social change, indicates that a greater pragmatism may have to evolve in inter-American relationships. This would mean that countries espousing different political ideals would work together in the Inter-American System to achieve similar economic and social goals, cooperating also in peacekeeping and collective security. (However, this would not mean that the U.S. would have to obscure its preference for democratic process or diminish its efforts to buttress the Latin American democracies.)

5. Like all multilateral organizations, the OAS can at best be imperfect and can be no more than what its members want it to be. It cannot replace other relationships, and it cannot assume the role of a super state in making decisions which its members do not choose to delegate to it. Hence, a recognition of imperfection does not necessarily mean that a better answer is available. Additionally, because of its multilateral character, alterations in OAS machinery or in its application that may seem desirable to us are in many instances not within our reach. It must also be recognized that the policy organs of the OAS are representative, deliberative bodies, comprehending often widely divergent points of view.

6. The Latin American members value the OAS as a forum in which they can work together and bring their individual and collective influence to bear on the U.S., on the basis of sovereign equality.

7. The Latin American countries value the Rio Treaty's protective shield (provided principally by the U.S.) against external aggression, as an obvious improvement over the self-appointed U.S. role under the Monroe Doctrine. They also

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value the restraint on the exercise of preponderant U.S. power and the acceptance by the U.S. of the principle of non-intervention.

8. The U.S. has nevertheless reserved for itself the responsibility for taking action, unilaterally if necessary, if its vital security interests are at stake and if the other American states do not join in collective action, including circumstances where they do not rise to their collective commitment against outside communist penetration. However, this residual responsibility must be exercised with great restraint in the light of our obligations under international law and in view of Latin American sensitivity to unilateral U.S. action and intervention.

9. The Latin American countries also value the role of the Inter-American System in inhibiting aggression within the Hemisphere and promoting the peaceful settlement of disputes between American states. This has contributed to the fact that, despite internal instability and revolutions, subversive movements, and occasional minor border disturbances, this hemisphere has during recent decades been singularly free of major armed conflicts between states.

10. OAS contractual collective security arrangements (principally under the Rio Treaty) to deal with extra-continental or intra-continental aggression or threats of aggression are generally adequate. However, OAS formal machinery for the peaceful settlement of disputes is simply one of several options open to disputants and is limited in large measure by their willingness to bring their disputes to the OAS.

11. The collective restraint on U.S. power inherent in the Inter-American System is nevertheless insufficient to allay the fear that we may still attempt to use the OAS as a tool of U.S. policy. This, together with Latin American devotion to the principle of non-intervention, explains the reluctance of most members to see the OAS play a more significant "political" role in the Hemisphere or to strengthen the ineffectual military-security machinery of the OAS, except in those cases where an immediate crisis situation demands action on an ad hoc basis.

12. While the Inter-American System is theoretically committed to the principle of representative democracy, this commitment cannot be translated into effective action

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or machinery because of resistance to the idea of intervention in internal affairs. In addition, only a minority of present members can be considered to meet these theoretical commitments. Moreover, some of the new radical, authoritarian military regimes seriously question the ability of traditional forms of representative government to answer their countries' requirements for economic and social reform. (A modest OAS role in the field of human rights is, however, more generally accepted.)

13. The Inter-American System has assumed increasing relevance for the Latin American countries with its expanding role--through the OAS and the IDB and under the Alliance for Progress--in the fields of economic and social development and in the new fields of education, science and technology.

14. The U.S. is committed to multilateral cooperation in the economic and social fields within the Inter-American System and to the new structure and principles embodied in the recent reforms to the OAS Charter--a commitment expressed in unilateral and multilateral declarations (IDB Statutes, Act of Bogota, Charter of Punta del Este, etc.) and in our signature and ratification of the OAS Charter amendments.

15. A similar, new U.S. commitment applies to multilateral cooperation in the fields of education, science and technology and to the new Charter structure and principles pertaining thereto--also expressed in unilateral and multilateral declarations and in signing and ratifying the Charter amendments.

16. Our general commitment was re-emphasized by President Nixon when he stated our "firm commitment to U.S. assistance for Hemispheric development" and our belief that "this can best be achieved on a multilateral basis within the Inter-American System."

17. In determining the style of our participation in the Inter-American System, we recognize Latin American sensitivity to U.S. political, military and economic power, while at the same time recognizing that the Latin Americans expect a degree of U.S. leadership commensurate with our responsibilities.

18. U.S. policy governing our bilateral relations with Cuba sets two conditions: (1) Cuba must cease its policy of intervention and subversion and (2) it must terminate its

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military ties with the Soviet Union. The U.S. supports OAS policy of isolating Cuba, including especially:

a. The 1962 exclusion of the Castro Government from participation in the Inter-American System on the grounds that (1) Marxism-Leninism is incompatible with the Inter-American System and (2) alignment with, and especially military assistance from, the Communist powers break the solidarity and collective security of the Inter-American System under the OAS Charter and Rio Treaty.

b. The 1964 decision ("binding" under the Rio Treaty) that, because of Cuba's acts of aggression and intervention, member countries should have no diplomatic or consular relations, trade or shipping with Cuba until the OAS decides by two-thirds vote that Cuba has ceased to be a threat to the peace and security of the Hemisphere.

c. The 1967 resolution, based on further Cuban acts of aggression and intervention, which supplemented existing sanctions by recommending (1) steps to discourage non-member trade, credits, shipping and/or support for Cuba and (2) cooperative security measures.

The U.S. maintains that, in view of Cuba's continuing interventionism and continuing alignment with the Soviet Union, no change in existing isolation policy is justified.

II. Recent Developments and Trends Affecting U.S. Policy Formulation

The considerations and assumptions discussed in Section I have been affected by a number of developments and trends since March 1969, which in turn have a significant bearing on the direction for U.S. policy discussed in Section III.

A. Review of Developments and Trends

Style of U.S. Participation

We have continued to follow a style of "discreet leadership" in the OAS, described in NSSM-15 and in Section B below.

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Character and Patterns of OAS Participation

The composite of OAS membership has undergone a modest but significant alteration in the intervening period.

Following Trinidad-Tobago and Barbados, who were already members, Jamaica was admitted to the OAS in 1969. (It was tacitly agreed that Jamaica would not have to break its limited consular relations with Cuba because of the large number of Jamaicans living there.) Although small, these three English-speaking countries with their Commonwealth traditions and ties have given a new dimension to OAS membership and have made it a little less of a club of original members sharing certain common historical traditions. In the next few years additional Caribbean states may emerge and ask to join the Organization, e.g. Belize, the Bahamas, Surinam, and eventually Guyana which is unable to join at the present time because of its territorial dispute with Venezuela. Canada seems to be edging somewhat closer, having already increased its participation in OAS specialized organizations as well as in Caribbean subregional organizations.

Bolivia joined the ranks of radical military regimes.

Now yet another new--and disturbing--dimension is provided by Chile under a Marxist government, which has shown an interest in continuing its OAS membership and has so far avoided those actions and alignments that resulted in Cuba's exclusion in 1962. (It has also avoided actions that brought about OAS sanctions against Cuba in 1964.) The general attitude of other Latin American members is that Marxist Chile's presence is a fact of life that OAS members will have to learn to live with, in preference to a confrontation that would drive Chile further toward communism and alignment with Moscow or Castro. U.S. restraint in this regard has won the praise of the Latin Americans. Allende has publicly stated that Chile will not withdraw from the OAS, but will work within it to "restructure" the organization. Thus, despite protestations of a desire for friendly relations with the U.S. in the OAS, the Allende government can be expected to move sooner or later to seek to weaken U.S. influence in the OAS and to reduce the effectiveness of the Organization as one that has been generally cooperative with U.S. objectives. In effect this would mean intensifying the policies of the predecessor Chilean government. Allende's present decision to keep Chile in the OAS seems to be in line with this purpose. (See separate NSC study on Chilean participation in the OAS.)

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While the great majority still support Cuba's exclusion from the Inter-American System, a few members have indicated some sympathy with Cuba's reintegration. Secretary General Galo Plaza has privately expressed the belief that this would strengthen the OAS by polarizing issues and by making it a "more meaningful and less sterile" forum. Cuban reintegration is not an immediate problem, however. (The question of Cuba and the OAS is the subject of a separate NSC study.)

These changes, and particularly Chile's turn toward Marxism, result in an OAS with less identity of purpose than previously, but an OAS that will represent a forum for discussion among countries of more widely diverging views.

Another, more subtle change in the inter-relationship of OAS members revolves around the question of size and economic importance. For instance, the Executive Committees of the two technical councils (the Economic and Social Council and the Council for Education, Science and Culture) provide in effect for the permanent membership of the four largest countries (United States, Brazil, Mexico and Argentina), while the others are represented by rotation within subgroups.

Brazil for one has used heavy pressure tactics to assert its "big power" role, e.g. when it maneuvered a new election to return a Brazilian member to the Inter-American Juridical Committee; attempted to pressure acceptance of a broad convention on terrorism and kidnapping; and, together with Argentina, led a six-country walkout from the recent OAS General Assembly when this failed. Considerable resentment was aroused by these Brazilian pressure tactics, and the unprecedented walkout was strongly criticized by other members as a failure to respect the OAS principles of sovereign equality and majority decision. The U.S., on the other hand, enhanced its image by siding with the more moderate (and more democratic) group advocating a restrictive convention, while at the same time attempting (unsuccessfully) to build bridges between the two groups.

The principle of sovereign and equal representation in most of the representative bodies of the OAS is jealously adhered to by the smaller countries. At times they have been able to exercise a disproportionate power through bloc voting, particularly in elections, where there is a growing tendency for the Central Americans and the Caribbeans to concert. The

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larger Latin American countries are not happy with this development.

The so-called "bi-polar" relationship between the U.S. and the Latin American countries in the economic organs of the OAS is beginning to change slightly as Mexico and Argentina commence modest programs of assistance to their lesser developed neighbors.

Collective Security

The collective security role of the OAS under the Rio Treaty has been affected both positively and negatively by recent developments.

On the one hand, the effectiveness of Rio Treaty peacemaking machinery and the dedication of the great majority of member states to supporting the principle of non-aggression were reconfirmed during the El Salvador-Honduras war of July 1969, the first actual war between American states since 1941 (Peru-Ecuador). Acting with commendable speed, the OAS, operating under the Rio Treaty, was able to bring about a cease-fire and, under threat of partial economic sanctions, a withdrawal of Salvadoran troops from Honduran soil, supervising this and other activities arising from the conflict through a seven-country committee assisted by military and civilian observers. In 1970 the Committee succeeded in establishing a modified DMZ under the supervision of OAS military observers. (A valid criticism can be made, with benefit of hindsight, that the OAS actions before the war were insufficiently vigorous, given the fact that the Rio Treaty can be resorted to when there is a threat of aggression. However, Honduras withdrew its early request for invoking the Rio Treaty and, in any event, OAS intelligence and foresight can be no better than those of its members.)

On the other hand, Chile's unilateral action in reestablishing diplomatic and commercial relations with Cuba in violation of its collective obligation under the "binding" 1964 (Rio Treaty) decision has led to expressions of deep concern among certain countries that Chile's and possibly other defections will weaken the authority and integrity of the OAS and the Rio Treaty. Some express a preference for lifting or modifying OAS sanctions so as to avoid a situation of defiance of OAS obligations. The demand for such action has receded for the moment, however, at least partly as a

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result of U.S. efforts to convince other members that Cuban interventionism is continuing and that a change in OAS sanctions is therefore not justified.

Despite the fact that Chile in recent years has attempted to promote the thesis of UN pre-eminence in matters of collective defense and peacekeeping, it is interesting to note that Chile voted in support of all OAS actions in the Honduras-Salvador affair and even co-sponsored the 12-country draft resolution to impose partial economic sanctions when it appeared that Salvador would not withdraw its troops from Honduran soil without conditions.

The U.S. image vis-a-vis the principle of non-intervention has undergone some change, mostly to our advantage. Bitter memories of U.S. unilateral intervention in the Dominican Republic (before taking the matter to the OAS) are beginning to recede. Moreover, our active participation as a co-equal member of the Committee of Seven (although the main supplier of transport and communications) in the Honduras-Salvador affair has redounded to our credit. (Latin American initiative, supported by the U.S., provided the major impetus in the initial, crisis phase, while quiet U.S. persistence and hard work within the collegial framework became a necessary factor in the subsequent, drawn-out phases of the post-war period.) In fact, U.S. participation in the Committee of Seven as well as the election of the U.S. to the five-country Inter-American Committee on Peaceful Settlement show that the Latin American members still consider our participation in this sort of activity essential.

There has been no change in the negative attitude of most OAS members toward any strengthening of the permanent military and security bodies of the OAS--an attitude grounded in a fear of possible interventionism by the OAS itself and of possible U.S. dominance of or use of OAS military/security machinery. Thus there is no change in the general Latin American opposition to the idea of a permanent Inter-American Peace Force (IAPF), nor in the majority Latin American opposition to the integration of the Inter-American Defense Board (IADB) into the Charter structure of the OAS. In fact, our modest proposal of an IADB role in handling the purely organizational aspect of the OAS military observer operation in Honduras/Salvador did not prosper. None of this, however, signifies that the OAS will not call for military measures if and when clearly warranted under the Rio Treaty.

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There is likewise little or no disposition to strengthen the Special Consultative Committee on Security (SCCS), which now meets only once a year and not very productively. The Rockefeller recommendation for a higher-level Western Hemisphere Security Council to replace the SCCS received no support in Latin America (except from President Somoza) and in fact was generally criticized in the Latin American press.

Nor have we seen any change in the generally negative Latin American attitude toward OAS involvement in the question of arms limitation, although the question has not arisen in the intervening period.

Peaceful Settlement of Disputes

The new role of the Permanent Council (under the amended Charter) in the field of peaceful settlement, assisted by the five-country Inter-American Committee on Peaceful Settlement (IACPS) as a subordinate body, is as yet untried. (The U.S. did ask for IACPS good offices when Ecuador accused us of economic coercion in the tuna boat/military sales dispute (see below), but we suspended our request when it appeared that an even-handed Foreign Ministers' resolution was possible.) However, judging by the predecessor Inter-American Peace Committee, there is a useful role to be played, although confined largely to good offices in suggesting procedures for settlement and limited by the need for advance consent by both parties.

In participating in drafting the IACPS Statutes, we were unsuccessful in winning support for language that would have permitted the Committee to investigate the facts at the request of only one party and to take cognizance of disputes between member and non-member states (e.g. Venezuela-Guyana). The new arrangement still represents a modest strengthening of peaceful settlement procedures by adding an alternative role for the Permanent Council as well as a role in "re-establishing harmony" even when formal good offices are rejected.

The "might-have-beens" of the Honduras/Salvador experience remind us that Rio Treaty machinery, if invoked when conflict is only a threat, can also serve an essentially peace keeping function, without requiring the formal consent of both parties.

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Political Action and Human Rights

Another sign of new pragmatism in relations between American states is the fact that OAS Resolution 26 of 1965 (calling for consultations with respect to recognition of de facto governments, including consideration of such factors as future elections and respect for human rights) was not resorted to by any member state following the extra-constitutional presidential changes in Argentina and Bolivia in 1970. The U.S., for one, considered that such consultations were not called for since in its view a question of recognition did not arise. In interpreting these extra-constitutional changes as not presenting the question of recognition, we and other member states seem to be moving toward a modified practice de-emphasizing the importance of recognition in situations not involving the overthrow of constitutional governments. In the case of the U.S., the State Department supported the Cranston Resolution, expressing the sense of the U.S. Senate that recognition and exchange of diplomatic representatives does not imply that the U.S. necessarily approves the form, ideology or policy of a foreign government.)

On the other hand, the Inter-American Commission on Human Rights continued to play a useful role, especially in Honduras and El Salvador both prior to and following the war, when it looked into the treatment of minorities and assisted in the release of internees.

The Inter-American Convention on Human Rights emerged from the San Jose Conference in November 1969, but the U.S., in common with several other countries, was unable to sign without further consultations within the U.S. Government over possible juridical impediments for us.

Despite the reluctance of some member countries, the OAS during the period under review showed that it was not necessarily inhibited from involvement in new political/security fields. For example, the Permanent Council in 1970 unanimously adopted a resolution which implicitly supported President Nixon's peace initiatives in Indo-China and the Middle East, even though some delegations initially had doubts about the Council's competence. (See below for OAS involvement in terrorism/kidnapping.)

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Emergencies and Disasters

The OAS role, through the Emergency Aid Fund, in disaster situations became more firmly established in the period under review, especially with the useful work done in earthquake relief in Peru and Ecuador.

During the 1970 mutiny in Trinidad-Tobago, when the Caribbean Ready Force of the U.S. Navy was deployed in case of possible evacuation of U.S. citizens, OAS Secretary General Galo Plaza privately suggested that the OAS might play a role in such cases by providing an "umbrella" for member country evacuation efforts, thus making such an operation far more palatable than unilateral U.S. action. He also foresaw a possible OAS coordinating role in disaster relief work. These ideas were taken up by Secretary of State Rogers in his speech in the OAS General Assembly in June 1970, when he suggested an OAS role in assessing requirements and coordinating assistance in disaster situations and in providing leadership in emergency evacuations of foreign nationals.

The OAS Secretariat continued to maintain a small technical assistance mission in Haiti (financed by a special U.S. contribution)--the real purpose being largely political, i.e. as a "foot-in-the-door" operation to maintain a degree of contact for contingency purposes.

Terrorism and Kidnapping

In 1970 and 1971 the OAS Permanent Council, the General Assembly and the Inter-American Juridical Committee (at Argentine, Uruguayan and Brazilian initiative) addressed themselves to the agonizing problem of terrorism and kidnapping. The upshot was the recent (January-February 1971) Special OASGA session, at which a majority of thirteen countries (including the U.S.) signed a Convention on Terrorism, confined largely to terrorist crimes against foreign officials as they relate to extradition and asylum. Of the remainder, six (led by Brazil and Argentina) walked out on the grounds the convention was inadequate in not including other acts of domestic terrorism, and three (Chile, Peru and Bolivia) had no intention of supporting any convention. The split between the majority and the six was partly due to the great reluctance of members of the former to include definitions that might be interpreted to cover acts of opposition or desperation against repressive regimes--some (such as Venezuela and the Dominican Republic) remembering their own recent past.

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Despite our own preference for a restricted convention along the lines of that adopted, the U.S. tried, unsuccessfully, to bridge the difference between these two groups.

Over the last several months the U.S. has been in touch with a number of Western, non-member governments, some of whom have shown an interest in a universal convention along the restricted lines of the OAS convention. (The latter is open to signature by non-member states.)

Article 19

An unfortunate confrontation occurred in the OAS when Ecuador called for a Meeting of Foreign Ministers in January 1971 (concurrently with the recent OASGA) to take up Ecuador's charges of coercive action by the U.S., in violation of Article 19 of the OAS Charter, in suspending military sales to Ecuador because of the latter's seizure, fining and licensing of U.S. tuna boats fishing between 12 and 200 nautical miles of the Ecuadorean coast. Peru and Chile strongly supported Ecuador's accusation. It was apparent that, although the majority of members felt uncomfortable over having this issue aired in the OAS and were pleased to be able to vote for a bland, even-handed resolution (worked out behind the scenes by the U.S. and Ecuador), basic sympathies were more with Ecuador than with the U.S. over this matter. These sympathies would doubtless grow if the U.S. took additional measures against Ecuador, and the latter presumably would not hesitate to level further charges against us.

Peru in 1969 was apparently preparing to make a similar accusation before the OAS of U.S. violation of Article 19 had we decided to invoke the Hickenlooper Amendment over the expropriation of IPC.

Economic and Social

In the economic area new OAS machinery has been created and new relationships have evolved during the intervening period which, on the whole, cast the U.S. in a more favorable light, although not without anticipated problems.

IA-ECOSOC created the Special Committee for Consultation and Negotiation (SCCN), which has held several meetings on trade matters. In these the U.S. has been willing to discuss problems of protectionism and U.S. pending legislation, in addition to negotiating with the Latin American countries

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specific items for purposes of tariff and non-tariff concessions and discussing shipping problems. However, the range of concessions now possible for the U.S. in this area makes further sessions on the matter of tariff barriers unpromising, but the Latin Americans may continue to press in this area (further details in the section on Trade).

The U.S. has for the first time agreed to CIAP review of U.S. economic policies and trends; this will be an annual affair along with reviews of other country members. Latin American reaction to the first review in 1970 was very favorable, due in large measure to the substantial effort on the part of the high U.S. officials participating and, on the part of CIAP, to a determination that the review should not become a confrontation over politically explosive topics. However, the continued commitment of such high level U.S. officials may be difficult in the future and CIAP may not continue to avoid sensitive areas in the review.

The Latin American "caucus", CECLA (Special Committee for Latin American Coordination), has become a recognized vehicle for coordinating Latin American positions in IA-ECOSOC (as well as UNCTAD)--accepted by the U.S., for example, when it received the "Consensus of Vina del Mar" elaborated by the Latin American countries meeting in CECLA.

Education, Science and Technology

The new Council for Education, Science and Culture (CIECC) came into being formally with the entry into force of the OAS Charter amendments on February 27, 1970.

The operations of the CIECC and the OAS Secretariat in the science and education fields in the past two years can best be characterized as a "shake down" period not only for the substance of these programs but also as a test of the capabilities of the organization in carrying them out. Like many international programs, however, this one set unrealistically high targets at its outset, i.e., $25 million per year.

On the fiscal side, we have seen improvement in the last eighteen months, including increased and timely contributions from the principal Latin American donors (Brazil, Argentina, Mexico). Nevertheless, overall contributions are

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still below pledge levels for the operational fiscal year. It is now estimated by the Secretariat that for this year's budget some $13.8 million will be available, a far more realistic level than originally targeted.

On the operational side, the education program has been plagued by an apparent inability on the part of the Secretariat to initiate approved programs. Progress on the science and technology side, however, has been better. We are pleased at the recent election of high calibre members to the respective committees on science and education, including a prominent U.S. member on each.

Like the U.S., the large Latin American donors are increasingly insistent that expenditures bring equivalent results. There is general agreement that the programs, having now been operational for two years, should be evaluated and scrutinized in terms of the original goals, and mechanisms to do this are being developed. The member states (including the U.S.) have been increasing their pressure on the Secretariat to improve its performance of program execution. (See Technical Assistance below.)

Technical Assistance

Out of a total proposed OAS outlay of $91 million for FY 1972, the following is for technical assistance, handled both by the OAS Specialized Organizations (mainly the Pan American Health Organization and the Inter-American Institute for Agricultural Sciences) and by the OAS General Secretariat; amounts funded by the U.S. (State and AID appropriations) are also shown:

OAS Technial Assistance (Millions of dollars)

	Total	Total US	State	AID
Specialized Organizations	35	21 (60%)	21	-
PAHO	(30)			
IAIAS	(5)			
General Secretariat	31	21 (66%)	4	17
TOTAL Technical Assistance	66	42	25	17

In addition to State, other agencies such as AID, HEW (PHS) and Agriculture have long cooperated closely with these Specialized Organizations, and have occasionally provided unilateral grants.

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The technical assistance programs handled by the General Secretariat operate under the guidance of the two technical councils, IA-ECOSOC and CIECC. Each U.S. Administration since 1950 has taken the lead within the OAS in proposing strengthened OAS technical assistance programs, most recently through President Nixon's message to the Caracas IA-ECOSOC meeting in early 1970.

In so doing, we have been responsive to Latin American demands that, while continuing its traditional role in the fields of peace and security, the OAS should give increasing attention to economic, social, educational and scientific development. The Latin American members have continued to request technical assistance offered by the OAS and to pay their share (one-third) of the costs. The Secretariat is now seeking to relate OAS services more closely to national needs through a country-oriented programming procedure.

In view of the large sums involved and of some critical comments from within the U.S. Government, we conducted a survey in early 1970 through our missions in each country to help determine the effectiveness of approximately 100 OAS field projects under the Secretariat's program. While this first study did not develop sufficient information to make judgments on the programming process or on priorities between programs, it showed that the general impression of U.S. missions in the field was that the majority of OAS technical assistance activities were useful and deserved support; some needed modification to make them more effective and relevant to country priorities; and only a few warranted termination.

Although we have always been concerned about management problems in the OAS Secretariat, U.S. policy favoring increased technical assistance projects has until recently been insufficiently sensitive to the need for a corresponding build-up in the capacity of the organization to manage programs effectively. In fuller recognition that any increase in programs must be accompaied by an increase in the management capacity of the Organization, we have, in concert with other members, supported a recent series of actions to improve internal operations. Thus, a number of recommendations by a Group of Experts in 1968 led to a complete reorganization of the Secretariat and its operational procedures. Today, our concern is being increasingly shared by other members as steep budget growth (27% proposed for FY 1972)

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causes them to insist on getting the most for their money. To improve and verify program effectiveness, a start has been made by the Secretariat toward installing better program/budget processes and a sound evaluation system. The April 1971 regular General Assembly session will consider a U.S. proposal, for which we will seek co-sponsorship by concerned Latin American members, for an OAS external inspection service modeled after that of the U.S.

OAS Structure

The amendments to the OAS Charter discussed in NSSM-15 entered into force on February 27, 1970, but the new structure is still going through a shake-down period. The new "supreme organ" of the OAS, the General Assembly, held its first meeting in June-July of the same year. However, it is too early to judge how much of an improvement regular annual sessions of the OASGA will represent over the previous system. It does provide a forum for the Foreign Ministers to meet on a regular basis, provided there continues to be significant subject matter to attract their participation.

The OAS is adjusting to the new system of three hierarchically co-equal councils, but questions remain with respect to coordinating activities among these councils and particularly with respect to the possibility of a central role for the Permanent Council, which in our view would be highly desirable. A few countries (led by Chile both under the previous regime and the present Marxist regime) continue to resist efforts to strengthen the Permanent Council and particularly its political attributes.

Internal Management

Since mid-1969 the OAS Secretariat has continued to emerge from the aftermath of several years of administrative disarray. It has suffered no new crises (financial, administrative or otherwise). Secretary General Galo Plaza, who is pledged to improve management, was confirmed in office by the General Assembly in 1970 for an additional five years.

The three-council structure resulting from Charter reforms makes it somewhat more difficult for the Secretariat to exercise centralized administrative authority over its

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1300 employees, and tends to project the divergent interests of these councils into the respective staff groups concerned with them. Plaza, however, is determined to maintain a centralized Secretariat.

B. Recapitulation and Balance Sheet

Looking back over the developments and trends since 1969 reviewed above, we see certain of them as significant advances, others as setbacks or signals of problems ahead, and a number as combinations of these factors. A "balance sheet" of major developments and trends includes the following:

1. Our continuing style of "discreet leadership" has served us well and contributed toward a favorable image.

2. The greater disparity in OAS membership and in the attitudes of certain members, particularly the radical military regimes and even more particularly the new Chilean Marxist regime, results in an OAS with less cohesion and identity of purpose and will make it more difficult for the U.S. to align support, especially in the political/security and economic fields. On the other hand, the continuing participation of these countries in the regional organization will provide the opportunity for dialogue with the U.S. and other members that could hopefully contribute toward a reduction in differences with them and a restraint on extreme positions.

3. While Chile indicates an interest in maintaining such a dialogue, it may also gradually intensify efforts to weaken our position in the OAS. On the other hand, a Marxist Chile will probably have less influence on other members than its predecessor. (Chile has so far avoided those alignments and actions that brought about OAS exclusion and sanctions in Cuba's case.)

4. The emergence of a "big power" sense of responsibility on the part of Brazil, Argentina and Mexico means a greater sharing with the U.S. of a "watch dog" and leadership role with respect to OAS policies and management, but this is jeopardized by Brazil's heavy pressure tactics and modified to some extent by the authoritarian image of Brazil and Argentina.

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5. The effectiveness of the Rio Treaty in peace-keeping was enhanced by the Honduras/Salvador experience, but Chile's violation of Rio Treaty obligations in re-establishing relations with Cuba represents a threat to the Treaty's authority and integrity.

6. The growing misgivings among member states over the maintenance of OAS sanctions against Cuba, although recently somewhat abated, will inevitably confront us with the problem of either trying to maintain sanctions intact at the risk of further violations or of agreeing to some modification in order to retain support. Continued exclusion of Cuba from the OAS, however, is not an immediate issue.

7. The U.S. image with respect to the principle of non-intervention has improved, and memories of the Dominican experience have receded.

8. While strengthened OAS permanent military/security machinery would be desirable in our view, there remains little or no Latin American support for this.

9. There has been a modest improvement in OAS peaceful settlement machinery, but it remains limited.

10. A more pragmatic attitude toward recognition of de facto regimes has evolved, presenting us again with the need to project a clear distinction between pragmatism (or non-interference) and condonement.

11. There are signs the OAS might play a more significant role in emergency situations, but the aspect of interventionism must be overcome.

12. The Convention on Terrorism is a step forward, but wider acceptance by OAS members remains a problem, as well as more universal acceptance.

13. The unprecedented walk-out of six countries (led by Brazil and Argentina) from the OASGA session on terrorism and kidnapping was an unfortunate incident, but not an irreparable cleavage among members. (The OAS has survived even deeper differences in the past, e.g. over Cuban isolation and the Dominican Republic.)

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14. Ecuador's accusation of U.S. coercive action in violation of Article 19 could well set a precedent for future accusations in the OAS should the U.S. again choose to impose legislative restrictions geared to fishing boat seizures and expropriations. This could only feed the fires of economic nationalism and lead to an increasingly uncomfortable position and image for the U.S. The desire to avoid the prospects of such reactions in the OAS and of growing sympathy among other Latin American countries could prevent us from taking unwise actions, but could also keep us from actions we might consider justified. (We must also bear in mind that confrontations of this kind in the OAS could strengthen support or at least sympathy for extreme claims over maritime jurisdiction and could jeopardize our economic and military assistance programs.)

15. IA-ECOSOC, CIAP and SCCN continue to provide useful forums for dialogue on trade and development, but the Latin Americans are increasingly unafraid of confronting the U.S. in these forums.

16. If disputes and differences are to be aired and if the U.S. is to be subjected to accusations and criticisms such as in 14 and 15 above, it is better at least that this should occur in the OAS where we have greater influence and where there is a tradition of accommodation, than in the UN where cold war and third world factors would operate against us.

17. The increased U.S. concentration on technical assistance on a multilateral basis through the Inter-American System (i.e. economic, social, educational, scientific and technical) has many advantages in reducing bilateral frictions, in promoting collective Latin American involvement, and in enhancing the image and value of the OAS for its Latin American members. Continuation of this trend, however, must be contingent on the increasing capacity of the OAS to handle such programs.

18. The revised OAS Charter structure is now in effect, with prospects for generally beneficial results although it is still in a shake-down period.

19. The OAS General Secretariat emerged from a period of administrative disarray into one of stronger leadership and better management.

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III. Direction for U.S. Policy

The direction U.S. policy should take must, of course, be guided by the basic U.S. interests and other basic considerations outlined in Section I, but it must be adjusted in the light of the intervening developments and trends outlined in Section II. Thus, in addition to our continuing interest in maximizing the advantages and minimizing the disadvantages of the Inter-American System, we must think in terms of consolidating and building on the ground gained in the intervening period and of regaining the ground lost to the extent possible.

On the whole, our conclusion is that the advantages far outweigh the disadvantages and that the ground gained outweighs the ground lost--although further problems can be foreseen. There is certainly room for strengthening the organization, but at this juncture we do not see the opportunity for a bold new initiative in this direction. It is a question more of modest improvements in a variety of activities.

In considering the question of strengthening the OAS, we must of course define what we mean by this. Do we mean changes that would make the OAS more pliable to U.S. domination? Or do we mean strengthening the OAS as a genuinely multilateral organization in which the U.S. participates as one of many and which thus provides a mechanism for expressing and reconciling insofar as possible a diversity of interests? Our answer is the latter. This does not in any way mean that the U.S. in its participation should abandon its national interests to the dictates of a multinational body. It does mean, however, that our national interests are better served by influencing and persuading than by dominating. To try to mold the OAS to our own dictates would weaken rather than strengthen it and would thus reduce its value to us.

We occasionally will have to weigh the question of pressing for decisions important to us in the face of substantial reluctance, against the potential longer range weakening of the organization and of the support for it among other members.

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Style of U.S. Participation

Recognizing Latin American sensitivity to U.S. political, military and economic power, while at the same time recognizing that the Latin Americans expect a degree of U.S. leadership commensurate with our responsibilities, we should continue a style of "discreet leadership" in the OAS. This means avoiding an appearance of U.S. preponderance in favor of constructive participation as a fellow member. This also means for the most part playing our roles behind the scenes as much as possible, encouraging the Latin Americans to take the initiative, suggesting "initiatives" to them, taking our own initiatives jointly, and consulting quietly on all problems of importance to us. Nevertheless, this does not preclude a more direct U.S. leadership role when it best serves our interests.

Character and Patterns of OAS Participation

As we have already done in the past, we should continue to encourage the OAS membership of other American states, including new independent nations as they emerge, provided they are willing to assume the obligations of membership. This is consistent with the status of the OAS as a genuine regional organization. Moreover, as far as new small Caribbean states are concerned, it is desirable to include them in the protective umbrella of the OAS and to give them access to OAS and IDB developmental assistance. (If, however, independent "mini-states" should emerge among the small islands of the eastern and southern Caribbean, full membership would presumably be out of the question, but some sort of association with the OAS could be studied.)

We must also learn to live with the fact that the OAS is becoming more diverse in its membership, including radical, nationalist military regimes and now including a Marxist Chilean regime that may eventually create difficulties for us in the OAS itself. We should endeavor to maintain a healthy dialogue in the OAS with these and other governments, in hopes that such dialogue can air and defuse differences and reduce pressures.

In our relationships in the Inter-American System we should continue to follow a "mixed pattern". In other words, as supplements for our bilateral relationships, we continue to see important and useful roles for "collegial"

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or genuinely multilateral relationships within the Inter-American System and for "bi-polar" relationships (i.e. U.S. vis-a-vis Latin America as a whole) both within the Inter-American System and outside of it--for example the interplay between CECLA, the U.S. and IA-ECOSOC. If, however, there should be any serious effort on the part of Chile or others to build up CECLA or some other organization at the expense of the OAS, we should quietly influence others to resist it.

Given the present realities of disparity in size and development among the Latin American countries, there is yet another relationship we should continue to cultivate, namely a relationship of close consultation with the larger Latin American countries because of their special responsibilities and contributions to the Inter-American System. However, it would be best to pursue this relationship on a quiet, informal basis. We must always be careful not to violate the sensibilities of the smaller nations, nor to give an appearance of aligning ourselves with authoritarian Latin American powers.

Chile. While we should attempt to live with Marxist Chile's presence in the OAS (an attitude shared by most other members), we must remain alert to intensified Chilean efforts to weaken the OAS and U.S. influence in it, i.e. by building on the standard policy of the predecessor Chilean Government. On the other hand, we may well find that Marxist Chile has even less success at influencing other members in this direction than its predecessor, because of suspicion of its motives.

We must also be alert to any developments in Chile that would meet the 1962 criteria for excluding Cuba from the Inter-American System--namely, the establishment of Marxism-Leninism and of military alignment with the Communist powers, particularly the receipt of military assistance from them. Even in such an eventuality, however, some Latin American members might be reluctant to act unless Chile's actions were more clearly hostile, e.g. by embarking on Cuban-style interventionism and subversion (grounds for the 1964 OAS sanctions against Cuba) or by permitting a Soviet military base in Chile. We should, of course, be alert to Chilean moves of this sort, although the possibility seems somewhat remote at this time in view of the expected strong reactions of the American states, including the likelihood of OAS exclusion and sanctions. (See separate NSC Study on Chile's participation in the OAS.)

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Collective Security

As indicated in Section II, we believe there is little need to strengthen the collective security mechanism of the OAS under the Rio Treaty, and it has generally been used effectively. We and other members should be more alert, however, to the possible use of the Rio Treaty before a threatened conflict becomes an actual conflict.

Despite the lack of interest on the part of most Latin American members in strengthening the relatively ineffectual military/security bodies of the Inter-American System, we should continue to seek ways of making the Special Consultative Committee on Security a more useful body. The best prospect will be to encourage, through the U.S. member, more active reporting on such matters as Cuban subversion, expanded Soviet activities, etc. (As mentioned in Section II, our soundings with our Embassies and the very negative Latin American reactions indicated there was no prospect of launching the Rockefeller recommendation for a high-level Western Hemisphere Security Council to replace the SCCS. The recommendation was not clear, but if it meant a Council on a par with the other three OAS Councils, this would have had even less prospect as it would have meant a further Charter amendment.)

We still believe, as we did in 1965, in the utility of a permanent Inter-American Peace Force, based on earmarked military units with a skeleton staff. However, we recognize that even the limited Latin American support for the idea that existed then has fallen away and that any effort by the U.S. to revive the idea at the present time would be counter-productive. The best that can be expected is some sort of ad hoc collective force to meet a particular situation when it arises.

We should continue to be guided by the present, widely accepted principle--consistent with the OAS Charter and the Rio Treaty and in harmony with the UN Charter--that the OAS is the competent body to act at least in the first instance in maintaining the peace and security of the Hemisphere. We should continue to resist any Chilean or other efforts to promote UN pre-eminence in these fields. We feel the American states are better able to handle these problems and that UN involvement might bring with it a cold war dimension and other extraneous issues.

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We should remain alert to any sign of Latin American receptivity to a possible OAS role in regional arms restraint, although previous reactions have been negative.

Inter-American Defense Board. In one respect, the analysis and options in the field of collective security presented in NSSM-15 require reappraisal: namely, the rather negative assessment of the utility of the IADB and the suggested option of "exploring with other members the acceptability of bringing the Advisory Defense Committee into being on a 'stand-by' basis and of establishing a small permanent military staff in the OAS General Secretariat to provide necessary backstopping, thus permitting the termination of the ineffectual Inter-American Defense Board." A reappraisal is called for, particularly in the light of the current NSC Review of the U.S. military presence in Latin America, which stresses the value of contact between U.S. and Latin American officers.

Our current conclusion is that there is a similar value inherent in the IADB in giving U.S. military representatives an opportunity to know, and possibly influence the thinking of, a significant group of Latin American military. Many have been or shortly will become some of the most important leaders of their respective countries.

Therefore, whatever the degree of utility of the IADB in hemisphere defense planning, the continuance of this organization would be in the U.S. interest. It is also in our interest that our military representatives be well prepared and well qualified for effective participation both in this inter-American forum and its dependency, the Inter-American Defense College.

In addition to the foregoing considerations favoring the continuation of the IADB, there appears to be no disposition among Latin American members of the OAS to tamper with the existing status of the IADB or to bring the Advisory Defense Committee into being.

Cuba. We must weigh carefully the possible weakening of the integrity and authority of the OAS under the Rio Treaty through any further defections (after Chile) from the "binding" OAS diplomatic and economic sanctions imposed against Cuba in 1964. The possibility of further unilateral defections seems to have receded for the moment, as have

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the growing concern on the part of other members and the growing advocacy by some of a review and possible modification of OAS sanctions policy. This could again change, however.

Therefore we must be prepared when necessary to argue again that change is not justified because of continuing Cuban interventionism. Since we estimate that about half the OAS members might be receptive to some modification and that an OAS meeting on the subject would therefore open a Pandora's Box, we should endeavor to discourage any such meeting. However, we should constantly re-assess our ability to stave this issue off if demands should become insistent, and we should then assess whether OAS sanctions policy can survive intact or whether some adjustment might be necessary to retain support for it.

We must also be prepared as necessary to advocate the continued exclusion of Cuba from the OAS, although there is little demand for changing this aspect of OAS isolation policy. (The question of Cuba and the OAS is the subject of a separate NSC study.)

Peaceful Settlement of Disputes

The Permanent Council's new good offices role in the peaceful settlement of disputes, assisted by its subordinate Inter-American Committee on Peaceful Settlement, is as yet untried, but we should encourage a resort to this machinery whenever appropriate and use our membership on the Committee to ensure insofar as possible its development as an effective instrument.

Given the fact that the Permanent Council and the IACPS can exercise good offices only with the consent of both parties, we should bear in mind other alternatives such as informal intermediaries and investigating committees under an MFM or the Rio Treaty.

Political Action and Human Rights

We see no opportunity to strengthen the very limited mechanisms available to the OAS in encouraging democratic process, in view of Latin American sensitivities to anything resembling intervention in their internal affairs. In point of fact, the mild moral suasion implicit in consultations under Resolution 26 with respect to recognition now seems

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largely a dead letter. In view of our own more pragmatic approach to dealing with varied types of governments and in moving toward a modified recognition policy, it would now seem best to let Resolution 26 lapse at least with respect to situations not involving the overthrow of a constitutional government. It could be left "on the shelf", however, for possible marginal use if a situation demanded.

The remaining instrumentality, namely the provision by the OAS Secretary General of technical assistance missions on election procedures and/or electoral observers, when requested by the country concerned, can still be used to good purpose.

We should continue to encourage and support effective use of the Inter-American Commission on Human Rights wherever useful and feasible. However, the prospect of our signing and ratifying the Inter-American Convention on Human Rights must be studied and discussed further within the U.S. Government in the light of certain legal problems for the U.S.

Emergencies and Disasters

It would be useful to continue to encourage Secretary General Galo Plaza to develop his ideas of a coordinating role for the OAS in disaster situations, including the provision of an OAS "umbrella" in the event of a need to evacuate foreigners, building on the Secretary General's present authority under the Emergency Fund. While the Fund itself is to help finance emergency relief, the coordinating role in disasters would not involve large expenditures but would be predicated on developing a real capacity and expertise.

With respect to evacuation, it would, of course, be a great advantage to the U.S. if we could provide transport and other assistance for evacuation purposes in response to a general appeal to member countries from the OAS, with whatever degree of coordination the OAS is capable of providing. We would thus avoid the great disadvantages of unilateral action (Dominican Republic style) with the inevitable Latin American accusations and fears of interventionism. It would, of course, be highly desirable if other OAS countries in a position to do so could also participate, at least on a token basis.

Even with an OAS umbrella of this sort, Latin American fears of the U.S. using the OAS as a cover would not be

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entirely put to rest. Several member countries, therefore, might be expected to object if a proposal were made in advance of an actual evacuation situation. In the light of past experience, the best chance of gaining acceptance of such a system would be when the next emergency evacuation situation arises. Meanwhile, we can encourage further preparatory work by the Secretariat General, which has, in point of fact, engaged a former U.S. Foreign Service Officer to prepare a contingency study for OAS action in emergency situations.

No further opportunity has presented itself to cultivate acceptance by other members of an OAS stabilizing role in situations of internal chaos (e.g., potentially, Haiti). While this, too, is worth encouraging, we recognize that our efforts must be quiet and cautious in the light of Latin American sensitivities to the aspect of interventionism.

Subject to periodic reassessment, we should continue our special financial contribution to support the small OAS technical assistance mission in Haiti, justified largely for political reasons in order to maintain a "foot in the door" for contingency purposes.

Terrorism and Kidnapping

In order to heal the breach over the Convention on Terrorism and to move forward with what we consider a viable and useful instrument, we and other key signatories must quietly attempt to persuade as many as possible of the non-signatory member states that accession is in their interest. This is particularly true of the six who advocated a stronger convention, as the present convention at least addresses one of the serious problems some of them confront--namely, crimes against foreign officials for purposes of extortion against the host government.

We should also pursue the conversations we have initiated with friendly Western countries over the possibility of even wider accession to this convention or of a parallel course to achieve a more universal instrument. We should in due course ask key signatory countries to make similar approaches.

Article 19

Drawing on our recent experience with Ecuador, we must recognize that any future applications of the various

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provisions of U.S. laws relating to fishing boat seizures, expropriation, etc., might well bring similar accusations from other countries (e.g. Peru, Chile, Bolivia) of U.S. economic coercion in violation of Article 19 of the OAS Charter. While most member countries would presumably prefer to avoid a condemnation of the U.S., we would probably find little sympathy for our position if lines had to be drawn. We would wish to mitigate such a situation by calling for negotiations, but we would probably do best to try to avoid placing ourselves in such a position when and if our laws permit.

Economic and Social

Recommendations for the future U.S. position in the Special Committee on Consultation and Negotiation (SCCN) of IA-ECOSOC are outlined in the Section on Trade. Beyond specific trade considerations, we should bear in mind that the Latin Americans now place considerable importance on the SCCN as a forum of the Inter-American System. Any indication of U.S. reluctance to continue participating in this forum would be construed by them as an indication of U.S. retrenchment.

We should continue insofar as possible the high level of U.S. participation in the CIAP review of U.S. economic policies affecting Latin America, as part of our effort to enhance the growing role of that body. However, the U.S. should be prepared, as the review process continues, for the likelihood of increasingly critical comments about U.S. economic policies. Under these circumstances, the U.S. should attempt to insure that CIAP comments on the U.S. review are accurate both factually and as reflections of Latin American reactions to our policies.

Education, Science and Technology

U.S. support for the programs of the new OAS Council for Education, Science and Culture (CIECC) is consistent with President Nixon's policy of promoting multilateral assistance through the Inter-American System.

The U.S. should continue to support the CIECC educational, scientific and technological programs in particular and to encourage efforts to analyze and more sharply define the goals and strategies of those programs. If this produces sufficient improvements and if Latin American

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contributions to the programs increase, the U.S. should be prepared to support higher budget levels.

We should try to promote the idea of CIAP-style "country reviews" by CEPCIECC (the Permanent Executive Committee of CIECC), although the outlook for Latin American acceptance of this idea is not bright at the present time.

Technical Assistance

Greater U.S. emphasis on the technical assistance programs of the OAS (both under the Secretariat and the Specialized Organizations) is entirely consistent with President Nixon's principle that U.S. assistance for Hemispheric development "can best be achieved on a multilateral basis within the inter-American system". (The IDB does provide a limited amount of technical assistance closely integrated with its lending activity, but its functions would be greatly changed if we attempted to have it expand such activities so as to substitute for U.S. or OAS technical assistance programs.)

If U.S. contributions to OAS technical assistance programs under the General Secretariat are to be increased, the capacity of the General Secretariat to manage larger programs must be further strengthened. As stated under Section II, the Secretariat has undertaken major changes designed to improve its program-budgeting and management procedures, so as to make the technical assistance activities more responsive to expressed country development priorities; and to institute an evaluation system capable of providing its management and the technical councils with the means for determining greater future effectiveness. We must continue, in concert with other members, to encourage and where feasible assist the Secretariat in these efforts. In the April 1971 General Assembly we will, with Latin American co-sponsorship, urge acceptance of our proposal for an OAS external inspection service. Such steps can, through selective programming and concentration of efforts, result in strengthened OAS technical assistance operations that will better serve the interests of the member countries and will stand up to increasing Congressional scrutiny.

We must also explore the question of funding, whether at present or increased levels, following the prospective

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reorganization of AID. It seems logical that these voluntary contributions to the OAS should be appropriated in the same manner as other voluntary contributions to international organizations (e.g. to the UNDP) and be placed under the general responsibility of the State Department.

OAS Structure

The OAS Charter having just undergone fundamental amendments for the first time since it was adopted in 1948, it is impractical to think in terms of encouraging further changes in the Charter structure for the near future. There would be no disposition among member states to embark so soon on another operation of this kind. There is, however, room to improve and strengthen the structure of the OAS within the present Charter framework, and this we should pursue.

We should endeavor, in concert with other key members, to assure that the General Assembly in its annual sessions will be in fact as well as in form the "supreme organ" of the OAS, worthy of maximum participation by Foreign Ministers.

It is also in our interest that the role of the Permanent Council be strengthened through decisions of the General Assembly and of the Council itself, and through practice, so that it can assume a logical, central coordinating role within the OAS, including broad supervision of the General Secretariat. We should resist efforts to deny a political function for the Permanent Council.

Internal Management

We should continue to support strong leadership by the Secretary General over a centralized OAS General Secretariat. We should also continue concerted, overall attention to strengthen the OAS in the administrative, fiscal and management areas.

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MILITARY
PRESENCE STUDY

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DEPARTMENT OF STATE

Washington, D.C. 20520

January 12, 1971

SECRET

MEMORANDUM FOR MR. HENRY A. KISSINGER
THE WHITE HOUSE

Subject: U.S. Military Presence in Latin America

Enclosed is a study of the U.S. military presence in Latin America, in response to your memorandum of December 8. As requested, the study reviews BALPA and OPRED decisions affecting U.S. military missions; assesses the effectiveness of U.S. military missions, attache staffs, and other programs in establishing contacts with important military leaders and influencing them favorably toward U.S. foreign policy objectives; and makes a series of related action recommendations designed to increase such influence. A list of these recommendations, which carry unanimous IG/ARA endorsement, is appended to this memorandum.

The IG/ARA affirms the study's conclusion that U.S. military missions, attache staffs, training, and other programs currently conducted or administered by U.S. military services are effective means of serving the purposes of contact and influence. Beyond their purely security or military value, such activities and programs are significant contributors to better understanding of U.S. objectives and motives, and thus constitute potentially useful vehicles for influencing Latin American military leaders.

With regard to the specific question of personnel strength of military missions, the study presents the results of Embassy and USCINCSO reassessments of the reduction schedule approved by the NSC Under Secretaries

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Committee on March 6, 1970. Based upon its review of these reassessments and in the light of current policy guidance, the IG/ARA recommends that the freeze on further implementation of the Under Secretaries Committee's schedule be lifted, and that a new level of not to exceed 290 for the region be approved. This new proposed level compares with a USC target of 236 for July 1971, a current "frozen" level of 345 as of January 1, 1971, and a base of 458 in June 1970.

In connection with this recommendation the IG/ARA wishes to stress the following two major attendant conclusions:

First, the quality of U.S. military personnel is fully as important as their numbers.

Second, the effectiveness of U.S. military missions is importantly conditioned by our ability to be forthcoming in other areas of interest to the host government military.

The study accordingly makes specific recommendations designed to improve the quality of mission and attache personnel, and proposes additional steps to strengthen the potential role of other programs in influencing Latin American military leaders. Among those steps recommended in the appended list, the IG/ARA wishes to direct the Senior Review Group's particular attention to the proposals for removing or raising the $75 million regional ceiling for military sales, grants, and credits, and maintaining rather than phasing out grant MAP materiel programs for selected countries.

At the same time, while urging that the recommended actions be taken, the IG/ARA believes that the following considerations should be kept in mind by the Senior Review Group in its examination of these proposed measures. In the first place, programs cannot be directly equated with influence. A distinction must be made between exertion of effort and the effect of the effort. The access and contact with host government military leaders provided by the programs and activities discussed in the study are not easily translated into concrete examples of influence effectively brought to bear on specific substantive issues. As emphasized in the responses to NSSMs 15 and 68, the Latin American military can be expected

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to act in keeping with its perception of its national interest, whatever the degree of influence exerted by U.S. military personnel or the leverage provided by programs they administer. U.S. influence will almost certainly depend more on the broader relations of the U.S. with Latin American countries (e.g., responsiveness on sugar quotas, meat quotas, and generalized trade preferences), than on programs specifically directed at influencing the military.

In the second place, there are possible political costs for the U.S. in visible association with Latin American military establishments. The potential of such costs is more important in some countries than in others. It is obviously of greater concern where military regimes are characterized by repressive or dictatorial measures than where the military role is more benign. In those sectors of Latin American society that view their own military authorities with disfavor, actions on our part that might identify us with local military establishments could provoke unfavorable reaction and uneasiness. Attitudes similarly critical of U.S. "support" of the Latin American military are found in articulate sectors of U.S. opinion. Implementation of the recommendations presented in this study might have the cumulative effect of raising the visibility of our association with the Latin American military and therefore of sharpening these resentments and attitudes.

While these recommended actions might raise questions both in the U.S. and abroad concerning our "profile," and might seem inconsistent with the President's October 1969 guidance that he wanted the U.S. to continue to provide assistance and work carefully with the Latin American military "but in ways which would reduce or lower our profile," the IG/ARA considers that these possible adverse consequences can be averted or held to an acceptable minimum by the careful selection and execution of these and other programs, both military and non-military. (The range and mix of U.S. programs that will bear upon this question will be addressed by the IG/ARA in its response to NSSM 108.)

Thus, we conclude that the measures proposed in this study can make a positive contribution now toward

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assuring that U.S. foreign policy objectives in Latin America are fostered.

Charles A. Meyer
Chairman, Interdepartmental
Group for Inter-American Affairs

Enclosures:

1. List of recommendations.
2. Study.

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RECOMMENDATIONS

1. Utilization of Military Personnel.

That the Departments of State and Defense send to the field definitive guidance removing any doubts about the permissibility, propriety and desirability of utilizing mission personnel and attaches for purposes of influencing host government military leaders toward U.S. foreign policy objectives.

2. MILGP Manning Level.

That the freeze on further implementation of the MILGP study be lifted and that a new level of not to exceed 290 U.S. military spaces for the region be approved, leaving the detailed breakdown of each MILGP to be worked out among the Ambassadors, USCINCSO and Washington. In deciding upon the new levels for individual posts, the IG/ARA will oppose any increases that are not demonstrably contributive to the objective of increasing U.S. influence.

3. Size of Attache Offices.

That the Departments of State and Defense take action as feasible to provide for the small increases in several attache offices recommended by the Ambassadors.

4. Quality of Military Personnel.

That the Department of Defense take concrete measures to improve the quality of MILGP and attache personnel. These measures should include actions to improve overall military qualifications, language proficiency, knowledge of the area, the attractiveness of career and promotion patterns (to include possible establishment of foreign service career fields), military and civilian education levels, and personal qualities such as degree of empathy and political sensitivity.

That the Department of Defense report to the SRG by March 15, 1971 the actions taken and to be taken.

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5. Grant Materiel Assistance.

That the present policy of phasing out grant materiel programming activity in Latin America be modified to permit materiel programs for selected countries. In determining the selection of countries and the size of country programs the IG/ARA will take into careful consideration all relevant factors including the security need, the local budgetary implications, and the political impact.

That the programs stress high-impact items in order to achieve the maximum influence.

That, accordingly, sufficient funds be reprogrammed for FY-72 in order to provide a program on the order of that funded in FY-70 ($9.3 million exclusive of supply operations).

That funds be programmed for subsequent years at levels not below that for FY-72, with possible small increases to be determined through normal interagency procedures.

6. Legislative Restrictions.

That the Administration make concerted efforts to eliminate from the Foreign Military Sales Act such burdensome legislative restrictions on our military sales program as the "Conte" Amendment (precluding credit funds for "sophisticated weapons systems"), "Pelly" Amendment (reference to preclusion of sales and credit following fishing boat seizure), and "Reuss" Amendment (reference to sales to military dictators).

That in the upcoming security assistance legislation, the present $75 million regional ceiling on military materiel to Latin America be eliminated or raised in order to permit flexible response to materiel requests.

7. FMS Credit Requirements.

That Latin American requirements for FMS credit be accorded a sufficiently high priority in relation to other regions to

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support a dependable and responsive program of military credit sales particularly for those countries in which such sales can significantly affect our ability to retain influence with the host country military (not less than $70 million annually for FY-72 and subsequent planning years).

8. Training Program for Latin American Officers.

That training programs for Latin American military personnel in U.S. military schools and the Information Program for Foreign Military Trainees be maintained at at least the FY-72 level ($10 million).

9. IAGS.

That the IAGS continue to be supported and adequately funded to permit continuation of mapping and school operations (not below $2.9 million per year as compared with $4.2 million in FY-71).

10. Naval Vessels.

That the United States be responsive to Latin American requests for naval vessels, particularly for those countries in which such response can significantly affect our ability to retain influence with the host country military; and that sales of excess naval vessels rather than loans be emphasized to the extent such vessels are available.

11. Related Military Programs.

That the following related military programs be continued and supported:

-- Inter-American Chiefs of Military Service Conferences and Latin American VIP visits.

-- Latin American Liaison Personnel Program (currently being expanded).

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-- Combined exercises.

-- Visits of U.S. officials to Latin American defense establishments.

12. Related Non-Military Programs.

That within the context of the primary purposes and legal restraints of CU, USIS, and development assistance programs, those activities that provide maximum opportunities for influencing the military be expanded. A report of actions taken or to be taken should be submitted by the IG/ARA to the SRG by March 15, 1971.

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SECRET

NSC INTERAGENCY GROUP
FOR
INTER-AMERICAN AFFAIRS

REVIEW OF U.S. MILITARY PRESENCE IN LATIN AMERICA

I. INTRODUCTION

This study responds to a decision by the NSC Senior Review Group on December 1, 1970, that a review of the U.S. military presence in Latin America should be undertaken in light of the current policy to increase efforts to establish and maintain close relations with military leaders in Latin America.

In accordance with guidelines set forth in National Security Council memorandum, December 8, 1970, the study:

-- Reviews the OPRED program decisions concerning U.S. military missions in Latin America in the light of current policy guidance, and recommends ways in which the U.S. military presence can be used to expand U.S. contact and influence with current and potential military leaders.

-- Assesses the effectiveness of U.S. military missions, Attache staffs and other programs in advancing these objectives of contact and influence.

-- Presents recommendations concerning the personnel strength and composition of such units; the training and functions of personnel assigned to such units; and program alternatives.

The study took into account the considerations underlying both the OPRED program and the analysis of security assistance to Latin America included in the NSC Under Secretaries Committee Study of October 28, 1970.

Because of the importance of the military in almost all of the countries throughout the region, the study does not attempt to

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single out any one country or group of countries as being of key importance to U.S. foreign policy objectives. Although the larger countries normally play a more important role in our broader relations, the smaller countries are essential members of the inter-American system and are collectively important in any consideration of U.S. foreign policy interests in the hemisphere.

II. BACKGROUND AND PRESENT STATUS OF U.S. MILITARY PRESENCE AND PROGRAMS

The U.S. military presence and programs in Latin America consist of:

The physical presence of U.S. military personnel in: 1) Military Missions, 2) Defense Attache Offices, and 3) Inter-American Geodetic Survey (IAGS).

Assistance programs, including MAP (both materiel and training), FMS (both cash and credit), and distribution of excess military equipment (MIMEX/SIMEX).

Other related programs conducted or administered by U.S. military services or agencies in Latin America.

A. U.S. Military Missions, Attache Offices and IAGS

1. Military Missions:

The U.S. Military Advisory service in Latin America originated under Public Law 247, 69th Congress, in 1926. The President was authorized to enter into bilateral agreements with Latin American countries for the purpose of providing military advisory service. European missions were displaced during World War II, and by the early 1950s U.S. military missions were assigned to every country in Latin America except Mexico. The missions continue today under varying bilateral arrangements, except in Cuba, Haiti, and Peru (where at the request of the Peruvian Government, the MILGP was replaced by a small MAAG).

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These early service missions in Latin America antedate the military assistance program. They were originally training and advisory units contracted and paid for by the host government, typically one mission for each of the host country's major services. They were intended to serve the needs of the countries to which accredited in a manner determined by the host country.

With the advent of MAP, however, the missions acquired MAAG type functions with responsibilities in support of U.S. objectives. In 1965, the missions were reorganized into Military Groups (MILGP), with a central joint command organization responsible for coordination and for MAP and with the advisory responsibilities accomplished by Service sections. This reorganization was a unilateral U.S. administrative change that met with resistance in some countries that preferred the direct mission-to-host service relationships.

At their high point in 1968, the missions totaled 791 personnel. Since 1968, however, Mission personnel strength has been substantially reduced. The initial reduction from the 1968 manning level resulted from BALPA and Program Budget Decision 412. As a result of these actions the total strength of the missions was reduced to 505 personnel. Subsequently, in July 1969, the President directed a 10% cut in U.S. personnel overseas (OPRED) by 1 July 1970. This OPRED reduction further lowered MILGP personnel authorizations to a total of 458.

During the course of OPRED, it became apparent that a detailed review of our military missions in Latin America was in order. An interagency study on the Military Missions was undertaken in late 1969 to determine the functions the missions should perform and the manning appropriate to perform the functions. While concluding that the Missions should be continued, the study recommended a further reduction of personnel to a level of approximately 236. The study was approved by the NSC Under Secretaries Committee on 6 March 1970, and implementation was begun. The Secretary of Defense directed on 10 December 1970 that the reduction program be suspended and proposed that mission personnel strength requirements be reexamined.

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It is estimated that personnel strength will level off between 300 and 325 under this hold on further reductions. A detailed presentation of MILGP strengths by country at each of these stages and as of 1 January 1971 is shown at Tab A.

2. Attache Offices:

The U.S. maintains defense attache offices in each Embassy in Latin America, except Panama, Trinidad, Barbados and Guyana. At their high point in early 1968, the attache offices in Latin America totaled 153 U.S. military personnel. Since 1968, however, reductions directed under BALPA and resulting from budgetary constraints have lowered total attache office strength to 105 (Tab B).

The Defense Attache System in Latin America has provided a traditional and continuous means for establishing contact with and, in many cases, influencing important military leaders toward U.S. policy objectives.

The basis for attache contacts stems first from diplomatic accreditation and secondly from traditional military-to-military relationships. Separation of representational and intelligence aspects of attache duty is virtually impossible. The former is the historic mission which provides attaches access to the host country's military staffs and activities which in turn allows a freedom of travel that occasionally may not be available to members of other U.S. activities. Thus, it is the representational aspect of attache responsibilities that furthers his intelligence role and provides it legitimacy.

3. Inter-American Geodetic Survey (IAGS):

The Inter-American Geodetic Survey (IAGS), a major subordinate unit of U.S. Army, Southern Command, was established in 1946 to:

-- Carry out a long-range mapping and charting program to meet defense needs from the Mexican border to the tip of Tierra del Fuego.

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-- Coordinate, promote and encourage cartographic studies in Latin American countries as requested by the Pan American Institute of Geography and History.

As a cooperative effort, IAGS assists Latin American countries in conducting their own mapping operations. It works with the local mapping agencies by providing technical knowledge and special equipment. It also trains Latin Americans in the art of mapping and actually does specialized work for which the local agency is not trained or equipped.

In 1952, the IAGS Cartographic School was established in the Canal Zone to provide formal training for Latin American employees of the collaborating agencies in each country, with all instruction presented in Spanish. Courses offered include photogrammetry, cartography, stereotriangulation, and aerial photography control. To date, over 2400 Latin Americans have been trained at the school.

From a high level of 634 personnel in 1967, stringent budget restrictions have led to a reduced IAGS strength of 314 personnel as of 1 December 1970. Although originally scheduled to phase out in FY 1972, DOD has recommended retention of IAGS in an operational status in FY 72 (155 personnel), and probably beyond, to allow it to continue somewhat reduced but meaningful operations, including retention of the Cartographic School (Tab C).

B. Military Assistance Program:

In the early period of the Military Assistance Program, Latin American military forces were seen as potential contributors to defense of the hemisphere against external aggression. Program emphasis, therefore, focused on the provision of military resources to enhance Latin American capabilities in countering an external threat.

By the 1960s, with the development of strategic missile capabilities, the external threat to Latin America was viewed as diminished. Concurrently, however, there was a growing concern over the possibilities of subversion and guerrilla warfare. This concern is today reflected in the objectives of the Military Assistance Program for Latin America:

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-- To help maintain military and paramilitary forces capable of providing, with police forces, internal security necessary for orderly political, social and economic development; and

-- To improve the capabilities of the Latin American armed forces in the field of civic action.

U.S. military assistance programs in support of Latin American internal security have provided more assistance than had previously been made available for external defense. Between FY 1962 and FY 1969, $477.9 million grant military assistance, including both materiel and training, was provided for internal security purposes. The high point was reached in FY 1966, when grants reached a total of $80.6 million.

In recent years, however, U.S. military assistance in Latin America has undergone a substantial reduction. This reduction has been occasioned by a combination of factors: different articulation of policies and priorities within the Executive Branch; the generally increased capabilities of Latin American military forces to meet the threat; and Congressional limitations on funds and restrictions on their uses.

In FY 1968, grant materiel assistance was terminated for the four larger countries (Argentina, Brazil, Chile and Peru), because of a substantial reduction in MAP funds for Latin America. In June 1968 the Senior Interdepartmental Group adopted the concept of phasing out grant MAP materiel after FY-70. The SIG recognized, however, that there would be a need for some grant materiel assistance beyond FY-70. Exceptions would be made to assist countries that were unable to maintain a capability for internal security. Thus, $7.0 million was approved in FY 1970 and $6.2 million in FY 1971-for grant materiel assistance, largely follow-on spare parts, for eleven countries. This compared with an annual average of $40 million in FY 1965-1969. Grant military training was maintained at an approximate level of $9-10 million for FY 1971.

The decision in July 1970 to provide military assistance

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to Cambodia led to a restructuring of the worldwide FY 1971 Military Assistance Program. The result for Latin America was elimination of the grant materiel program and the reduction of grant training from a planned $8.6 million to $6.7 million, although the original program level was restored in the recent supplemental appropriation.

As originally planned, an expanded foreign military credit sales program was to help meet the continuing military materiel requirements of Latin American countries when grant materiel assistance was phased out. To meet this requirement, $48 million in credit was planned for FY 1970 and $40 million in FY 1971. Credit sales had previously averaged about $27 million in the years FY 1965 through FY 1969.

MIMEX and SIMEX are the systems through which DOD assets no longer needed to meet current operational and mobilization requirements are identified, matched with MAP-eligible foreign countries' requirements and furnished as non-reimbursable assistance. MIMEX addresses major items of equipment and SIMEX addresses secondary items such as spare parts. MIMEX shipments authorized to Latin American countries as of 17 November 1970 totaled approximately $11 million with SIMEX requisitions filled as of 30 September 1970 approximately $75 thousand.

C. Other Programs

Apart from the contacts and continuing relationships that result from U.S. military presence and the Military Assistance Program in Latin American countries, other active programs are being conducted which are designed to augment and enhance these contacts and relationships with military leaders. These include: -

1. Inter-American Chiefs of Military Service Conferences. During the past decade, each of the three U.S. Service Chiefs has participated in inter-American conferences of chiefs of the respective military services. These conferences are usually held on an annual basis with a different country acting as host.

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2. Combined Exercises. The United States supports and participates in a modest program of combined exercises with various Latin American countries. These exercises provide operational training and an opportunity for professional contact among the respective Services. For example:

a. UNITAS. U.S. naval units have participated annually with Latin American navies in a combined exercise emphasizing ASW and other standard naval techniques which includes the circumnavigation of South America and port visits. The most recent exercise completed in December 1970 involved the navies of 8 countries.

b. SPRINGBOARD. An annual training exercise for naval units operating from San Juan, Puerto Rico. Latin American navies are invited to participate.

c. HALCON VISTA. A combined United States-Latin American surveillance and intercept exercise conducted in the Caribbean. The next exercise is scheduled in May 1971.

d. AGUILA I. The first (22-25 September 1970) of a planned series of small scale, combined surveillance-intercept exercises conducted in Central America under the auspices of CONDECA.

e. Other. The last significant combined ground exercise was conducted in Peru in 1964. It involved one U.S. infantry company and token U.S. air and naval forces along with forces of 6 Latin American countries.

3. Ship Loans to Latin America. In the early 1950s, Congress enacted the first legislation authorizing the loan of combatant naval vessels to selected friendly navies in order to bolster their defensive capabilities against possible threats of communist bloc aggression led by the Soviet Union. Under the subsequent Acts of 1958 and 1965, the United States has lent 14 destroyers and 6 submarines to 5 South American countries (Tab D). Fourteen of these ships will be subject to loan extensions during the period 1971-1973.

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4. Latin American VIP Visits. To maintain high-level inter-American military contacts, the Chiefs of the U.S. Services each annually invite several Latin American top-level military personages to visit their Service Headquarters, various military installations and civilian activities in the United States.

5. Visits by Senior U.S. Military Officials. A means of maintaining contact is visits by senior U.S. military officials to their Latin American colleagues. In the past, most of these visits have been made by USCINCSO. For various reasons it has not been practical to schedule frequent visits by other senior officers.

6. Latin American Military Liaison Personnel Program. This is a DOD approved program presently being expanded which would increase the number of Latin American military personnel performing liaison, instructional and advisory duties with selected U.S. military organizations.

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III. EFFECTIVENESS OF U.S. MILITARY PRESENCE AND PROGRAMS

A. General:

Rising nationalism, indigenous violence, growing Soviet presence in Latin America and the emergence of a Marxist government in a major South American country are creating mounting problems for the U.S. in the area. Against a background of uneven economic performance, rapid urban growth and the political emergence of new social forces and structures, these factors combine to create conditions for the emergence of possibly disruptive contingencies.

An essential element in U.S. relationships with the hemisphere is the role played by the Latin American military. Each of the Latin American Armed Forces constitutes an integral part of its own society. The military is a part of the internal power structure with a traditional political role beyond that ascribed to the U.S. military. The Latin American military considers its intervention in government, when it deems intervention necessary, as consonant with a traditional and legitimate role. It is, of course, the element in the power structure which commands the greatest physical force.

Since the mid-1960s, the political activities of the Latin American military in many countries, always important to the domestic and foreign policies of their countries, have expanded and have by and large become increasingly varied and sophisticated. Present indications are that this trend will continue with the military playing, in many countries, an important if not decisive role in the internal and, occasionally, the foreign policies of their countries. Thus derives the importance, in terms of our future relations with the Latin American countries, of establishing contacts with important local military leaders and the ability to influence them in consonance with U.S. foreign policy objectives.

We would not claim that a change in political outlook or a vote for the U.S. in the OAS will necessarily result from exposure to U.S. training, from participation in a conference or a combined exercise, from professional contact with a U.S. Milgroup advisor, from close friendship with a U.S. attache, or from the provision of U.S. military equipment. The access and contact with host government military leaders produced by

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such programs and activities are not easily translated into concrete examples of influence effectively brought to bear on specific substantive issues. As stated in the Inter-agency Study on Military Missions approved in March 1970, the responses to NSSMs 15 and 68 concluded that the missions themselves have little influence on such matters and that the Latin American military generally will act as they perceive their own interest. As the NSSM 68 study emphasized, Latin American military leaders "will consider national interests first."

In addition, there is a degree of political cost for the U.S. in associating with Latin American military leaders, regimes, and institutions. As pointed out in the response to NSSM 68, the visible association of the U.S. with Latin American military establishments will be resented by those groups that view their own military establishments with disfavor. There are attitudes in articulate sectors of U.S. opinion that are similarly critical of U.S. "support" of the Latin American military. Visible increases in U S. association could have a cumulative effect of fortifying these resentments and attitudes.

At the same time, we are convinced that the programs and activities reviewed in this study produce identifiable positive effects in terms of creating favorable attitudes toward the United States. These attitudes in turn encourage an understanding of U.S. objectives and policies. Given the increasingly important role of military leaders and establishments in Latin American political society, we believe that this understanding will play an increasingly significant role in our effort to assure that overall U.S. national interests in Latin America are enhanced. Despite the difficulty of empirically proving these effects, and despite the associated political costs, we believe that on balance these US military programs have been useful in the past and that they can be more useful in the future.

B. Military Mission Assessment

This assessment of the effectiveness of military missions in establishing contact with and influencing Latin American military leaders draws on sources of information

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which include: 1) the 6 March 1970 Study on Military Missions in Latin America, 2) the reactions of the Latin American military/governments to current reductions as available in reports, and 3) the responses submitted by the CTs and USCINCSO on issues raised in the present evaluation.

1. Study on Military Missions in Latin America

This study, approved by the NSC Under Secretaries Committee on 6 March 1970, was prepared by a Defense/State working group to determine the continuing need for military missions in Latin America; their functions; if required, and the manning appropriate to perform these functions. Each U.S. Ambassador in the countries where missions are located and USCINCSO provided comments and recommendations on the subject. Reflecting the unanimous views of the Ambassadors and USCINCSO, the study concluded that the military missions should be continued in Latin America because:

-- A number of countries attach importance to their military relationships with the U.S.

-- The missions are a form of military cooperation that is part of this relationship and to withdraw them completely would cause problems in our broader relations.

-- In countries facing an active or potential internal threat, the missions are an important element in our efforts to assist the local forces to improve their internal security capabilities.

There were two principal advantages cited by most Ambassadors for retaining the missions:

-- In those countries where the military play an important political role, the Ambassadors stressed the "access" and "contact" afforded by the missions as important ingredients in our broader political relationships. While access and contact with the host state military are not easily translated into concrete examples of effective influence, the main result seems to be the friendly ambience that the missions have developed with the politically powerful military establishments.

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-- In countries facing active or potential internal security problems, the Ambassadors pointed up the importance of the advisory role of the missions in improving the internal security capabilities of the local forces as well as the advantages afforded by access and contact with the host military. Due in part to the advisory efforts of the missions and the provision of equipment through MAP, the Latin American forces today are much better prepared to deal with the problem of insurgency, though a number of the countries will continue to need some advisory help. Other cited advantages of our military presence in Latin America were: the intelligence gained by the missions, a potentially restraining effect on Latin American arms expenditures, and a deterrent to third country influence.

On the other hand, there were several disadvantages identified by some Ambassadors:

-- The first was the "visibility" of the missions and their identification with the host state military on the domestic political scene. None of the Ambassadors saw this as a substantial problem at this time, but several noted it as a potential cost. The mission presence was believed relatively inconspicuous with a total of 458 personnel at that time. While the missions have been targets of verbal attack by students and other anti-regime elements, they have gone largely unnoticed by the vast majority of the public. The latter tend to judge the United States by the nature of its broader relations with the regimes in power.

-- The second disadvantage was the tendency in some circumstances to increase expectations for arms and equipment that the United States has been unwilling or unable to make available. In several smaller countries, our Ambassadors saw the Missions as exerting a moderating influence. In some larger countries, however, the Ambassadors saw a serious dilemma posed for the missions by our current restrictive policy, largely legislatively imposed, on selling arms to Latin America. The nature of the advisory role requires that the missions engage in discussions concerning the replacement of old or worn-out equipment. The effect in some countries has led to equipment expectations that the U.S. Government

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would or could not meet. This problem will continue unless the United States Government adopts an arms policy that is more responsive to Latin American needs and desires.

-- The third disadvantage mentioned by a few Ambassadors was the difficulty on occasion of insuring that the mission representatives and other U.S. representatives speak with one voice on policy matters. (Standard guidance provides that missions coordinate with the Embassy before providing advice on force levels, equipment requirements, or other matters that might affect broader U.S. interests or policies. It is also a key responsibility of the Ambassador to assure that the missions are fully informed of U.S. interests, objectives, and programs in the country. In-country policy coordination and the ultimate structural relationship between the MILGPs and our diplomatic missions is being addressed in the broader IPMG study of the military role and functions of our overseas missions.)

The majority of our Ambassadors believed that a substantial reduction in Mission personnel was feasible and desirable in the context of OPRED and a reduced profile. For example, in the larger countries, where the primary function of the Mission would be to maintain a form of military cooperation with the host countries, the number of mission personnel could be relatively small. In the other countries, the numbers of advisors could be reduced as the individual countries developed their own capabilities and the function became one of cooperation.

The study group concluded that substantial reductions in the strength of the MILGP's could and should be made. In arriving at this conclusion they took into consideration, inter alia:

-- The recommendations of the Ambassadors.

-- The recommendations of the Commander-in-Chief USSOUTHCOM.

-- The desire of the President to reduce the number of American officials abroad.

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-- The decision of the President in the NSC meeting 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.

-- The reduction of MAP Grant Materiel from a high of $70 million in FY-66 to $7.0 in FY-70.

-- The disproportionate amount of effort being expended by members of the missions on administrative matters.

Reductions in personnel were to be accomplished by:

-- Reducing the administrative burden on the missions -- transfer of common mission administrative functions to the Embassy, the reduction of MAP administrative requirements, and the centralization of other mission administrative requirements at higher headquarters, thus reducing the requirement for many administrative personnel.

-- Eliminating some lower-level advisory positions recognizing that the host military had developed the capabilities of their own personnel to perform these functions.

-- Elimination of mission aircraft thereby eliminating the requirement for air crews (except Brazil and Bolivia).

In order to assist the Country Teams in the reduction and reorganization of the military missions, USSOUTHCOM sent a Management Engineering Team (MET) to each country to study the duties to be performed and recommend an appropriate manning level to perform these duties. Subsequent to the receipt of the MET's recommendations each Ambassador was asked to review the MET's recommendations, in view of the time that had elapsed since the USSOUTHCOM survey was conducted, and submit his concurrence and/or recommendations. With minor exceptions, the Ambassadors concurred in the MET's recommendations which varied only slightly from the recommendations of the DOD study group.

While the Ambassadors' views as to the desirable size of the missions varied, one-half of them recommended either no reductions from OPRED or reductions that ranged up to 30 per cent. The other Ambassadors saw the possibility of reductions at a higher level, but the maximum reduction recommended was 46 per cent.

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The reductions called for in the Military Mission Study were initiated on 1 July 1970. From a strength of 458 on that date, mission manning had reached a reduced level of 345 by 1 January 1971 toward the Study-directed level of 236 personnel by 1 July 1971.

a. Reaction by Latin American Military Leaders/ Governments to Mission Study Directed Reductions.

Consultations were initiated by the Embassies with each of the host governments to reduce the size of the Missions. Most of the government leaders were amenable to the planned reductions in their countries when it was explained that these were part of a world-wide effort on our part to use our manpower resources as judiciously as possible.

After a visit in November 1970 to nine countries in Latin America, however, the Chairman, IADB (Lt. Gen. Eugene LeBailly), reported that all the senior officials with whom he met, including seven Presidents, in responding to questions on the size and visibility of the Military Missions, stated that there was no domestic problem with U.S. military visibility and that they desired the Missions substantially as they were.

2. Current Views of Country Teams.

Each Ambassador was requested by message, 11 December 1970, to provide the Country Team's views on several issues related to this study. The specific issues with a summary of the Ambassador's comments follow (see Tab F for summary by country).

a. Effectiveness of United States military missions, attache staffs, and other programs conducted or administered by United States military services in establishing contacts with important military leaders and influencing them favorably toward United States foreign policy objectives (the Ambassadors' assessment of the strength and organization of their attache staffs and other programs is reflected in succeeding paragraphs).

The Ambassadors were unanimous in their opinion that the military missions are very effective in establishing such contacts. Opinions on the effectiveness of the military in influencing local military leaders toward United States foreign policy objectives varied from not utilized in this role (Colombia) to very effective (Argentina, Dominican

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Republic). The preponderance of responses reported that the military, as a general rule, had not been utilized in this role, but that by working closely with the Ambassadors on specific issues they could be made effective. Several Ambassadors considered that some clarifying instructions would be necessary from Washington to increase the effectiveness of the military in fostering policy objectives that are not strictly military

There was a strong consensus among the Ambassadors that the quality of the advisors was, as a general rule, much more important than the quantity in achieving U.S. policy objectives. There was also a strong consensus that Mission influence was being reduced by declining MAP resources and restrictions on the sale of equipment. In addition, Ambassadors in Argentina and Brazil reported that the military in their countries are extremely sensitive to criticism of their governments by officials of the USG

b. Recommended personnel strength and composition of military missions.

The majority of the Ambassadors believe that the considerations which led to the reduction in MILGP strength (Study on U.S. Military Missions in Latin America) are still valid and opted for a continuation of some reductions below the OPRED level of 458; however, the majority recommended levels above the MILGP Study base. Five Ambassadors (Bolivia, Ecuador, Guatemala, Nicaragua and Paraguay) felt that reductions should be halted and a strength substantially higher than the Military Mission Study should be maintained. The Ambassadors in Argentina, Brazil, Chile, El Salvador and Peru recommended small increases ranging from one to four. In two countries the Ambassadors recommended a reduction below the Military Mission Study levels (Colombia and Dominican Republic).

The total number of Military Mission personnel recommended (284) exceeded the number suggested in the Military Mission Study by 48. Of this number, 27 were for Bolivia and Ecuador. The Ambassadors who recommended increases in personnel above the Military Mission Study levels anticipate no problem in obtaining host government agreement to these increases.

c. Qualifications and training of military personnel.

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The Ambassadors were unanimous in their recommendations that both attaches and military advisors must be more carefully selected. A number of them recommended that MILGP commanders and senior attaches should be graduates of a War College, that junior officers should be graduates of a Staff College, and that maximum utilization be made of officers who have completed the Army Foreign Area Specialist Training Program.

Other suggested qualifications included:

- Technical qualification in the assigned military speciality.

- Language facility.

- Aptitude for intelligence work.

- Broad gauge understanding of the political-military interrelationship; political sensitivity.

- Previous experience in the Hemisphere.

In conjunction with these qualifications, it was also recommended that DOD upgrade this type of duty to enable outstanding officers who specialize in this field to advance to general/flag rank.

3. Current Views of the Unified Commander(USCINCSO)

"MILGPs and MAAGs are the most effective means available to establish contacts with important military leaders and with potential future leaders. The ability of MILGP personnel to influence these leaders favorably toward U.S. foreign policy objectives is related to several factors, among which are: MILGP personnel selection and training; the direction and supervision of the U.S. Ambassador; degree of acceptance of U.S. foreign policy objectives by host government; and host country feelings towards us because of seemingly arbitrary suspension or reductions of MAP and/or FMS. Professional contact provided by our military-to-military representation is not available on such a scale to any other U.S. government agency in-country. During periods of strained official relations, the military channel often has been open when others were closed.

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"The need for highly-qualified personnel within the MILGPs is unquestionable. It is also important to keep in mind that MILGPs exist only if they serve the interests of the host country, and they must have advisory and assistance programs of a scope adequate to sustain their presence." (Recommended manning levels at Tab A.)

"The quality of MILGP personnel could be improved by better selection and training procedures coupled with making such assignments an advantage for promotion and higher level assignment opportunities Special training in political-military affairs, area orientation, host country background, etc., is just as important for MILGP personnel as for other U.S. country team members. Although orientation and planner/programmer training is valuable, more training in depth, such as the Army FAST Program offers, is highly desirable. Repetitive tours should be scheduled for those individuals whose demonstrated abilities would further U.S. interests. Language capability is a vital assignment factor, but existing capability should not be the sole basis for assignment since extended language training can be provided those not already language qualified. Professional competence, advisor experience, demonstrated ability to work in difficult situations with foreign nationals and personal diplomacy should all be considered prior to selection. Promotion opportunity is a key factor. Although the MILGPs are jointly manned, there is a wide disparity in the percentage of eligible officers selected for promotion when compared to individual service selection rates. This adverse promotion record is not unknown to the able and mature officers we would like to attract to MILGP duty. Many of the best available officers will not request such duty until they are convinced that an overall coordinated improvement in personnel selection and training will enhance their career progression."

USCINCSO endorsed the NSC decision to increase efforts to establish and maintain close relations with military leaders in this hemisphere. He stated: "This restoration of a long standing and successful aspect of U.S. policy may provide a basis for halting the severe erosion of our military influence in Latin America. In the past few years, as the U.S. military presence and materiel aid in Latin America have been progressively scaled down, we have seen a distinct and generally proportionate loss of influence over

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military leaders throughout Latin America. I have been told by top level military leaders in almost every Latin American country, that while they appreciate the assistance and support which we have provided in the past, our present policies appear to be leading in the direction of deliberate alienation of the Latin American military from the U.S."

C. Military Assistance Program Assessment

1. Program Value and Effectiveness

The Military Assistance Program has for 18 years served the national interest in Latin America promoting both the security and foreign policy of the United States.

An important aspect of our Military Assistance Program over the years has been its contribution to the development of a large reservoir of good will among a highly important political elite, the military officer corps. This has in turn assisted in the development of constructive relations with the majority of the Latin American governments.

The basic goal of the program, though shifting in emphasis from external to internal defense, has remained constant throughout the period: strengthened defense capabilities of nations whose security is important to the United States. While progress toward achieving this goal in Latin America has been generally successful, the degree of success has varied within the region. Materiel, training, and advisory assistance have effectively contributed to the development of security forces which, to date, have been able to defeat or contain insurgencies. Some of the smaller countries, however, may require assistance on a contingency basis to maintain their forces.

Experience has indicated military assistance/training to be one of the most productive forms of military assistance investments in fostering attitudes that lead to better mutual understanding and cooperation among the students and participants in orientation visits.

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Military assistance training serves two purposes: it increases the efficiency of the Latin armed forces by transmitting needed military skills, and it can strongly influence recipient military personnel toward attitudes favorable to the United States.

These two purposes are in a sense competitive. We can achieve the maximum practical effect on armed forces capabilities by emphasizing high-volume, low-cost training of lower-ranking military personnel in the Canal Zone. On the other hand, we can more effectively further our influence with the Latin military by devoting resources to the military education and orientation of selected higher-ranking personnel and in the Information Program for Foreign Military Trainees, which augments formal training by providing a balanced impression of life in the United States.

With the restoration of funds for FY-71 by the supplemental appropriation and the approval of the FY-72 program, adequate resources are being devoted to this program to accommodate both these purposes.

With policy emphasis now focused on fostering increased self-reliance and self-help measures among recipients of military assistance, Foreign Military Sales (FMS) has become a major element of the program as a substitute for grant material assistance. Such a shift from recipient to purchasing nation status has already resulted in assumption of full responsibility for their own materiel defense needs by the larger Latin American countries. Thus, Foreign Military Sales and the provision by the U.S. Government of credit or credit guarantees necessary to facilitate sales to countries which desire assistance are and will be an important adjunct in maintaining constructive relations with Latin American military leaders. Such assistance will also help in maintaining U.S. military equipment as the standard within the region, thus enhancing continued U.S. military leadership.

Recently, our relations with the larger Latin American military countries have been particularly strained by U.S. opposition to the purchases of military jet aircraft and other "sophisticated weapons." Yet national defense, including the maintenance of some conventional military power as an attribute of sovereignty, remains an understandable concern of the major Latin American countries.

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Regardless of the closeness of our relations with Latin American friends, U.S. objectives and programs are not necessarily Latin American objectives and programs. We cannot program their military organizations or their doctrines and missions, as they perceive them, into patterns of our own design.

Having conditioned the larger countries, in particular, to the need for self-sufficiency and their acceptance of Foreign Military Sales (albeit reluctantly) as a substitute for grant materiel assistance, our response to their needs as they perceive them will bear directly on the future of constructive relations with them. From FY 1967 to FY 1969, even before the FY71 termination of U.S. grant materiel programs to Latin America, European credit sales totaled $193.1 million, more than double the total U.S. credit sales of $85.8 million for the same period. Although this trend to third country suppliers certainly cannot be attributed solely to our unwillingness or inability to meet their military equipment requirements, these reasons have played a sizeable role in creating a feeling of anger and disillusionment among many military leaders and a view that the U.S. interest in Latin America is waning.

For a number of years, the Military Assistance Program ceiling for Latin America imposed by Congress has remained at $75 million, including grant assistance (materiel) and FMS (including cash sales and credit). Retention of the ceiling at this constant level has, in effect, further limited our flexibility in responding to assistance requests. This has resulted because of inflation and also because of the rapidly diminishing availability of used U.S. military equipment that was formerly in plentiful supply at a much lower cost than new equipment. This problem has been further compounded by the low military assistance priorities for Latin America established within the U.S. Government which have resulted in sharply curtailed programs in favor of other regional requirements, and by difficulties in determining the application of the Conte Amendments.

To a large degree, the continuation of an effective U.S. military presence in Latin America is tied to a responsive U.S. security assistance policy. Should the Latin Americans, because of diminishing U.S. assistance, be forced to turn to third country sources for their equipment, it is likely that military missions from the predominant source country would replace U.S. missions.

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A longer term prospect is the possibility that Soviet military equipment may eventually be introduced within the region. With knowledge of the dissatisfaction of the Latin American military over restrictive U.S. military assistance and sales policies, and a desire to exploit the growing Latin American nationalistic proclivity to reduce its dependence on the U.S., the Soviets may well offer for sale modern weapons at a supportable cost. While the long Latin American tradition of using Western military equipment would have some weight, a tempting offer of more modern equipment as replacements at low cost may eventually be impossible to resist. This would be particularly true if the political climate evolves over time in a manner that makes less objectionable an involvement with a "socialist" nation. The Soviets followed a similar pattern in the Middle East with much success. And while the circumstances are different, the desires of the military in both regions are the same -- modern and effective armed forces.

The effectiveness of the Military Assistance Program, therefore, in contributing to constructive relations with the military leaders in Latin America will, for the most part, depend on:

-- A continuing grant training program of sufficient size to meet the hard core training requirements of the recipients, to provide CONUS training and orientation and to support the Information Program for Foreign Military Trainees.

-- A more responsive Foreign Military Sales Program to meet Latin American requirements with firm priorities for the Western Hemisphere region and less rigid interpretation of the Conte Amendment as to what constitute "sophisticated weapons systems" today.

-- A means for meeting urgent requirements for grant materiel assistance, particularly for smaller countries that may not be capable of military self-sufficiency.

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2. Current Views of Country Teams.

Five Ambassadors (Bolivia, Dominican Republic, Honduras, Paraguay and Uruguay) recommended the reinstatement of small MAP grant materiel programs. They based their recommendations primarily on a political rationale -- improved relations between the host government and the United States.

There was a broad consensus among the Ambassadors that United States military training (in Panama and particularly in the CONUS) is a very effective vehicle in favorably impressing local military leaders. They favored a continuation, and in some cases an expansion, of the MAP grant training program.

The Ambassadors in the larger countries, in particular, stressed the adverse impact of the severe restrictions and reductions in the foreign military sales program on our relations and highly favored an expansion of the program. Several emphasized that the effectiveness of the Military Missions is reduced with MAP CONUS training sharply cut, unavailability of FMS credit, the future of MIMEX/SIMEX questionable, and numerous subjective non-legislative obstacles placed on equipment purchases.

3. Unified Commander's Views

"Grant materiel, MAP training and FMS have been major assets in furtherance of U.S. policies. Latin American military leaders almost uniformly want to associate their equipment and training with ours. Rapport and contact with host country leaders in such matters provides a principal basis for the presence of USMILGPS. Unfortunately, the precipitous elimination of the grant materiel program and the reduction in grant training, coupled with erratic implementation of FMS programs, have resulted in feelings of frustration and impatience towards MAP and FMS by some Latin American military leaders. A turn toward Europe is increasing. To be effective in favorably influencing the host country military toward U.S. foreign policy objectives, the MAP and FMS programs must be more responsive to host needs. The presence of U.S. military hardware in Latin American inventories is a most effective lever in maintaining U.S.

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presence and influence in these countries, and the growing extent of materiel and training from third countries tends to diminish this influence. We must provide amounts of grant materiel to those countries too poor to participate to any great extent in the FMS program. This assistance should be programmed in advance to aid host planning. Our MAP also should include a contingency fund to enable us to react rapidly to bona fide emergencies. We must increase program stability; the changes which are constantly being made to our military programs in Latin America, and the uncertainties which they engender, seriously hamper the host military in its efforts to train and equip forces."

D. Attache Staffs

1. Program Value and Effectiveness

While there has been a diminution in the overall effectiveness of the attache system in Latin America because of reductions in strength during the previous two years, several programs are underway to broaden the bases for contacts and to make deeper inroads into areas of inter-personal relationships. Major emphasis is being placed on cultivation of social as well as official contacts.

Official contacts are cultivated at frequent office meetings and during visits to installations. Social contacts are directed at personal exchanges ranging from personal at-home visits to larger social gatherings. Through these methods, close and influential relations are being developed at all military levels. Attaches have entree to Chiefs of Staff of the various services as well as senior staff officials, senior military commanders and individuals of intermediate rank. These friendly and cooperative associations provide an environment favorable to influencing host country military leaders.

The training of attaches is considered adequate. All are trained in language, intelligence and contact exploitation and are selected on the basis of maturity, judgment, ability and professional competence. Continuing efforts are being made to increase the quality of attaches and a number of steps have been taken to improve selection procedures.

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2. Current Views of Country Teams

Most Ambassadors agreed that the attache staffs were very effective in establishing contacts with important military leaders. Opinions on the effectiveness of the attaches in influencing local military leaders towards United States foreign policy objectives varied from not used in this role (Colombia), and difficult to assess since used in this role very little (El Salvador), to very effective (Argentina, Dominican Republic). While there was little indication that attaches had been significantly utilized in this role, many reports stated that on specific issues they could be effective. Some Ambassadors considered that clarifying instructions would be necessary from Washington to increase the effectiveness of the military in fostering policy objectives that are not strictly military.

With minor exceptions, the Ambassadors reported they were satisfied with the strength and organization of their attache offices. A total of 10 additional personnel were requested (Argentina -1; Ecuador -1; El Salvador -1; Paraguay - 1, Peru -3; and Panama -3 with establishment of a Defense Attache Office). (The forthcoming IPMG Review of Military Representation in U.S. Missions Abroad will address the overall question of the Attache Program.)

3. Current Views of Unified Commander

Personnel reductions have reduced significantly attache contact and reporting capabilities. The attache is expected to maintain meaningful contacts with host country military leaders, plan and execute an extensive collection program and travel to significant strategic areas. These tasks, coupled with heavy administrative requirements, require adequately manned attache offices which complement MILGP presence.

E. Inter-American Geodetic Survey(IAGS)

1. Program Value and Effectiveness.

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After 24 years of cooperative assistance to Latin American countries in expanding national geodetic networks and accumulating aerial photography and other mapping data, 19 percent of the total area, and a higher percentage within several countries, has been covered with precise topographic mapping.

For the Latin American countries, topographic maps are an important tool for economic development. New roads, hydroelectric plants, irrigation projects and agricultural reforms represent only a few of the projects that depend on accurate mapping. Thus, in filling a defense need for accurate mapping, IAGS has also contributed to the welfare of all participating countries.

2. Current Views of Country Teams

Recent reports from U.S. diplomatic posts as well as from Latin American government officials reflect the importance the Latin Americans attach to the IAGS operation and its contribution to their progress. These reports also indicate that IAGS has been effective in establishing contacts with important military, as well as civilian, leaders and in influencing them favorably toward the United States.

3. Current Views of Unified Commander

"The IAGS program has been extremely effective in favorably influencing Latin American countries. The program reaches scientific and economic groups not touched by other U.S. programs. When recent reductions in the IAGS program were pending, all countries registered strong objections, stating that IAGS activities were needed for the development of their countries.

"IAGS mission objectives should be expanded to include all nation-building aspects that have been specifically requested by highest Latin American authorities. Necessary resources should be provided to accomplish urgently required aerial photography in Latin America. This is one of the largest and most immediate needs identified in the national

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mapping programs. IAGS resources should be increased so that collaborating governments can be supported with vehicles, technical equipment and specialists, plus fixed and rotary wing aircraft (when not available through normal channels) to a level that meaningfully supports growing national map production needs. IAGS mission must be expanded to take into account the importance of other satellite applications and consequent training requirements. Because IAGS has ready access to the highest national government levels, and is firmly entrenched in the Latin American scientific and technical communities, it should be officially recognized as the prime coordinator and single point of contact for all cartographic and related activities."

F. Other Programs

1. Program Value and Effectiveness.

a. Inter-American Chiefs of Military Service Conferences.

These conferences, which are usually held annually with a different host, have led to a better climate of understanding of United States hemispheric goals and have helped inspire a mutual confidence and respect. They promote a cooperative spirit among inter-American military leaders and serve as a basis for continuing personal contact.

b. Combined Exercises

The U.S. has supported and participated in a modest series of combined exercises with Latin American military forces. Present review procedures as set forth in NSAM 316 provide adequate opportunity for assuring that political considerations are given appropriate attention. Annual combined exercises, as well as the pre-exercise planning conferences, have provided unique opportunities for increased professional contacts with a large number of military leaders. Not only have these exercises enhanced the operational competence of the participants, but they have also fostered a cooperative military relationship and close identification with the United States.

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c. Latin American VIP Visits.

A large reservoir of friendship and mutual understanding has resulted from visits to the United States by selected leaders and potential leaders as guests of the Chiefs of U.S. Military Services. Not only have these visits assisted in the maintenance of friendly contacts with important leaders, but they have also permitted the guests to gain a greater understanding of the United States under favorable conditions.

d. Visits by Senior U.S. Military Officials.

Visits by senior U.S. military officials to their Latin American colleagues are an effective means of maintaining contact. In practice, various internal situations within Latin American countries and the competing demands on senior officers have limited these visits, with the result that most of them have been made by USCINCSO.

Just as visits by Latin American military officials to the United States have built up a large reservoir of friendship and mutual understanding, visits by our senior officers to Latin America serve to improve their understanding of the area and to establish friendly and useful contacts with important leaders. Such visits would be viewed by the Latin American military as concrete examples of U.S. interest in Latin America. At the same time, these visits have high visibility and can have adverse political effects to the degree that they may appear to associate the United States with internal political situations. On balance, we believe that a carefully planned and coordinated program of visits serves to advance U.S. interests.

e. Latin American Liaison Personnel Program.

Based on experience to date regarding the effectiveness of this program in developing in the participants a spirit of cooperation and identity with the United States, DOD has approved an increase in the number of Latin American military personnel performing liaison, instructional and advisory duties with selected U.S. military organizations from a current level of 50 to approximately 130. Details of the expanded program are being developed and when completed will be coordinated with the State Department.

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f. CU International Exchange Programs Relating to Military Contacts.

Exchange programs administered by the State Department's Bureau of Education and Cultural Affairs (CU), while focused on other than "military targets" in the past, may offer the opportunity for new and imaginative ways to influence the military in Latin America. At present, a study is underway, in response to a 13 November 1970 request of the President, to examine current U.S. exchange programs as a basis for increasing the exchange in professional fields of individuals with strong leadership potential. The possibility of a greater role for CU programs focused on the military is being assessed in this study and specific recommendations will be included.

g. AID Programs for Influencing Latin American Military Leaders.

Two phenomena common to many Latin American countries are bringing AID Mission Directors and technical advisors into closer and potentially more influential relations with local military leaders than ever before. First, given the changing role of the military in Latin America, an increasing number of traditionally civilian ministries and departments of government are now headed or staffed by military personnel. Indeed, in some instances the military have taken power for the avowed purpose of far-reaching reform in economic and social structure, with corresponding changes in developmental objectives and mechanisms. Second, the military in many Latin countries, whether holding political power or not, increasingly encourage and lend important support to programs of social and economic reform, and have themselves initiated significant civic action projects. AID personnel are often uniquely equipped to provide assistance and advice to the military in connection with these new interests.

h. USIS Programs for Influencing Latin American Military Leaders.

USIS posts have a wide variety of program techniques for carrying out the NSC policy of influencing

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current and prospective military leaders in Latin America. Budget and personnel cut-backs during the past two years have eroded their potential somewhat, but ample resources remain to enable posts to play an important role in mission-wide efforts.

Typical program activities which now are being undertaken by USIS, either independently or in direct support of efforts by other mission elements to extend U.S. presence among the military, range from War College seminars and book presentations to leader grants for military officers serving in civilian posts for travel to the United States.

At this time, little information is available on the media habits of the Latin American military. Before a large-scale program is undertaken, it is indispensable for the Agency to have these data at its disposal. To meet this data requirement, USIS has assisted DIA in preparing a questionnaire for a planned survey on the media habits of Latin American military officers. This survey should be initiated as soon as possible to aid the Agency in formulating effective programs.

i. Value and Effectiveness of Ship Loans to Latin America.

The loan of combatant vessels to Latin American countries has served to promote our naval relationships with these countries while enhancing their defense capabilities. These loans have also served the purpose of permitting the recipient countries to meet their requirements without spending large sums on naval vessel procurement at the expense of other essential needs.

Recently, however, Brazil, Chile and Peru have contracted for ship purchases in Europe. Several of these countries have also recently requested the purchase of combatant vessels stricken from the U.S. naval register.

In view of this demonstrated desire by the Latin American navies to purchase combatant vessels, it may be advantageous for the U.S. to be more responsive to these purchase requests rather than attempt to initiate additional loans under any future ship loan legislation.

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2. Current Views of Country Teams

In response to questions concerning the effectiveness of these other programs, the Ambassadors treated the subject in a general manner. The responses mentioned the positive effect of visits to the United States by Senior Latin American Military leaders, increased utilization of the CU leader grant program, expanded USIS Book and Visual Aid Programs and English language training.

3. Current Views of Unified Commander

"Exchange of visits by senior military leaders is one of the most effective and least expensive ways of influencing senior leaders. Visits to CONUS and the Canal Zone by senior military leaders offer opportunities for personal associations that are extremely important and effective. Exposure to diversity of U.S. culture, and to the interlocking roles of its military and civilian sectors, aids in shaping attitudes favorable to U.S. policies. Visits by U.S. senior officers have helped to offset impressions of U.S. disinterest created by decrease in MAP, curtailment of FMS and reduced CONUS training quotas. Visits and exchanges can exploit sound policies of cooperation, but are not substitutes for them.

"An increase in visits by high level DOD civil and military representatives would emphasize U.S. interest and provide better mutual understanding. The basis for U.S. efforts to affect senior leaders, however, should begin in their earlier service careers. I therefore strongly endorse programs designed to identify and reach potential military leaders. The Latin American military liaison personnel program is an example of what can be done. For maximum benefits, these exchange activities should be broadened to include the research and development, production, and logistic areas which are extremely important to developing capabilities of the larger Latin American military establishments. Appropriate arrangements for a program of R&D data exchange should accompany."

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IV. CONCLUSIONS

The conclusions that follow represent the unanimous view of the NSC Interagency Group for Latin American Affairs.

1. Effectiveness of Military Missions and Attache Staffs in establishing contacts with important military leaders and influencing them favorably toward United States foreign policy objectives.

The Military Missions and Attache Staffs are effective in establishing such contacts with important military leaders. All Ambassadors and USCINCSO are unanimous in this view. On the other hand, the effectiveness of U.S. military representatives in influencing local military leaders towards U.S. foreign policy objectives is not easily measured with concrete examples, although there are identifiable positive effects in terms of favorable attitudes towards the United States that result from their close relationships with these leaders. The Ambassadors' views on the degree of influence U.S. military representatives exert range from "very effective" to "not utilized in this role." Most Ambassadors believe, however, that our military representatives, working closely with them on specific issues, can be effective in this role. Present policy emphasis should be placed on maintaining constructive but unobtrusive relations with Latin American military forces and governments.

2. Personnel Strength and Composition of Military Missions.

While the basic considerations that led to the recent reductions of the Military Missions remain valid, the responses of the Ambassadors and USCINCSO indicate the need for some adjustment in the authorized strength levels of several Missions in order to enable them to improve contacts with military leaders. At the same time, we recognize that the requirement is not one of numbers alone. Even more important are the qualifications of military personnel assigned to the Missions and the existence of associated advisory, assistance, and cooperative programs of a scope sufficient to justify the presence of the Missions. In any case, the net increase is modest and could be accommodated within a ceiling of 290 military spaces. (Tab A)

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3. Personnel Strength and Composition of Attache Staffs.

Accommodation of the Ambassadors' recommendations for 10 increases in Attache spaces would improve U.S. ability to maintain effective contact with host government military leaders.

4. Training and Qualifications of Military Personnel Assigned to U.S. Military Missions and Attache Staffs

As strongly emphasized by the Ambassadors and USCINCSO, high quality of military personnel is essential to the success of their mission. To this end, military advisors and attaches must be carefully selected and given preparatory training to ensure the language proficiency, empathy, political sensitivity, and technical military competence required to maintain good relations. Officer career fields could be established within the Services for foreign service specialists, including the opportunity for advancement to higher rank and responsibility.

5. Security Assistance Program

U.S. ability to provide for the reasonable materiel and training requirements of the Latin American military forces, either through grants or FMS, is a major means of maintaining U.S. influence with the Latin American military. The effectiveness of these programs in contributing to constructive relations with military leaders in Latin America will, for the most part, depend on:

-- Foreign Military Sales (FMS). With policy emphasis now focused on shifting from grant materiel to sales, FMS has become a major substitute for grant materiel assistance. Recently, relations with a number of Latin American military forces have been strained by U.S. inability or unwillingness to respond to their requests to purchase military equipment. This situation has resulted from the unavailability of FMS credit, either because of lack of appropriations or low regional priority; from our inability to grant competitive terms of credit when it

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is available; from dollar ceilings on materiel provided to Latin America; and from legislative restrictions on the sale of certain types of equipment. This inability has contributed to a significant turn by the military of these countries to third country sources. A more responsive FMS program, with adequate credit on competitive terms, is of paramount importance in maintaining constructive relations with Latin American military leaders. We must take a more realistic view than we have in the past regarding Latin materiel requirements as they see them. The present $75 million ceiling on military materiel to Latin America is a serious inhibiting factor affecting U.S. ability to be responsive to these requirements.

-- Grant Training. We believe it necessary to have a program of sufficient size a) to meet the training requirements of the recipients, using the Canal Zone schools for high-volume, low-level training; b) to enable us to bring the maximum number of students permitted by current legislation to the United States for advanced professional training; c) to continue orientation tours of the United States by senior Latin American military student groups; and d) to continue the Information Program for Foreign Military Trainees. The funding level approved for FY-72 adequately supports these programs.

-- Grant Materiel. We believe that the current policy of phasing out grant materiel programming activity in Latin America requires modification in order to permit materiel programs for those selected smaller, poorer countries which have not demonstrated the ability to maintain adequate security capabilities without such assistance. These programs would emphasize the provision of visible, impact type materiel (e.g., helicopters) in order to achieve the maximum possible influence. Provision of such assistance would require action to reprogram funds for FY-72 and to program funds for subsequent years, with allocations to be made through the IG/ARA.

6. Inter-American Geodetic Survey (IAGS).

The IAGS has demonstrated its success and effectiveness in establishing contacts with important military and civilian leaders in Latin America.

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7. Effectiveness of Other Programs.

a. Inter-American Chiefs of Military Service Conferences and Latin American VIP Visits.

These programs have proved useful in encouraging favorable attitudes towards the United States, in promoting a cooperative spirit among inter-American military leaders, and in serving as a basis for personal contact.

b. Combined Exercises.

Combined exercises are an effective means of contributing to contact with senior Latin American military leaders and to creating a spirit of cooperation and identity with the United States. The recent Soviet presence in the hemisphere makes them all the more important.

c. Provision of Ships to Latin America.

Ship loans and sales of excess vessels to Latin American navies have been effective in promoting cooperative relationships and in enhancing their defense capabilities. The low priority accorded Latin American requirements has limited the impact of this program.

d. Visits of U.S. Officials to Latin American Defense Establishments.

Visits of high-level U.S. military and other officials to their Latin American counterparts are an effective means for establishing contacts and demonstrating U.S. interest. These visits require careful planning and coordination in order to minimize the possibility of adverse effects within the host country.

e. Latin American Liaison Personnel Program.

This program, which permits Latin American military personnel to perform liaison, instructional and advisory duties with selected U.S. military organizations, has been very

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successful in establishing contact with junior level military leaders and in creating favorable attitudes toward the United States. Efforts are now under way to expand the program.

f. Relationship of Development Programs to Influencing Latin American Military Leaders.

Given the expanding involvement of military leaders and military institutions with such traditionally civilian concerns as economic and social development, increasing opportunities to influence military leaders through U.S. development assistance activities are in prospect. These opportunities include such techniques and programs as training in the United States for military personnel in non-military fields; provision of training materials; AID public safety programs, particularly those that may involve the military; and support of small-scale civic action projects. Such initiatives have already been taken by some USAID missions.

g. USIS Programs for Influencing Latin American Military Leaders.

USIS posts have a wide variety of program techniques for influencing current and prospective military leaders in Latin America. Typical program activities that can be expanded in order to achieve our purposes include leader grants for military officers for travel to the United States, for War College seminars, and for book presentations. We need to know more about media habits of the Latin American military as a basis for formulating and implementing additional programs.

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MANNING OF MILGP'S

Country	Pre-Balpa/ OPREP 1 Jan 68	Strengths as of 30 Jun 70	Presently Assigned 1 Jan 71	OSD Study 6 Mar 70	USCINCSO MEI Jul 70	Embassy Recomm 16 Dec 70**	USCINCSO Recomm 15 Dec 70*
Argentina	65	33	28	19	19	23 (+4)	25 (+6)
Bolivia	51	40	25	22	22	38 (+16)	35 (+4)
Brazil	116	59	50	24	26	26 (+2)	32 (+8)
Chile	49	32	21	12	13	13 (+1)	14 (+2)
Colombia	62	48	30	24	20	20 (-4)	20 (-4)
Costa Rica	11	4	4	2	4	4 (+2)	4 (+2)
Dom Rep.	59	33	25	14	12	12 (-2)	12 (-2)
Ecuador	69	39	27	15	21	26 (+11)	25 (+10)
El Salvador	25	15	11	8	8	9 (+1)	10 (+2)
Guatemala	30	26	26	19	19	25 (+6)	20 (+1)
Honduras	21	14	11	8	8	8	10 (+2)
Nicaragua	23	15	13	8	8	13 (+5)	10 (+2)
Panama	5	5	6	7	7	7	8 (+1)
Paraguay	25	17	12	10	12	15 (+5)	12 (+2)
Peru	70	7	7	7	7	8 (+1)	10 (+3)
Uruguay	28	20	14	10	10	10	15 (+5)
Venezuela	82	51	35	27	27	27	36 (+9)
TOTALS	791	458	345*	236	243	284 (+48)	289 (+53)

*Presently assigned strength will level off between 300 and 325 by February 1971. This continued reduction results from personnel having received reassignment orders prior to SecDef decision to suspend further MILGP reductions.

**Increases and decreases are in relation to levels recommended in OSD study approved by the Under Secretaries Committee March 6, 1970.

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V. RECOMMENDATIONS

1. Utilization of Military Personnel.

That the Departments of State and Defense send to the field definitive guidance removing any doubts about the permissibility, propriety and desirability of utilizing mission personnel and attaches for purposes of influencing host government military leaders toward U.S. foreign policy objectives.

2. MILGP Manning Level.

That the freeze on further implementation of the MILGP study be lifted and that a new level of not to exceed 290 U.S. military spaces for the region be approved, leaving the detailed breakdown of each MILGP to be worked out among the Ambassadors, USCINCSO and Washington. In deciding upon the new levels for individual posts, the IG/ARA will oppose any increases that are not demonstrably contributive to the objective of increasing U.S. influence.

3. Size of Attache Offices.

That the Departments of State and Defense take action as feasible to provide for the small increases in several attache offices recommended by the Ambassadors.

4. Quality of Military Personnel.

That the Department of Defense take concrete measures to improve the quality of MILGP and attache personnel. These measures should include actions to improve overall military qualifications, language proficiency, knowledge of the area, the attractiveness of career and promotion patterns (to include possible establishment of foreign service career fields), military and civilian education levels, and personal qualities such as degree of empathy and political sensitivity.

That the Department of Defense report to the SRG by March 15, 1971 the actions taken and to be taken.

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5. Grant Materiel Assistance.

That the present policy of phasing out grant materiel programming activity in Latin America be modified to permit materiel programs for selected countries. In determining the selection of countries and the size of country programs the IG/ARA will take into careful consideration all relevant factors including the security need, the local budgetary implications, and the political impact.

That the programs stress high-impact items in order to achieve the maximum influence.

That, accordingly, sufficient funds be reprogrammed for FY-72 in order to provide a program on the order of that funded in FY-70 ($9.3 million exclusive of supply operations).

That funds be programmed for subsequent years at levels not below that for FY-72, with possible small increases to be determined through normal interagency procedures.

6. Legislative Restrictions.

That the Administration make concerted efforts to eliminate from the Foreign Military Sales Act such burdensome legislative restrictions on our military sales program as the "Conte" Amendment (precluding credit funds for "sophisticated weapons systems"), "Pelly" Amendment (reference to preclusion of sales and credit following fishing boat seizure), and "Reuss" Amendment (reference to sales to military dictators).

That in the upcoming security assistance legislation, the present $75 million regional ceiling on military materiel to Latin America be eliminated or raised in order to permit flexible response to materiel requests.

7. FMS Credit Requirements.

That Latin American requirements for FMS credit be accorded a sufficiently high priority in relation to other regions to

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support a dependable and responsive program of military credit sales particularly for those countries in which such sales can significantly affect our ability to retain influence with the host country military (not less than $70 million annually for FY-72 and subsequent planning years).

8. Training Program for Latin American Officers.

That training programs for Latin American military personnel in U.S. military schools and the Information Program for Foreign Military Trainees be maintained at at least the FY-72 level ($10 million).

9. IAGS.

That the IAGS continue to be supported and adequately funded to permit continuation of mapping and school operations (not below $2.9 million per year as compared with $4.2 million in FY-71).

10. Naval Vessels.

That the United States be responsive to Latin American requests for naval vessels, particularly for those countries in which such response can significantly affect our ability to retain influence with the host country military; and that sales of excess naval vessels rather than loans be emphasized to the extent such vessels are available.

11. Related Military Programs.

That the following related military programs be continued and supported:

-- Inter-American Chiefs of Military Service Conferences and Latin American VIP visits.

-- Latin American Liaison Personnel Program (currently being expanded).

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-- Combined exercises.

-- Visits of U.S. officials to Latin American defense establishments.

12. Related Non-Military Programs.

That within the context of the primary purposes and legal restraints of CU, USIS, and development assistance programs, those activities that provide maximum opportunities for influencing the military be expanded. A report of actions taken or to be taken should be submitted by the IG/ARA to the SRG by March 15, 1971.

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ATTACHE STRENGTHS

COUNTRY	PRE-BALPA OPRED 1 JAN 68	AUTHORIZED	ACTUAL 1 DEC 70	EMBASSY RECOMM
ARGENTINA	15	9	9	10 (+1)
BOLIVIA	6	5	5	5
BRAZIL	14	11	10	11
CHILE	13	7	8	7
COLOMBIA	8	5	4	5
COSTA RICA	3	2	2	2
DOM REP	17	7	7	7
ECUADOR	5	3	3	4 (+1)
EL SALVADOR	3	2	2	3 (+1)
GUATEMALA	7	2	2	2
HAITI	3	3	3	3
HONDURAS	3	7	5	7
JAMAICA	4	3	3	3
MEXICO	17	11	11	11
NICARAGUA	3	2	2	2
PANAMA	0	Not Auth	0	3 (+3)
PARAGUAY	3	3	3	3
PERU	10	6	5	9 (+3)
URUGUAY	6	5	5	5
VENEZUELA	13	12	9	12
TOTALS	153	105	98	114

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IAGS IN-COUNTRY STRENGTHS

	Pre-BALPA (Actual)			FY 71 (Actual)			FY 72 (Planned)		
	Mil	US	FN	Mil	US	FN	Mil	US	FN
Bolivia	4	7	18	4	5	11	1	4	3
Brazil	6	11	28	3	8	14	1	6	4
Chile	3	5	10	3	5	7	-	3	3
Colombia	3	11	7	3	4	2	-	3	2
Costa Rica	1	1	3	-	1	2	-	1	1
Dom. Rep.	3	3	5	-	1	1	-	1	1
Ecuador	4	6	10	3	6	6	-	3	2
El Salvador	-	1	-	-	1	-	-	1	-
Guatemala	3	5	5	-	1	1	-	1	-
Honduras	3	4	10	-	1	2	-	1	-
Mexico	-	-	-	-	1	2	-	2	-
Nicaragua	4	4	2	-	2	2	-	1	-
Panama	3	0	3	1	1	1	-	1	-
Paraguay	4	6	9	5	4	9	1	4	3
Peru	4	10	21	2	7	10	-	4	3
Venezuela	4	6	16	4	5	6	-	3	3
School	1	30	19	1	13	12	-	7	4
Canal Zone	14	132	15	33	80	18	6	56	15
Total	64	242	181	62	146	106	9	102	44
		487*			314			155	

* Add Aviation Element in Canal Zone Mil 147

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TAB D

LISTING OF COMBATANT SHIPS ON LOAN TO LATIN AMERICA

Country	Ship	Date Loaned	Present Expiration Date
Argentina	DD Heerman	8/61	8/71
	DD Stembel	8/61	8/71
	DD Dortch	8/61	8/71
	SS Lamprey	7/60	7/75
	SS Macabi	8/60	8/75
Brazil	DD Guest	6/59	6/74
	DD Bennett	12/59	12/74
	DD Hailey	7/61	7/71
	DD Cushing	7/61	7/71
	DD Hancock	7/67	7/72
	DD Irwin	12/67	5/73
	SS Sand Lance	9/63	9/73
	SS Plaice	9/63	9/73
Chile	DD Wadleigh	7/62	7/72
	DD Rooks	7/62	7/72
	SS Spot	1/62	1/72
	SS Springer	1/61	1/71
Colombia	DD Hale	1/61	1/71
Peru	DD Isherwood	10/61	10/66
	DD Benham	12/60	12/70(in process of being extended)

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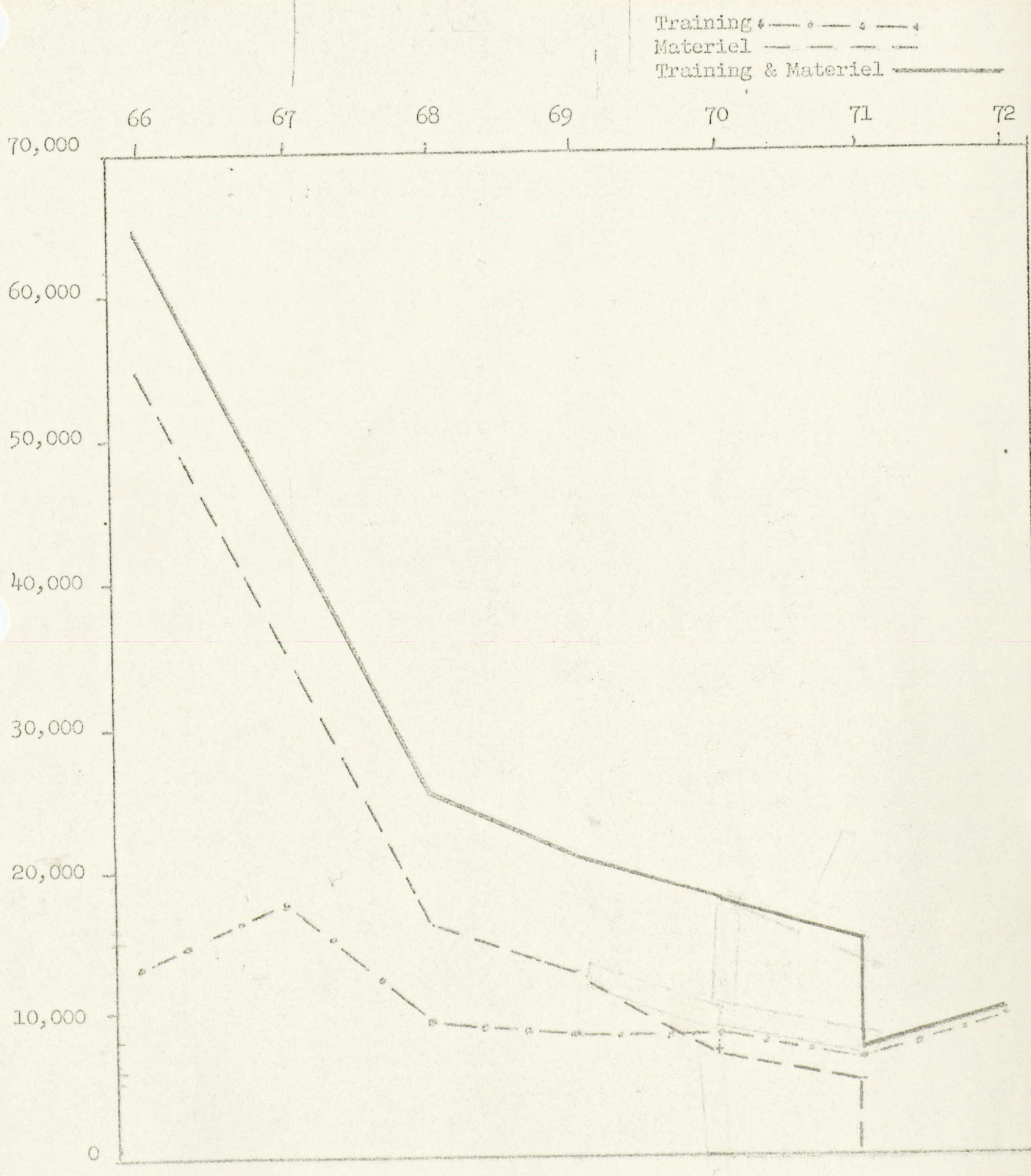
TAB E

LATIN AMERICA MAP



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COUNTRY TEAM VIEWS

ntry	I. Effectiveness in Establishing Contacts and Influencing Local Military Leaders. a. MILGPs	b. Attache Staff	c. Other Programs	II. Recommended Personnel Strength and Composition. a. MILGP	b. Attache Staff	III. Qualifications, Training, and Functions of Military Personnel. a. MILGP	b. Attache Staff	IV. PROGRAMS a. MAP Grant	b. MAP Training	c. FMS	d. AID	e. CU (Cultural)	f. USIA	g. Other	h. Civilian Country Team
Argentina	MILGP, DAO, USSOUTHCOM programs effective. Panama/CONUS training effective, favorably impresses trainees with US institutions, training, and family life. No problem new military role.			Delay reduction one year Retain 23	Add 1 ass't Naval Attache	Stipulated by Argentine Military Service		No recommendation	Restore level	Increase	Wind up AID-Send Military on observation and training tours	Expand cultural and sociological programs	-	-	Increase efforts to work with military
Barbados	No military representation in Embassy.			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Small CU and USIA program marginal influence			
Brazil	Declining due to: reduced MAP; restricted FMS and credit; US criticism Brazilian Military; and development own training capability. Need revised instructions to pursue foreign policy objectives.	Excellent contacts	Prime task Ambassador & Embassy	Prepared to review composition in light of change in policy.	Not reported	Technical background, language capability. Knowledge of Brazil and US interest & policies.		No recommendation	Increase group orientation visits	Increase	Contributes economic and social development	Leader grant-military performing as civilians	Target military articles in professional magazines-books to Service academic seminars	-	-
Bolivia	MILGP, DAO very effective. Need new terms of reference for military role.			Recommend 38	No change. DATT Col	Senior Off, War College grads. Junior respective Staff College, Language and Area knowledge. Utilize FAST grads.		Reinstate program	No comment			Leader grant		Continue IAGS	Increase efforts
Chile	MIL, DAO effective to some degree.			Recommend 13		Fluent Spanish, previous exposure to international political affairs, adaptable to foreign culture Career inducement.		No recommendation	Continue	Continue		LIMITED			Increase efforts
Colombia	MILGP, DAO effective military role and internal security. CONUS training military result in positive effect. Loss military sales and aid resulting deterioration of relations.			Recommend 20	No change	Working knowledge Spanish, use FAST student. Do not believe military should do Foreign Service work.		No recommendation	Continue	Increase		Resume sponsorship of cultural attractions	Assist Military Movies. Books to Academies English Language training	US Instructor in Col Mil schools-Invite Col Off to instruct US staff schools	Current efforts satisfactory
Costa Rica	MILGP influence is technical mil.not pol. To foster other than mil. relations appears violation of purpose and counterproductive.			No change 4				No recommendation				Political influence can best be accomplished through Country Team.			
Dom. Rep.	MILGP, DAO highly effective. Quality personnel and motivation most important maintaining good relations.			Recommend 14	No change	Highly motivated, language proficient, especially selected for DAO and MILGP duty.		Reinstate program	Continue		-	Refocus programs - emphasis on military by civilian members embassy.			
Ecuador	MILGP has good contacts with Ecuadorean military used effectively by Embassy. Effectiveness reduces as MAP and FMS cut out. As third country equipment arrives effectiveness MILGP drops further.			Recommend 26	Add 1 Ass't Attache	High quality, language proficiency, knowledge L.A. and broad general background.		No recommendation	Continue	Increase		NONE RECOMMENDED			
El Salvador	MILGP, DAO excellent contacts with military but effectiveness difficult to assess as used little in role. Effectiveness depends on competence, empathy toward locals, and language facility of individuals.			Recommend 9 (Add 1 Admin NCO)	Reinstate NCO Specialist	Technically competent, empathy for locals and language facility.		No recommendation	Reinstate to previous level			Use funds all programs to offer US training in non-military subjects for promising young officers. (public administration, public health, socio-economic development and English language)			
Guatemala	MILGP, DAO successful developing contacts. Discussions mostly technical military matters. Country Team believes role can be expanded.			No change 19	No Recommendations	Qualified in Military Specialities, ability to detect personal and political sensitivities of local military, War & Staff College Grads, Fluent in Spanish.		No recommendation		No recommendation	N/A	Increase Leader Grant Youth Committee	Provide materials to schools	-	-
ana	No Military		Embassy has good contacts with military leaders.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Increasing contacts
Haiti	N/A	Very limited	Very limited	N/A	No recommendation	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	None
Honduras	MILGP, DAO effective in contacts, limited to data to technical military matters. Other limitation due to Hondurans feel US let them down over El Salvador conflict. Training most effective way to influence.			No Change 8	No recommendation	Spanish Proficiency of 3 in written and oral. Utilize FAST and MAOP officers		Reinstate program	No comment	No comment		Educational scholarships to military	Continuously clarify US policy	-	Limited
Jamaica	N/A	Close and good rapport all levels of military.		N/A	No Change	N/A	No recommendations	N/A	N/A	N/A	N/A	-	-	NONE REPORTED	
Mexico	N/A (Mexican military not a major political force)	Most effective	Major influence training US schools, US visits, US instructor Mexican schools.	N/A	Do not replace departing Ass't Army Attache	N/A	Attache training in foreign policy objectives and attend FSI	N/A	Continue	N/A				-	Embassy youth committee more time to military
Nicaragua	MILGP, DAO very effective influencing local military leaders and have excellent rapport with Guardia Nacional.			No Change 8 Reassign A/D	No recommendation	Present training adequate Spanish proficiency mandatory.		No Recommendation	No Recommendation	No Recommendation			Wider distribution films and publications	US instructor for Mil Academy	Pol sects increase efforts
Panama	MILGP effectiveness varies with part. Pol. obj. and issues excellent in mil. but minimal in domestic pol. matters.	N/A	N/A	No Change 7	Estab. DAO-1 Off- 1 EM 1 US Civ (3)	Spanish proficiency, Country area knowledge political, social, economic, psychological and historical.		No Recommendation	No Recommendation	No Recommendation		Educational Grant Scholarship US Civilian Schooling	English language training	Increase public safety	Minimum Contact
Paraguay	MILGP and DAO have excellent contacts are effective on specific issues. IAGS also helpful.			Recommend 15 (13 Off-2 EM)	Convert W.O. to Com O (Ass't Army Attache) Upgrade DATT to Col	Carefully selected and trained for duties.		Reinstate program	No Recommendation	No Recommendation		Leader Grant for military	Movies and books to military	IAGS No restoration of personnel but continue fund	Increase efforts with younger officers.
Peru	MILGP, DAO, IAGS have high level contacts influence marginal due to political differences US and Peru.			Recommend 8 (Add 1 Admin Off)	Add 3 (1 Ass't Army 1 ass't Naval Attache-1 NCO)	None reported		No Recommendation	No Recommendation	No Recommendation		Leadership exchange program	-	-	Increase representation funds
Trinidad & Tobago	N/A	N/A	Embassy has military contacts.	N/A	N/A	N/A	N/A	N/A		N/A	N/A	-	-	Increase contacts US military training exercises, etc. Accredit attaches from Venezuela	
Uruguay	Maintains effective interplay with military leaders. US training particularly effective. Elimination of MAP and uncertainty FMS reduces effectiveness.			No Change 10	No Change	Carefully selected adaptable to Uruguayan way of life, fluent Spanish, 2 wks with State Desk Officer. Previous Area experience		Reinstate program	Continue	No Recommendation		NO RECOMMENDATION			Increase efforts
nezuela	MILGP and DAO can be effective however will be limited by declining MAP, training, FMS credits, and constraints on discussing political and intelligence matters.			Recommend 27	No Change	Select personnel with political sensitivity. aptitude for intelligence work, military interrelationship and Spanish language facility improve career inducement.		No Recommendation	Continue	Continue		Increase visits by LA senior military officers to maneuvers, firepower demonstrations etc. CU leader grants, reinforce USIS book and Visual Aids - Increase civilian contacts with military leaders - New instructions from Wash. on aims - Backup through resou Removal constraints, i.e., "Political" and intelligence on US military.			

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NSSM 108

NSC-IPMG Supplementary Comment on NSC-IG/ARA Study on U.S. Military Presence in Latin America

The IPMG is in basic agreement with the conclusions and recommendations of the IG/ARA Study except as noted below[1]. The IPMG particularly endorses the findings of the IG/ARA Study as they relate to the emphasis on the need for qualitative improvement of our Latin American MILGROUPS and the conclusion that the application of U.S. military influence is in part a derivative of the character and dimension of U.S. programs in Latin America.

The IPMG considers that the IG/ARA Study does not provide the NSC options on two basic issues that are identified in the ARA/IG Study. These are (a) the level and mix of our future Military Assistance Programs to Latin America, to include grant materiel aid and (b) the appropriate personnel ceiling for the MILGROUPS. In addition we consider that the relevance of NSSM 108 and any decisions that may be generated therefrom on the ARA/IG paper should be emphasized to the NSC. IPMG comments on these points follow.

---

1 OSD/ISA does not concur in the recommendations contained herein for the following reasons:

"a. The NSC Study directive provided the IG/ARA the option of making specific recommendations on issues where there was unanimity of view. The study recommendations reflect the unanimous view of the IG/ARA and are supported by OSD/ISA. We feel that they are responsive to the study directive, that they provide the basis for adequate consideration by the SRG, and that the opposing considerations in the IPMG draft should more properly be accommodated in the State position at the SRG meeting.

"b. The IG/ARA memorandum forwarding the study to Mr. Kissinger addresses the relevance of NSSM 108 and states that the range and mix of U.S. programs that will bear upon the questions that might be raised by the study recommendations will be addressed by the IG/ARA in its response to NSSM 108. Considering the timing of the two studies, we believe that the actions resulting from the recommendations of this study can be kept in the context of the conclusions of NSSM 108."

The JCS does not concur with the submission of the IPMG paper on the grounds that the IG/ARA Study reflects the position of the JCS.

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I. Future Military Assistance Program to Latin America

The IG/ARA Study recommends:

"That the present policy of phasing out grant materiel programming activity in Latin America be modified to permit materiel programs for selected countries. In determining the selection of countries and the size of country programs the IG/ARA will take into careful consideration all relevant factors including the security need, the local budgetary implications, and the political impact.

"That the programs stress high-impact items in order to achieve the maximum influence.

"That, accordingly, sufficient funds be reprogrammed for FY 72 in order to provide a program on the order of that funded in FY 70 ($9.3 million exclusive of supply operations).

"That funds be programmed for subsequent years at levels not below that for FY 72, with possible small increases to be determined through normal interagency procedures."

In 1968, the SIG decided:

"That the planning assumption for Latin America should be the phase out of grant military assistance for materiel after FY 70. We recognize that there will be cases in which this perspective goal cannot be achieved and there will be a need for some grant materiel assistance beyond FY 70 in those countries whose self-help efforts may fall short of providing for essential internal security requirements...what the exceptions will be and the amount required to fund them should be determined through the CASP procedures in the interdepartmental groups for Latin America."

For FY 1971, the IG/ARA recommended exceptions for 11 countries, totaling $5.6 million in materiel assistance. These funds were reallocated and grant materiel terminated during the Cambodian emergency restructuring exercise. The 1972 budget does not contain specific country allocations for grant materiel for Latin America.

The IPMG recommended options on this point are as follows:

Option 1 - To meet unanticipated Latin American problems, the President should rely on a worldwide contingency fund. In the context of his budgetary decisions, the President has already decided to request a $100 million worldwide contingency fund for all purposes - security, development, and humanitarian assistance.

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Pros:

1. If the President decides to present a single Security Assistance Bill, a large all-purpose contingency fund will provide the necessary flexibility for meeting Latin American problems and needs.

2. A single contingency fund conforms with the President's decision to streamline and integrate all security-related aid programs.

Cons:

1. Latin American requirements, while small, are nonetheless important. They would tend, as in the past, to be overshadowed by emergency requirements for large sums of money in more active areas of the globe.

2. The wielding of influence with the Latin American military would be enhanced by a continuous dialogue over grant military programs. Being able to provide grant materiel assistance on a contingency basis would not contribute to increasing our influence.

Option 2 - Designate an annual grant MAP materiel level for Latin America of $9.3 million. Allocations against $9.3 million would be approved for specific countries by the IG/ARA as part of the normal CASP procedure. It is recognized that only a limited amount of assistance could be provided with this modest amount, however, the IG/ARA believes it would serve the purpose of increasing our influence with the Latin American military if handled on a selective basis.

Pros:

1. This action in conjunction with foreign military sales and grant training assistance would reduce the likelihood of the Soviets moving in to provide military hardware and assistance.

2. Assists in maintaining the internal security necessary for orderly political, economic, and social development in selected countries.

3. Permits programming of limited foreign aid funds for those Latin American countries with greatest need.

4. By demonstrating U.S. concern and appreciation of local security problems in selected countries, provides leverage to increase U.S. influence with civilian and military leaders in selected Latin American countries.

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5. Increases the ability of the armed forces in selected countries to perform effective civic action programs.

Cons:

1. The chances of precluding a determined Soviet military aid effort are marginal given the modest size of the grant assistance program contemplated.

2. Sudden reinstatement of a grant materiel program in contravention of our announced policy of cutting off such assistance for the purpose of increasing U.S. influence with the Latin American military will draw Congressional fire. This is especially true in light of other actions we are now contemplating, such as a Presidential waiver of the $75 million ceiling in military sales and assistance to Latin America, a looser interpretation of the Conte and Reuss amendments, etc. Severe criticism by Congress could jeopardize our entire new security assistance program. Foreign Military Sales credit is of more value than grant assistance and should not be jeopardized in Congress by a reinstitution of grant assistance.

3. Since most purchases from outside suppliers are for sophisticated, expensive weaponry not envisioned in the modest grant program proposed, purchases from Europe would not be significantly affected.

4. Programs should be designed to reduce, not increase, reliance on the U.S. Resumption of a MAP materiel program would be a step backward in view of the President's declared policy of increasing self-reliance among our allies and friends.

5. Some countries which have been under discussion for this grant assistance have purchased or have considered purchasing rather sophisticated weapons systems from European suppliers. It would be difficult to justify even a modest program to Congress if the recipient nation falls in such a category.

6. Grant programs were terminated because most Latin American countries requiring military equipment could purchase the equipment required on a cash or credit basis. There is no evidence for a shift in this position.

7. Influence results as much or more from personal contact than modest grant programs. There is no evidence that grant aid will increase our influence beyond that already provided by the presence of the MILGROUPS and the increased credit and training programs.

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Option 3 - Earmark up to $9.3 million of the President's Contingency Fund for use as necessary in Latin America. Allocations against this amount would be approved for specific countries by the IG/ARA as part of the normal CASP procedure.

Pros:

1. This action, in conjunction with foreign military sales and grant training assistance would reduce the likelihood of the Soviets moving in to provide military hardware and assistance.

2. Enables us to respond to emergency needs of selected countries on a contingency basis, thus enabling them to maintain the internal security necessary for orderly political, economic and social development.

3. Demonstrates U.S. concern and appreciation of local security problems in selected countries. It thus provides some leverage for increasing U.S. influence with military and civilian leaders in Latin America.

4. Since no money would be programmed in advance for any specific country, this option would not draw Congressional criticism in the way a resumption of funding for materiel might.

Cons:

1. The chances of precluding a determined Soviet military aid effort with this amount of funding on a contingency basis are marginal.

2. Since these funds would only be used on a contingency basis, they would not contribute to a continuous dialogue with the Latin American military and thus would enable us to achieve only a limited amount of influence.

3. Reduces worldwide flexibility in drawing on the contingency fund.

4. In subsequent years, might draw Congressional fire as an attempt to avoid Congressional scrutiny by not providing a regular program for Latin America.

NOTE: Some of pros and cons to Option #2 also apply to Option #3.

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II. Military Mission Manning Level

The IPMG considers that the arguments in favor of a change in the present manning goal of 236 to a new level of 290 have yet to be fully justified. We therefore propose the following options for NSC consideration:

Option 1 - Continue the present program to phase down MILGROUP personnel to a level of 236 by the end of FY 1971.

Pros:

1. In response to a decision to shift to credit sales, U.S. military assistance programs in Latin America have declined to $16 million this year from a high of $80.6 million in 1960. Budgetary and legislative limitations were also factors in the decline. Barring an expansion of U.S. military aid, or vastly expanded sales, it is difficult to justify a personnel level beyond 236 which is consonant with the current reduced level of military assistance to Latin America and reached after considerable State-Defense study. An increase in manning would not be consistent with the policy of shifting Latin American countries from grant aid to sales.

2. There is no persuasive evidence of a relationship between increased numbers of personnel and effectiveness in achieving politico-military policy goals in Latin America and no evidence that the positions added will be concentrated in the politico-military influence-building area. There is, however, considerable evidence that qualitative improvement of existing MILGROUP resources is necessary if they are to perform a military/diplomatic function and is of much greater consequence than quantitative expansion.

3. The broader compass of the policy review called for by NSSM 108 should not be prejudged now by a decision to increase manning levels. If actions on programs are generated by the NSSM 108 study and justify an increase in MILGROUP levels this is a consideration that should be made subsequent and not prior to Presidential decision on NSSM 108.

Cons:

1. The original decision to establish a ceiling of 236 was in part arbitrary, creating imbalances and distortions, and in some cases unexpected hardships within the missions, thereby squandering talents which would be better employed with the addition of more personnel to some staffs.

2. The 236 level was excessively low for most of the missions, as evidenced by the almost unanimous country team recommendation for increases.

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3. Both the country team and CINCSO, when presented with the options of implementing the original 236 man level or increasing, favored an increase to a 284 or 289 level in order to assure achievement of the new policy objectives.

4. The advent of a Marxist regime in Chile argues for prudence in preparing for the possibility of subversion and insurgency by strengthening, or at least not weakening, contact with military groups.

5. Although the IG recognized that the effectiveness of the missions will be conditioned significantly by the availability of MAP, FMS or other programs, the functions of the missions are to advise and to maintain contact. The size of the missions was not determined by the requirements to administer programs.

Option 2 - Increase the Military Missions' ceiling for Latin America to 270, the level which represents a combination of the minimum recommendation of CINCSO and the country teams for each post. It eliminates as unessential in achieving the desired objective of increased influence administrative personnel recommended in the country team/CINCSO submissions.

Pros:

1. A modest increase over previously planned levels permits the strengthening of our military missions in general conformity to field recommendations while retaining the spirit of the still valid original goal of fostering a lower U.S. profile and encouraging Latin American self-reliance.

2. It eliminates administrative or technical personnel recommended in the country team/CINCSO submissions (roughly 20 out of 53) as unessential in achieving the objective of expanded politico-military influence.

Cons:

1. An increase of this size does not allow sufficient flexibility to permit the field to fill the positions that they seem to feel should be filled in order to permit CINCSO and the country team to operate with confidence under the new guidelines of establishing increased contact with the Latin American military and fostering U.S. policy objectives.

2. By not granting the full increase of the requests from the field, we run the risk of sacrificing the best performance of which the field, in its own judgment, is capable.

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3. The IG/ARA recommended ceiling of 290 (see Option 3) provides that only spaces that are "demonstrably contributive to the objectives of increasing U.S. influence" will be approved. It can be argued, therefore, that the means exist in Option 3 to eliminate country team or CINCSO proposed personnel augmentation that do not meet the IG/ARA criterion.

Option 3 - Lift the freeze on further implementation of the MILGROUP Study and approve a new level of not to exceed 290 U.S. military spaces for the region, leaving the detailed breakdown of each MILGROUP to be worked out among the Ambassadors, USCINCSO, and Washington. In deciding upon the new level for individual posts, the IG/ARA will oppose any increases that are not demonstrably contributive to the objectives of increasing U.S. influence.

Pros:

1. This level fully meets the recommendations from the field, and would permit some adjustment and compromise for individual countries between the CINCSO and country team recommendations.

2. By granting a reprieve from the previously rigid ceiling of 236 we give the field an enlarged resource base to achieve the newly mandated objectives of increased contact with the Latin American military.

3. The Secretary of Defense ordered the strength of the Military Missions to be frozen at 345. This option does not recommend a gross increase, but merely a smaller reduction than was originally envisaged.

Cons:

1. The magnitude of the dispensation (54) may convey the impression to the field that the lid is off on the low profile and may stimulate further requests for raising the ceiling.

2. Since there is still no persuasive evidence that increased numbers will lead to improved contact and influence (in the absence of improved quality and expanded assistance programs) the sole result of fixing the new ceiling at 290 may be to give the impression of decisive action while in fact diverting attention from meaningful reform and new initiatives in the area of improved selection and promotion of officers, consolidation and reorganization of the Military Missions and attache staffs, and more substantive military aid programs.

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3. Approximately forty percent of the recommended added positions seem to be administrative or technical, therefore not related to the goal of improved contact and influence.

4. The recommended increase is largely confined to the Military Missions, which are primarily technical in function and specialize in assistance (although they enjoy excellent access to the host country military) while only 10 increased spaces are recommended for the attache staffs, which are more directly concerned with politico-military policy objectives.

III. The Relevance of NSSM 108 to the ARA/IG Study

The recommendations of the ARA/IG on military aid and MILGROUP manning levels relate to the broad compass review of U.S. policy toward Latin America called for in NSSM 108. The IPMG does not consider that decision on the ARA/IG recommendations cited above need be deferred subject to review of NSSM 108 and Presidential decision that may follow such a review. However the IPMG does recommend that any decision on military aid and MILGROUP manning levels be considered tentative and open to reassessment following completion and decision on NSSM 108.

The IPMG also notes that the ARA/IG, in its consideration of related non-military programs, recommends "that within the context of the primary purposes and legal restraints of CU, USIS, and development assistance programs, those activities that provide maximum opportunities for influencing the military be expanded. A report of actions taken or to be taken should be submitted by the IG/ARA to the SRG by March 25, 1971."

In view of the above, the IPMG invites the attention of the SRG to the fact that any proposed expansion of CU programs in Latin America will relate directly to an on-going CU study requested by the NSC to examine current worldwide U.S. exchange programs. Additionally, the Agency for International Development recommends that the SRG take special note of the fact that if decisions are made in connection with the objective of establishing and maintaining close relations with U.S. military representatives and military leaders in Latin America such decisions will also have the effect of prejudging, if not predetermining, policies in other important areas, as well as setting certain basic directions for the review of overall United States policy and programs in Latin America called for in NSSM 108. For instance, there are broad policy implications signified by the ARA/IG recommendations regarding (a) the concept of a "total resource approach" to coordinated military and economic assistance planning inherent in the President's new Security

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Assistance and Economic Development Programs and country decisions on how it will use its own resources; (b) the references to FMS without a discussion of terms and the effect of increasing debt in a region where the payout of foreign exchange to the developed world in debt repayments now exceeds the input of development resources; and (c) the position that the U.S. might propose to take in the OAS or other international forums on a multilateral approach to regional arms control. In specific terms, the reference to expanding development assistance program activities that "provide maximum opportunities for influencing the military" will directly affect economic technical assistance programming in the short term, and in the long term the new Development Technical Institute and the Development Corporation not yet in being (whose non-political characteristics were set down in the President's message/the Peterson Report).

In view of the foregoing, the IPMG recommends that A.I.D. be invited to present its views when the SRG addresses the recommendations contained in the ARA/IG study and that any decision on this and similar recommendations of the ARA/IG be made in light of decisions on NSSM 108 and other on-going relevant studies.

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DEPARTMENT OF STATE

Washington, D.C. 20520

7100541

January 13, 1971

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MEMORANDUM FOR MR. HENRY A. KISSINGER
THE WHITE HOUSE

Subject: U.S. Military Presence in Latin America

Enclosed is my memorandum of January 12 transmitting a study of the U.S. military presence in Latin America in response to your memorandum of December 8. This study has been conducted, as requested in your memorandum, by the NSC Interdepartmental Group for Inter-American Affairs.

At the request of the Chairman of the NSC Interdepartmental Political-Military Group, I am forwarding to him a copy of this study for consideration and comment by that Group, since a number of the issues bear on matters which are also of interest to it. I have been informed by the IPMG Chairman that they will make every effort to forward their comments to you by close of business January 15, 1971.

Charles A. Meyer
Chairman, Interdepartmental
Group for Inter-American Affairs

Enclosures:

1. Memorandum dated January 12, 1971.
2. List of recommendations.
3. Study.

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NATIONAL INTELLIGENCE ESTIMATE

The Soviet Role in Latin America

SECRET
NIE 80/90-71
29 April 1971

№ 13

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The following intelligence organizations participated in the preparation of the estimate:

The Central Intelligence Agency and the intelligence organizations of the Departments of State and Defense, and the NSA.

Concurring:

The Deputy Director of Central Intelligence

The Director of Intelligence and Research, Department of State

The Director, Defense Intelligence Agency

The Director, National Security Agency

Abstaining:

The Assistant General Manager, Atomic Energy Commission, and the Assistant to the Director, Federal Bureau of Investigation, the subject being outside of their jurisdiction.

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This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited.

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THE SOVIET ROLE IN LATIN AMERICA

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THE SOVIET ROLE IN LATIN AMERICA

THE ESTIMATE

1. Over the past few years, the political environment in Latin America has altered dramatically, and the pace of change is clearly accelerating. Radical approaches to problems are gaining ever wider support. In several countries, leaders of a new stripe have taken over and have begun to make far-reaching changes. Nationalism is a powerful motive force in this process. The Soviets are well aware of these developments, and their interest and their activities have grown. This paper examines recent trends in the area (excluding Cuba) and their implications for the position of the US and the future role of the USSR, in the main for the next five years or so, but sometimes for longer periods. Its main conclusions are contained in paragraphs 34-41.

I. THE CHANGING ENVIRONMENT IN LATIN AMERICA

2. The process of change in Latin America is mainly in response to forces operating there, rather than to US or Soviet actions. Yet the process has important implications for the roles played by both Washington and Moscow in the area. The preponderant position of the US is eroding, and at an accelerating pace, for complex reasons rooted in economic developments, social pressures, and history. Conversely, the Soviet Union and other countries as well are more and more looked to by nationalistic elements as a balance to American preponderance, often for purely opportunistic reasons.

3. Nationalism is a strong and growing force in Latin America, and it is increasingly taking on an anti-American coloration. This is so because the US is the dominant external force, and the Latins have bitter memories of political and economic pressures going back many decades. Local leaders, eager to stress their independence, frequently complain about US hegemony and paternalistic interference. US firms are the ones most affected by schemes of nationalization. The Latins occasionally take actions which they recognize as affronts to the US, such as the capture by Ecuador of US tuna-boats operating within the 200 mile territorial limit that it claims. Several governments are actively seeking to diversify their purchases of arms, sources of aid, and trading partners.

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4. The spread of nationalism creates both opportunities and problems for the Soviets. It provides the USSR with an opening for policies and actions designed to speed the erosion of US influence and to increase its own. The Soviets have something to offer to those who seek a counterweight to the US and a diversification of purchasing and trading patterns. At the same time, the concern of Latin Americans to run their own affairs places a constraint on the expansion of Soviet influence. The military-populist government in Peru, for instance, is certainly out to assert its independence of the US, and it has sometimes done so abruptly and abrasively, but it remains wary of the Soviets and is of no mind to become the client of any power. The Mexican Government's belief that the USSR was involved with the Revolutionary Action Movement (MAR) was sufficient to get five Soviet diplomats expelled from the country.

5. To a greater or lesser degree, all Latin American countries suffer from deep-seated economic and social problems which resist solution. Increasing social unrest and unfulfilled popular expectations have contributed to political instability and the growing radicalization of Latin American institutions. Income is unevenly distributed, and in most of the countries small ruling classes still possess most of the money, land, and material goods. Unemployment and underemployment, high birth rates, overcrowded and rapidly growing cities—all contribute to social and political tensions and to impatience with present institutions. None of these conditions is entirely new, but modern means of communication and a growing political awareness have combined to raise the level of expectations of the increasing numbers of underprivileged, and to reveal the gap between what is and what could be.

6. Latin American intellectuals, socially-minded military officers, and clerics are increasingly persuaded that drastic changes in the established order are necessary. The US is seen as the center of capitalism and as the advocate of free enterprise, and thus as an opponent of such change. Consequently, the US and what it stands for are on the defensive. The local oligarchs, moreover, have been traditionally associated in the public mind with US businessmen and diplomats. US aid is increasingly regarded as politically motivated and self-serving; the Alliance for Progress is widely considered a failure.

7 The Soviets, claiming to be the exemplars of socialism and supporters of the working man, stand to gain from this growing anti-capitalist, anti-US sentiment. Marxism has long had a considerable following among Latin American intellectuals, especially at the universities. Unfamiliarity with the Soviet Union makes it easier for Moscow to appear as a counterbalance to US influence in the region. To many Latin Americans, US concepts appear familiar and shopworn, in contrast to those of the Soviets. Latins share little history with Russia but, as they see it, rather too much with the Colossus of the North.

8. In many ways, Latin American governments are casting off US influences because they feel capable of directing more of their own affairs. In a sense they are right. More than most countries in the Third World, the advanced nations in Latin America have the skills and resources needed to modernize their societies and some prospects for developing new markets and sources of capital. Among the important constraints have been the lack of institutions to suit societies growing more mature, a reluctance to invest at home for the long term, and their own lethargy and willingness to rely on the US and others to do things for them. The political, social, and economic reforms now being ap-

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plied in many Latin American countries are designed to tackle these problems. Out of this process is gradually developing a sense of confidence and identity.

9. Most of the military coups in the past few years have been engineered not by military figures of a conservative bent as in earlier times, but by officers of a reformist bent, who more than in the past are from the middle and lower classes. In general, the new military strongmen, whether of the left or right, are convinced that civilian politicians have shown themselves to be incapable of adjusting to a changing world, and feel an obligation to stay in office for some time to direct the restructuring of their countries. All are nationalists and statists, even the devoutly anti-Communist, such as the military rulers of Brazil. Most are out to demonstrate their independence of the US. Some, as in Peru, share the anti-capitalist and anti-US attitudes described above.

10. The military regime in Peru is something new in Latin America. The rulers of Peru are far removed from the old fashioned *caudillos,* whose strength and appeal were personal rather than institutional. More nationalistic, better trained, and with a program of action, the new breed is out to make fundamental social and economic changes and to reduce the inequalities in Peruvian society. Confronting powerful local and foreign business interests and seeking a counterweight to members of the American Revolutionary Popular Alliance in popular organizations, they have enlisted the services of local Communists to rally labor and other groups in support of government programs. The goals of the military-populists are probably shared by junior officers in many other countries who tend to be better educated, more widely traveled, and closer to the lower and middle classes than their elders. Officers such as these are likely to exercise political power in other Latin American countries over the next decade.

11. The new regime in Chile, a leftist coalition of Communists, Socialists, non-Marxist Radicals, and some splinter parties, poses particularly delicate problems for the US and provides new opportunities to the Soviets. President Allende's victory was a vindication of the *vía pacífica* that Moscow has been publicly advocating in Latin America for years. The Chilean Communist Party, easily the best organized and strongest in South America, plays a major role in the ruling coalition. Allende, however, is an outspoken nationalist and would certainly not consider himself a disciple of Moscow. His Socialist Party is on the whole far more militant than the Communist Party and has frequently competed with it. From time to time, Allende himself has been at odds with the Communist leadership. Nevertheless, he sees many advantages in dealing with the USSR, and believes he can avoid Castro's dependence on Moscow. His electoral victory has given new hope to Communists elsewhere in Latin America. If he makes some progress towards alleviating Chile's massive social and economic problems, this would further bolster the cause of Marxist parties in Latin America and prospects for popular fronts.

12. Outside Cuba and Chile, the Communist Parties in Latin America do not exert much political influence, nor are they the most vigorous or effective exponents of social change. Many of their leaders are in their seventies; they are preoccupied, in most cases, not with fomenting revolution but with avoiding confrontations and seeking respect, acceptance, or legality. Youthful, left-wing romantics in Latin America, fascinated by Che Guevara and other guerrilla heroes, tend to regard the Soviets and the orthodox Communist Parties as "old hat" Far left Marxist groups like the Leftist Revolutionary Movement (MIR) in Chile and terrorist organizations such as the *Tupamaros* in Uruguay are con-

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temptuous of the more staid Soviet-sponsored groups. Their acts of violence reflect badly on the Soviets and their local clients, who are often tarred with the same brush.

13. The established order is itself in considerable disarray For example, internal divisions and conflicts of goals are clearly visible in the Roman Catholic Church. In much of Latin America, strong elements of the Church are actively seeking to improve the lot of the poor and oppressed. Some priests, for example in Argentina, Brazil, and Colombia, have gone so far as to cooperate with terrorist organizations; these churchmen are often more militant than the local Communists. Many of the new breed share short-term goals with the Communists—e.g., to organize rural workers in Brazil or to support Allende's reforms in Chile—and they rail against the capitalist system and the oppressive nature of current regimes. Nevertheless, the traditional mistrust of communism is strong in the Church and in most Church-affiliated groups. The hierarchies in many countries remain concerned about preserving their prerogatives in religion, education, and culture. The Church will resist such threats as it perceives to its institutional interests, though its effectiveness may be limited by internal divisions.

14. Antipathy to the Soviets is still pervasive in Latin America. While important elements traditionally sympathetic to the US—business and professional elites, publishers, the military, and the Church—now often associate themselves with ultra-nationalist and anti-US forces, such elements remain by and large antagonistic to the USSR. So do most other Latin Americans with a stake in the prevailing system. The peasants, who are conservative and largely ignorant of the outside world, are particularly hostile to outsiders and foreign ideology—as Che discovered in Bolivia. Moreover, most poor city dwellers retain some aspects of the peasant outlook; they too distrust strangers and imported ideas, and usually seek to improve their lot by supporting a local demagogue or *caudillo*.

15. Nevertheless, most Latin American statesmen are moving towards some expansion of their countries' relationship with the Soviets. This is chiefly out of a desire to have a counterbalance to the US influence in the region and to mollify left-wing elements in their own countries. Another motive is the desire to take advantage of the Soviet presence to bargain with the US, on such matters as trade and investment.

II. MOSCOW'S PERCEPTION OF ITS OPPORTUNITIES IN LATIN AMERICA

16. Traditionally, Moscow regarded Latin America as being, in broad but fundamental ways, of a piece with other parts of the underdeveloped world, and subject to roughly the same patterns and tempos of change. This view had a doctrinal foundation, but it also rested on the qualities which these various areas shared—economic backwardness, political instability, and, until quite recently, their location beyond the reach of Soviet military power. Within this broad scheme of things, Latin America long resided near the outer edges of the USSR's political consciousness, and for several reasons. In addition to the lack of historical ties and cultural affinity, the USSR had never developed any economic interests there. From the standpoint of geography and security, the area was on the periphery of Soviet concern, as the Middle East and Asia were not. Most important, the Soviets viewed Latin America as securely bound to the US politically and economically, and calculated that the US had the means to keep it so for some time to come.

17 The USSR expended little effort during the 1920s and 1930s to develop bases of influence in Latin America. The Soviets provided some support to local Communist parties,

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which for the most part were faction-ridden and enervated. Moscow's experience with them gave it small cause to feel confident of either their revolutionary commitment or their organizational skills. With a few exceptions, they were of little use to the Russians and were generally repaid with contempt or indifference. Soviet diplomatic representation, though extended somewhat during and after World War II, was thin and sporadic until recently. The Soviet effort to establish a foothold in Guatemala in the early 1950s failed.

18. After 1955, Stalin's successors launched a more active policy toward the Third World. The Soviet approach to Latin America embodied many of the features of its approach in other areas: whereas previously Moscow had relied almost exclusively on clandestine and conspiratorial methods, the accent now was on developing overt ties—diplomatic, economic, and cultural. In Latin America, however, one element vital to Soviet policy elsewhere in the Third World was missing: military aid. This was due both to a lack of receptivity on the part of the Latins and to some respect for US sensitivities on the part of the Russians. Latin America, thus, still represented a special case, and, while the Soviets were gradually improving their image and extending their presence, their vistas remained narrow until the advent of Castro.

19. With Castro's profession of Marxism-Leninism and his alignment with the Soviet Bloc, the USSR gained a presence in Latin America which it might have been a long time acquiring by other means, though at a pace and in a way not of its own choosing. Moscow evidently decided, after some hesitation in accepting Castro's self-declared affiliation, that it had been handed an easy opportunity both to open a political bridgehead into Latin America at large and to make an important strategic gain over the US. The outcome of the Cuban missile crisis in 1962 and the containment of Castroism to Cuba proved this calculation overly optimistic. In the years immediately thereafter, Moscow's problem was to recover from the consequences of this miscalculation and to find a sounder balance between opportunity and risk. A related aim was to keep its alliance with Cuba from compromising its relations with the rest of Latin America.

20. The USSR's Latin American policy seems no longer encumbered by the confusion and disarray which set in after the Cuban crisis. The failure of guerrilla efforts in Bolivia and Peru and the victory of the popular front in Chile have helped confirm the general correctness of the *vía pacífica* and taken some of the wind out of the sails of the Maoists and Castroists. For these reasons and because of his increased economic dependence on the USSR, Castro's capacity to complicate Soviet relations with left-wing forces and with Latin American governments has for now been reduced; he has become more selective in his support of violent revolution and has muted his criticism of the pro-Moscow Communist parties. These circumstances may cause Moscow to hope that it can help to hasten the decline of the US position and that with time many Latin American governments will look increasingly to the USSR.

21. The Soviet perception of Latin America, as of the rest of the world, is shaped in part by ideological preconceptions. But these are for the most part ambiguous enough to permit the USSR considerable flexibility in advancing the practical aims of the Soviet state. Ideologically, the USSR is committed to the spread of revolution and to the eventual establishment of additional Soviet-style regimes. In the case of Latin America, the pattern of change is promising in the USSR's view, seeming in some respects to confirm its belief that history is going its way. But the situation is still sufficiently variegated and

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obscure as to warrant some uncertainty about future developments. Moreover, the USSR might not welcome more client regimes because of the political and economic obligations it might have to assume and the danger of arousing strong counteractions in the US and among other Latin American countries.

22. The experience of recent years has shown the Russians that it is not an easy matter to harness nationalism in the underdeveloped world to their purposes, and that influence lost by the US is not automatically influence gained by the USSR. This is reflected in Moscow's approach to the military-populist regime in Peru and Allende's popular unity government in Chile. At first, the Soviets viewed the military takeover in Peru as an old-style barracks revolution; soon they came to realize that the regime is bent on a basic restructuring of Peruvian society, involving a diminution of the US presence. Nonetheless, the Soviets turned down some of Velasco's requests for economic assistance and stalled on others. They are probably still unsure of where Peru is heading and reluctant at this time to get involved economically on a large scale. They were, of course, pleased with Allende's election, but realize that they would not be doing either themselves or Allende a favor by greeting him too warmly at this stage. Although state-to-state relations are increasing and a member of the Central Committee has been appointed Ambassador to Santiago, the Soviets have seen no need to assume economic or military obligations to Chile. Moscow is anxious at this stage not to ring alarm bells within Chile, the rest of Latin America, and the US.

23. The Russians are still relatively new to the scene in Latin America and still carry around a heavy load of ideological baggage. Differences in national character and temperament between them and the Latins no doubt also impair their perception of the environment. But the number of Soviets with area knowledge has grown and many of them are accumulating experience on the spot. Soviet representatives in Latin America and policymakers in Moscow can, in addition, draw on an expanding body of work on the area being done in Soviet academic establishments, which, if still far from being objective, seems to be moving closer to an appreciation of Latin American realities. Thus, the USSR's assessment of its position and possibilities in the area is coming to rest on a somewhat more solid base of expertise and working knowledge.

24. In its dealings with Latin America, Moscow still pays considerable attention to developments in Washington. Moscow surely recognizes that many influential Americans have become critical of the nature and scope of US commitments abroad. The Soviets are conscious of the fact that there is much dissatisfaction in the US with foreign aid programs, that protectionist sentiment is growing, and that the US Congress is increasingly opposed to military aid and to the sale of certain types of arms which the Latin American military insist on buying. The Soviets probably believe that the US is so identified with forces of the status quo that the US is becoming increasingly out of tune with the "progressive" trends in Latin America.

25. Moscow undoubtedly sees opportunities for itself in all these trends, and over time will move to take advantage of them. Certain considerations would argue for caution, however. The costs entailed in providing aid would put some limits on Soviet readiness to provide substitute assistance. Any precipitous move to expand Soviet military involvement in Latin America would risk a serious worsening of the general climate of Soviet-American relations. Nonetheless, there are many things the Russians can do in Latin America without abandoning their low profile, gradualist

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approach (e.g., modest sales of arms and more political contact with the elites)

26. The Soviets are extending the geographical range of their naval operations as a means of enhancing their international influence and prestige. They also have an interest in improving their overall operational capabilities, with respect, for example, to submarine, antisubmarine, and intelligence-gathering operations. The establishment of a presence in the Caribbean supports these aims, while contributing to a reduction of US prestige, and gives symbolic reinforcement to their commitment to Castro.

27 Moscow probably sees its present naval activities in the Caribbean as laying the foundation for the eventual development of a broader military presence in Latin America at large. It probably discerns obstacles to the establishment of a broader presence because of competing claims on its present military resources (e.g., in the Mediterranean), the great distances involved, and the need for additional port facilities. Nonetheless, the Soviets probably believe that within the next few years they can make their naval presence in the Caribbean continuous, perhaps establish a presence elsewhere around South America, and persuade a few Latin nations to accept Soviet arms, equipment, technicians, and possibly some help in constructing naval facilities. They would hope in this way to add to their political weight in the area generally while placing some constraints on US military options there.

* * * *

28. There is no doubt much that is tentative in Moscow's thinking about the area as a whole, as well as about its separate parts, and much that is provisional in its approach. But the Soviets recognize that anti-US feeling is on the rise in Latin America, and their public statements indicate a belief that the US is unable to cope effectively with the currents running against it. The improvement of their own image in the area and the experience they have gained in their dealings with the Third World probably give them some confidence that they can exploit current trends. The shifting political climate may lead them to conclude that their earlier expectations and objectives were too modest.

III. THE INSTRUMENTS OF SOVIET POLICY IN LATIN AMERICA

A. Diplomatic Relations

29. The USSR has been able to expand its diplomatic relations in the last decade to include all of the major Latin American countries and many of the smaller ones. The embassy staffs, while still small in comparison with other Soviet missions in the Third World, are growing in numbers and expertise. Most Soviet diplomats are acting in a more sophisticated fashion than previously and are trying to establish a rapport with Latin American governments by appearing more understanding of their needs and aspirations. Yet the Soviets often find it difficult to overcome the latent suspicions of Latin Americans who are aware of earlier examples of Russian meddling in the internal affairs of other Third World countries; such incidents as the recent Soviet embarrassment in Mexico tend to keep such suspicions alive. In order to dispel them, the USSR is attempting through its propaganda and otherwise to project an image of the Soviet Union as a distant but powerful friend of the Latin American people.

a. In January 1960, the USSR had diplomatic relations with only three Latin American countries (Argentina, Mexico, and Uruguay). Now it has relations with 13: Cuba, Mexico, Costa Rica, and all the countries of South America except Paraguay. This dramatic change has resulted partly

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from the efforts of Latin American governments to underline their independence of the US, and partly from the growing conviction that a Soviet diplomatic mission no longer threatens the stability of local institutions. Thus, Latin American governments have come to believe that the advantages of diplomatic relations, such as the potential for trade and aid, outweigh the disadvantages. The odds are good that, in the next several years, the Soviets will have a mission in all but a few Latin American countries.

b. Soviet diplomats in Latin America behave much like other diplomats. Increasingly proficient in Spanish or Portuguese, they work with influential groups and institutions and cultivate individuals in important positions. By and large, their behavior has been quite "correct" and their profile fairly low. They tend to be more knowledgeable about Latin American habits and interests than they used to be, and give a far better impression than the diplomats of earlier eras.

B. Covert and Subversive Efforts

30. Despite Moscow's emphasis on expanding overt ties with Latin American countries, it continues to conduct a variety of covert activities, judging these countries to be vulnerable to such tactics and inefficient in coping with them. The USSR funds most Communist parties and encourages or acquiesces in the insurgent tactics espoused or employed by a few of them (e.g., in Haiti and Guatemala). But it faces a dilemma: aid to the weak and often ossified local Communist leaderships does not win the hearts and minds of the militant or idealistic youth in universities and elsewhere who seek more immediate and drastic change than the Communist parties offer. Wherever Soviet diplomatic and trade missions have been established in Latin America, Soviet intelligence officers meet openly, and where required clandestinely, with the Latin Americans they deem influential: student leaders, trade union figures, government officials, or members of the oligarchy. In the gray area between diplomacy and subversion, this expansion of personal relationships is used to increase Soviet influence locally as well as to further a variety of anti-US purposes and to promote such current objectives as the recognition of Cuba.

Covert Activity

a. The line separating overt and covert Soviet activities in Latin America is blurred. In keeping with the pattern elsewhere in the Third World, about half the 351 Soviets assigned to missions there are known or suspected intelligence officers. Almost all the intelligence officers spend much of their time performing the work of foreign service officers, including the cultivation of influential people. The Soviets find this activity handy for spotting and evaluating potential agents. In Peru, they are developing a range of contacts among influential Peruvians outside the government;

[redacted]

b. Moscow is also trying to establish a network of illegals in Latin America, i.e., Soviet intelligence officers documented as Latins. Many of these are targeted against the US rather than against Latin America. The notoriously poor record-keeping of Latin Americans makes it relatively easy to document a Soviet as a Latin American. Although illegals communicate directly with Moscow, the presence of large Soviet missions helps to provide them with support.

Relations With Communist Parties

c. To Moscow, the orthodox Latin American Communist parties are essentially instruments of Soviet policy. With rare ex-

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ceptions, e.g., divisions in the Venezuelan and Mexican parties over the invasion of Czechoslovakia, the Latin parties have supported the Soviet line more consistently than have the West European Communist Parties. This loyalty is in many cases the expression of a half-century commitment to the Soviet way of doing things. Moreover, Moscow has traditionally subsidized the Latin American parties, in an amount currently estimated at $7 million a year. Moscow provides training in the USSR for promising young Communists and trips for the veteran party leaders and functionaries. The willingness of most of the Latin American parties to follow Moscow's direction closely derives in part from their small size, their limited political prospects, and their strong need for outside support.

d. Most pro-Soviet Latin American parties are occupied primarily with political tactics. They would like to emulate the Communist Party of Chile and attain a share of power through the electoral process. All, however, have developed clandestine cadres, even such legal parties as those of Colombia, Venezuela, and Uruguay Some of these cadres were trained in guerrilla warfare in Cuba. A few parties, including those of Colombia and Argentina, have admitted publicly that violence may be required in their own countries to achieve and hold power.

Insurgency and Terrorism

e. Soviet policy towards the use of violence varies from country to country. On the whole, Moscow is leery of associating itself with any kind of terrorism in Latin America at this time. The Soviets traditionally have not condoned high-level political assassination, kidnappings, or bombings; they look upon indiscriminate terrorism as counterproductive and are concerned for the safety of their own buildings and diplomats in Latin America. Moscow worries about groups like the *Tupamaros* being to the left of the orthodox Communist Parties and fears that these outfits may give the left such a bad odor that all leftist organizations will be repressed.

f. At the moment, the Guatemalan Communist Party seems to be the only one actively engaged in violence. Its terrorist arm has directed the assassinations of dozens of security officials in recent months, and has pursued this violent course for several years, though the Cuban-sponsored guerrilla group has been generally more active. The party maintains good relations with Moscow, and in its policy pronouncement emphasizes traditional organizational methods. The Haitian Communist Party, a minuscule group in exile, is the only party in this hemisphere that is encouraged to violence by both Moscow and Havana. The Colombian Communist Party has a guerrilla arm, which has been dormant for the last three years.

g. Even tenuous, indirect connections between the USSR and extremist organizations can cause problems for the Soviets. In March 1971, 5 Soviet diplomats, all of them KGB officers, were expelled from Mexico after the police interrogated 19 members of the MAR, a group formed in the mid-1960s by Mexican students attending Patrice Lumumba Friendship University in Moscow. After leaving Lumumba, they were given guerrilla training by North Korea. Historically, the Mexicans have been tolerant of covert Soviet activities operating out of the 58-man Russian Embassy in Mexico City, since these were directed at the US and Central America rather than Mexico. The explusions will make more of a splash in the rest of Latin America than would similar incidents in Argentina or Uruguay,

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where Soviet diplomats are frequently declared *personae non gratae*. Already the Costa Ricans are having second thoughts about permitting the Soviets to open an embassy in San José.

C. Economic Relations

31. Soviet spokesmen have often talked about the desirability of expanding trade with Latin America, but the results have generally been disappointing to both Latins and Russians. The USSR buys relatively small amounts of Latin America's agricultural commodities, and has given little indication that it is prepared to absorb much larger quantities overall. Moreover, Latin American businessmen have generally been reluctant to purchase Soviet manufactured goods when US or European goods were available instead. The USSR has extended far fewer credits to Latin America than to other areas in the Third World. The Latin suspicion of Soviet products and technical advisors plus problems with servicing and spare parts make it very difficult for the Soviets to advance much in this field. Where they can, the Soviets try to exploit economic relations to obtain political entree or leverage. Coffee purchases in Costa Rica and Colombia have been used for these purposes.

Trade and Aid

a. Economic relations between Latin America and the USSR continue to present an appearance of greater involvement than is actually the case. Nevertheless, Soviet and Latin efforts to expand economic ties have borne some fruit, though trade levels are still very low. Nine Latin American countries have formal commercial relations with the Soviets, in some cases simply as a way to demonstrate their economic independence of the US. A few Latin countries hope to find a large export market in the USSR for surplus agricultural commodities and look upon Moscow as a potential source of financing for ambitious development projects.

b. Total Latin American trade with the USSR in 1969, except for Cuba, was only $136 million, less than one percent of Latin America's world trade. Incomplete data for 1970 suggest that the figure probably did not exceed the 1969 level and may have declined slightly.[1] It is difficult to discern a trend in this trade, for it fluctuates sharply from year to year.

c. Latin American countries in general continue to enjoy a favorable balance of trade with the Soviets. Although willing exporters, Latins have been reluctant to import Soviet manufactured goods. Latin businessmen are put off by the price, quality, and specifications or design of many Soviet products and remain skeptical about servicing and the availability of spare parts for machinery and equipment. Castro, who has had no little experience with the Russians, has advised Allende to keep his credit good with West European suppliers. Moscow has made it clear that its level of purchases from Latin America will depend to a considerable extent on Latin American willingness to increase imports of Soviet manufactured goods and to correct unfavorable trade balances.

d. Soviet economic assistance to Latin America, except for Cuba, has been insignificant. This is especially true when it is measured against Latin America's requirements for development financing and against inflows from international financial institutions and the US. Since 1954, Soviet credits have amounted to $277 million, a mere 4 percent of the $7 billion Moscow extended to underdeveloped countries. Latin American

[1] For a country by country breakdown of Soviet trade with Latin America, including Cuba, see Table I.

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governments have only drawn on 13 percent of these credits, mainly because of consumer resistance to the purchase of Soviet equipment. Soviet credits are currently most appealing to the new regimes in Peru, Bolivia, and Chile. Of $66 million worth of new Russian credits to Latin America in 1970, all but $10 million went to Peru and Bolivia. Following Allende's election, the Chilean Government entered into negotiations with Moscow about using some idle Soviet credits for constructing a fishing port at Valparaiso.[2]

e. Moscow occasionally uses its economic activity for very specific political goals. For example, the Soviets bought coffee owned personally by President Figueres of Costa Rica. The purchase preceded discussions about opening a Soviet mission in San José. Soviet purchases of surplus Ecuadorian bananas strengthened the Soviet political position there, and Moscow's willingness to buy Colombian coffee has opened doors to them in conservative circles in Bogota.

Air and Sea Communications

f. The Peruvian earthquake in May 1970 provided Moscow with a golden opportunity to demonstrate its ability to help Latin Americans. The Cubans beat them to the punch by a month and ran a very effective operation; the US was also quick to show its concern. Moscow then hastily organized a mammoth airlift of supplies but lost one large transport plane en route and failed to arrange adequate stopovers and servicing. After meeting only one-third of its promised deliveries, Moscow cancelled the airlift and ended up sending the remaining relief supplies by sea. Although the Soviets muffed it logistically, they still succeeded in making a favorable impression.

g. The problems of this operation brought home to Moscow some of the geographic constraints on its potential for quick response to situations in Latin America. Since then, the Soviets have stepped up their efforts to establish more air routes to Latin America and to find some customers for Soviet civilian aircraft. Negotiations are under way for a new Moscow-Havana-Lima-Santiago air route, but Brazil turned down the request for a Moscow-Dakar-Rio-Santiago route.

h. The Peruvians have discussed the purchase of $48 million worth of Soviet passenger aircraft and cargo planes, and the Soviets have offered to train Peruvian airline personnel and to maintain hangars in Lima. The Peruvian airline is losing money, however, and may just be doing a bit of comparison shopping. The Chilean Government airline showed some interest in purchasing Soviet aircraft, but decided to buy more Boeing 707s instead, if financing can be arranged. Chileans realize that it is easier to maintain a unified air fleet, to get US spare parts, and to have the planes overhauled in the US. Uruguay has chimed in with some inquiries to Moscow about purchasing fishing boats and civilian aircraft. Over the next five years, one or another airline may experiment with Soviet aircraft, but we doubt that this will catch on throughout the continent.

D. Cultural, Educational, and Propaganda Matters

32. There are fewer obstacles to the advance of Soviet cultural, educational, and propaganda activities in the area. Russian performers, athletes, and scientists are welcomed wherever they are permitted to travel; the USSR's anti-US propaganda flourishes in those countries with relatively open societies and little censorship. An education in the USSR

[2] For a further breakdown of credits and drawings since 1954, including those extended to Cuba, see Table II.

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is less appealing to most Latin Americans than one in the US or Western Europe, but there are young Communists and rejects from other schools to fill out a Latin American contingent at places like Lumumba University in Moscow. By and large, Soviet cultural activities have enhanced the USSR's reputation as a great and civilized power but thus far appear to have had only marginal effect in promoting Soviet political influence.

a. The USSR now has cultural agreements with most Latin American countries and is showing some sophistication in implementing them. The circus and soccer teams are popular everywhere; Soviet musicians, ballet dancers, films, books, and photographic exhibits are welcomed by most cosmopolitan audiences, despite expensive tickets and inefficient booking arrangements in several cities. The traditional respect of the Latin American elite for intellectual and cultural attainment has provided Moscow with many good opportunities to make friends and appear less crude. It is doubtful, however, that their efforts have greatly bolstered Soviet political influence.

b. As in other parts of the Third World, the Soviets have made a major effort to attract impressionable students to the USSR. Some 1,640 Latin Americans are studying there now, and an additional 780 are in Eastern Europe. The largest contingents at present are from Ecuador, Chile, and Colombia; over the years, most have come from the first two plus Bolivia and Mexico. The poor caliber of many of the students and the difficulty they have in finding jobs upon their return have severely limited the effectiveness of the Soviet programs. Those who were already well on the way to becoming true believers have generally come home more dedicated to communism. Most students, however, end up either uncommitted or disappointed with the Soviets.

c. Moscow uses its broadcasting and press facilities to disseminate a growing amount of increasingly sophisticated propaganda in a variety of languages (currently 80 hours a week of radio broadcasts exclusive of programs beamed at Cuba). They are also placing press items, films, and canned radio and television programs with local outlets on an increasing scale, and apparently to some effect. The most effective technique seems to be to seize on stories or situations that put the US in a bad light, e.g., linking the US with the privileged classes and with unpopular business practices. Soviet propaganda is most widespread in Chile, Peru, and Uruguay, because each of these countries tolerates a wide variety of Communist-oriented newspapers, magazines, news broadcasts, and friendship associations. Soviet competition with Cuban propaganda has been reduced since Havana began to cut down its revolution-mongering in 1968.

E. Military Activities

33. The huge distances involved and US sensitivity to military operations in its backyard have heretofore limited the Soviet military presence in Latin America. Moreover, until recently, no Latin American governments outside Cuba would have been willing to permit Soviet port calls by naval vessels or to contemplate purchasing Russian military equipment. In the last few years, however, the Soviet military presence in the Caribbean has expanded significantly. Soviet ships have put in at several islands, and the facilities of Cienfuegos in Cuba have provided some services for Soviet naval combatants, including nuclear-powered submarines. In South America, the Soviets have found at least one country willing to flirt with an offer

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of Migs (Ecuador) and two willing to permit Aeroflot to pass through on a regular basis (Peru and Chile). But the Soviets face stiff competition in the arms market (in recent years, Western Europe has supplied over half of the arms purchased by Latin American countries) and are inhibited by the orientation of most Latin American military leaders towards the US.

a. Soviet military activities in Latin America have largely centered on the Caribbean. During the last 18 months, the Soviets have increased the frequency and duration of their naval visits to the region. This serves to establish some sort of continuous naval presence in an area of great sensitivity to the US and, indirectly, to support Soviet diplomacy. In addition to reconnaissance flights and naval visits to Cuba and exercises in nearby waters, a few Soviet naval vessels and some Soviet research ships have put in at several Caribbean ports. The area provides particularly attractive conditions for oceanographic and other scientific observations. The local citizens appear leery of these visits, but Moscow will probably continue to probe in the Caribbean.

b. The Soviets have only begun to interest Latin American countries outside of Cuba in military assistance or procurement programs. Since the US has become less willing to give or sell certain kinds of arms to Latin American governments, Moscow's prospects in this field are improving. Nevertheless, Latin governments are much more likely to turn to West European arms dealers than to the USSR. In the past four years, arms suppliers in Western Europe and Canada have sold approximately $1.1 billion worth of military equipment to countries in Latin America: British destroyers and other naval equipment; French Mirage fighters, tanks, and Alouette helicopters; Canadian transport aircraft; West German submarines and fighters; and Italian jet trainers.

c. Ecuador, however, has become the first non-Communist country in this hemisphere since Guatemala in the early 1950s to consider an arms deal with Moscow. President Velasco has already demonstrated his willingness to forego all US military assistance but remains nervous about the recent upgrading of Peru's arsenal. His government has become the main window shopper for arms in Europe and has already purchased some equipment from France, the UK, and West Germany. Now Ecuadorian officials have shown interest in Soviet offers to sell jet fighter-bombers and other aircraft. Ecuadorians are exceptionally difficult to do business with and are concerned about what Soviet training personnel might do in Quito. Though Migs are cheaper and easier to service than Mirages, the Ecuadorians seem to be leaning towards West European suppliers.

IV. OUTLOOK

34. The next several years will probably see many more changes in Latin America. The predominant trend is likely to be a further growth of nationalism manifested in a variety of ways. The US will almost certainly bear the brunt of both spontaneous and deliberate antiforeign acts, and more US-owned enterprises will be nationalized. US political influence will probably sag further.

35. The Soviets will continue to encourage these trends. They are likely to judge, for some years ahead at least, that they can best do this just by maintaining their low profile, keeping out of mischief, and taking advantage of favorable trends not necessarily of their own making. Consequently, they will probably continue to favor popular front tactics. The Soviets will try to develop influence in non-

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Communist parties, the government bureaucracy, the military and security services, and other important sectors of Latin American society. They will do what they can to manipulate and reinforce the anti-US aspects of Latin American nationalism and to use their growing presence and their advance as a great power to further reduce US influence in the area. Their aim would be to see installed in Latin America governments hostile to the US and friendly to them.

36. The Soviets are also likely to see numerous chances to become more actively involved in forcing the pace of change, and they will certainly continue to develop Communist cadres for the long pull. It is improbable that the particular circumstances which produced Castro's alignment with Moscow will recur elsewhere, but there may be other such windfalls in Latin America which the Soviets will attempt to exploit. At some point, Castro may revive his efforts to goad the USSR into adopting a more adventurous policy. Competition with the Chinese for influence in leftist movements will continue to be a factor in Soviet behavior, though not a major one. For all these reasons, the Soviets course is not likely to remain entirely fixed but will to some degree be responsive to developing opportunities and pressures. The Soviets will, of course, have to be careful to avoid overplaying their hand. An aggressive policy would risk offending Latin American sensitivities, tarnishing the image of respectability that the Russians are trying to convey, and arousing a strong US response.

37 Much of Latin America will continue to seek alternatives to dependence on either the US or the USSR. In their search for customers for their products or sources of military hardware and capital, Latin governments are likely to look increasingly to Western Europe and Japan. Both Japan and the European Economic Community are about to implement preferential tariff policies for the manufactured exports of underdeveloped countries. New trade connections with Japan and Western Europe may lead to deals involving the investment of capital in Latin enterprises, on terms more favorable to the Latin American countries than in the past.

38. The Soviet approach will be conditioned by considerations of realpolitik. In these terms, the Russians will probably judge that they have more to gain in the long term by developing positions of influence in the more politically significant and more economically advanced countries, such as Argentina and Brazil, than in, say, Bolivia or Haiti. But expediency based on local conditions will affect these perspectives. In countries run by leftist regimes, the Soviets will seek to take advantage of the reformist atmosphere to make themselves useful and to improve their image as constructive and helpful. Over the longer term, the Soviets may find opportunities in countries where the governments are currently less responsive to the demands and frustrations of the bulk of the population. Though different in many ways, both Argentina and Colombia have ineffectual governments, hampered by weak or decaying political institutions. Both regimes are faced with strong pressures for reform from populist movements and other groups. In several other countries, such as Brazil and Paraguay, the presence of hard-line, authoritarian military regimes inhibits the development of moderate political groupings and tends to polarize society between forces of the extreme right and left. Unless these regimes pay more attention to some of their nations' fundamental social and economic inequalities, it will become increasingly difficult for them to hold onto power, except through armed repression, or to yield it to political moderates. It will be some time, however, before such pressures are likely to become irresistible.

39. The Soviets will continue to watch events in Chile very closely. If Allende man-

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ages to stay in office, continues to cooperate with the Communists, and shows some prospects of succeeding, Moscow will probably be more forthcoming with support. The Soviets have urged Allende to proceed cautiously and have given the impression that they are not committed to come to his rescue should he get into economic trouble. Nonetheless, if his regime falters for economic reasons, Moscow would probably help to bail him out. Chile is more richly endowed and has a stronger and more balanced economy than Cuba, and, in the near future at least, the USSR would almost certainly not have to assume the kind of burden it has been carrying in Cuba for a decade. Most Chileans, in any event, would be reluctant to see their country become a Soviet client. If Allende and the Communist Party should split, Moscow would probably try to avoid taking sides. The exclusion of the Communists from the coalition would be an embarrassment to the Soviets, but this would not necessarily cause an estrangement between them and Allende. They might, in the end, decide that the preservation of the Allende government was more important to them than the Communist Party's immediate advantage.

40. The Soviets will almost certainly continue to expand their capabilities for military operations in the Third World. Geographical factors, limitations on economic and military resources, and domestic and international political considerations will have a bearing on how far and how fast the Soviets proceed. In the case of Latin America, the Soviets will probably continue trying to expand their naval operational capabilities. They may also seek to acquire additional shore facilities, attempting to test the limits of US tolerance at various stages of this process. We do not believe, however, that the USSR would attempt, in the face of certain US resistance, to obtain the kind of arrangements it now has in Egypt, for instance. Such an action would, besides being provocative to the US and offensive to Latin American attitudes, probably be considered unnecessary for Soviet political and military purposes. At the same time, the Soviets may find it feasible to obtain shore facilities—in addition to those they now have in Cuba—for refueling, reprovisioning, and minor repairs. The USSR might be able to negotiate with Chile and perhaps one or two other countries for the use of maintenance facilities for its naval vessels. Latin countries will be receptive to such exercises as port and airfield visits to show the flag and cooperation on scientific matters. Moscow may also find customers for its arms, and some governments willing to grant overflight and landing rights.

41. The overall expansion of the Soviet presence in Latin America over the next several years will cause problems for the US. The Soviets are likely to increase their influence in more Latin American countries. The US hegemony will continue to erode, though the beneficiaries will in many cases be non-Communist countries—Japan and Western Europe. The US, however, has since World War II been Latin America's major trading partner, main source of foreign private capital, preeminent disburser of foreign aid, paramount supplier and trainer of technological and managerial talent, and major foreign source for military training and materiel. All of this will not change in a few years time. The US will almost certainly remain the predominant foreign power in the area and the one whose policies and presence are the most important to the region.

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TABLE I

LATIN AMERICA'S TRADE WITH THE USSR

Country	Exports to USSR as Share of Total Exports					Imports from USSR as Share of Total Imports					Value of Trade With USSR, 1969	
	1965	1966	1967	1968	1969	1965	1966	1967	1968	1969	Exports	Imports
	Percent										*Million US Dollars*	
Argentina	4.8	6.7	1.6	2.1	1.2	1.7	0.6	0.4	0.2	0.4	25.6	6.8
Brazil	2.1	1.8	2.1	1.5	2.1	2.6	1.9	0.7	0.6	0.5	48.8	12.1
Chile	0	0	*Negl.*	*Negl.*	*Negl.*	0	0	*Negl.*	*Negl.*	*Negl.*	0.1	0.2
Colombia	0.1	0.4	0.2	0.5	0.6	0.1	0.1	0.4	0.3	0.4	4.2	2.6
Costa Rica	0	0	0	0	2.6	0	0	0	0	0	5.2	0
Ecuador	0	0	0.1	5.8	7.6	0	0	0	*Negl.*	0.1	13.9	0.2
Mexico	*Negl.*	0.8	0.8	0.6	0.4	*Negl.*	0.1	0.1	0.2	*Negl.*	5.6	0.9
Peru	0	0	0	0	0	0	0	*Negl.*	*Negl.*	0.2	0	1.4
Surinam	0	0	0	0	5.5	0.2	0.1	0	*Negl.*	0	6.7	0
Uruguay	1.6	4.8	2.5	1.1	0.5	0.3	0.6	0.2	0.6	0.5	1.0	0.1
Total	1.0	1.4	0.6	0.7	0.9	0.6	0.4	0.2	0.2	0.2	111.1 *	25.1 *
Cuba	47	46	52	44	36	49	56	58	61	54	233.0	658.0

* Total for the countries listed. A few other Latin American countries trade with the USSR, but the amounts are very negligible.

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TABLE II

SOVIET ECONOMIC ASSISTANCE TO LATIN AMERICA
1954–1970

Million US Dollars

Country	Credit Extensions 1954–1965	1966	1967	1968	1969	1970	Total	Total Drawings
Argentina.	44.3	0	0	0	0	0	44.3	34.3
Bolivia.	0	0	0	0	0	27 5	27.5	0
Brazil..	0	90.0	0	0	0	0	90.0	1.0
Chile. .	0	0	54.8	0	0	0	54.8	0
Colombia	0	0	0	2.5	0	0	2.5	2.5
Costa Rica.	0	0	0	0	0	10.0	10.0	0
Peru.	0	0	0	0	0	28.3	28.3	0
Uruguay	0	0	0	0	20.0	0	20.0	0
Total.	44.3	90.0	54 8	2.5	20.0	65.8	277.4	37.8

	Cuban Drawings 1954–1965	1966	1967	1968	1969	1970	Total
Development Aid	118	17	27	65	87	50	364
Balance of Payments Credits... . ..	709	271	233	367	396	259	2,235
Sugar Subsidy Payments.	280	138	214	150	86	150	1,018
Total.	1,107	426	474	582	569	459	3,617

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