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FOIA

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
117548	MEMO	NORMAN BAILEY TO WILLIAM CLARK RE FUTURE OF OAS <i>R 5/18/2015 M353/1</i>	2	5/6/1982	B1
117549	PAPER	RE SOUTH AMERICA <i>R 5/18/2015 M353/1</i>	2	10/19/1982	B1
117550	PAPER	SAME TEXT AS DOC 117549 <i>R 5/18/2015 M353/1</i>	2	10/19/1982	B1
117551	PAPER	RE SOUTH AMERICA <i>R 5/18/2015 M353/1</i>	8	ND	B1
117552	MEMO	GEORGE SHULTZ FOR THE PRESIDENT RE SCOPE OF YOUR LATIN AMERICA TRIP <i>R 5/18/2015 M353/1</i>	2	ND	B1

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NATIONAL SECURITY COUNCIL

June 1, 1981

ACTION

MEMORANDUM FOR RICHARD V. ALLEN

FROM: NORMAN A. BAILEY *NB*SUBJECT: The Vice President's Luncheon Remarks
to the Council of the Americas on
June 3

The Vice President will be giving a luncheon address to the Council of the Americas on June 3. Attached at Tab I is a memorandum from you forwarding draft remarks (Tab A) as prepared by the State Department and suggesting one change on page 5.

RECOMMENDATION:

That you sign the memorandum at Tab I to the Vice President.

APPROVE _____

DISAPPROVE _____

cc: Roger Fontaine

Attachments

Tab I Memo for Your Signature to the Vice President

Tab A Draft Remarks

THE WHITE HOUSE
WASHINGTONINFORMATION

MEMORANDUM FOR THE VICE PRESIDENT

FROM: RICHARD V. ALLEN

SUBJECT: Remarks for Luncheon Appearance
before the Council of the Americas
on June 3

The State Department has prepared the attached (Tab A) draft remarks for your luncheon address to the Council of the Americas on June 3. I would suggest, however, that the first sentence of the last paragraph on page 5 be revised to read: "In this hemisphere, only Cuba, Nicaragua and Grenada reject them."

Attachment

Tab A Draft Remarks

Draft Luncheon Remarks for the Vice President
before

The Council of the Americas, June 3, 1981

The Council of the Americas brings together businessmen in this country who have been investing and trading in Latin America and the Caribbean for many years. Our government has benefited from your counsel in the past and this administration firmly believes your work will be critical in the future.

We need to talk to each other, and I am glad to have this early occasion in the Administration of President Reagan to suggest the perspective with which we approach relations with our neighbors and solicit your views.

The President's mandate last November was first of all to take quick and drastic action to save the American economy from its deep slide toward a calamity potentially more dangerous than the Great Depression. The threat to our nation of inflation, unemployment, high interest rates, an unstable dollar and low productivity has dominated the President's agenda for his administration in these first months. But his concern is not for our domestic tranquility alone. A sound American economy is essential to the well being and stability of our friends throughout the world.

Our system of free enterprise must again be released from the constraints of excessive government manipulation and regulation. The President's economic program does just that. It will release the energy and creativity of our entrepreneurs to restore the productive vitality of our society.

In this hemisphere, countries need expanding markets for their rising industrial production, access to capital to finance growing economies and the technology and management know how that a productive society in the United States can offer.

They, too, have discovered the miracle of free enterprise and free market economics. Large and small countries alike are turning away from statist models of development that were the fashion hardly a decade ago.

Internationally, the Reagan program offers a commitment to free trade to those in the hemisphere and elsewhere who wish to join in that commitment. It promises to help revive the economies of the trading nations of the free world.

President Reagan's election was a mandate, as well, to seek peace and secure American interests throughout the world and nowhere is that quest more important than in Latin America and the Caribbean.

The stakes are high and our interests are plain. And the agenda for our relations has changed. In strategic defense terms the security of our southern flank is critical. The long lines of naval communications and waterborne commerce between the Pacific and the east coasts of North and South America and Europe through the Panama Canal and the Caribbean must be protected.

Our trade with Latin America matches that with the European community. Last year, Mexico became our third largest trading partner, behind Japan and Canada. Our trade with Mexico in 1980 was \$27.6 billion, with Venezuela \$9.8 billion and Brazil \$8.6 billion. Sales to the hemisphere were 18% of our total exports. Investment of American capital is again rising sharply.

We know that several Latin American countries are already the most industrialized of the developing countries and are even now reaching for technological maturity. We know that the economies of this hemisphere are expected to grow more than those of any other region of the world through the remainder of the century. Brazil has become the tenth largest economy in the

world and is still moving up. Brazil and Argentina are world leaders in agricultural production. Others are important suppliers of energy and mineral resources.

The growth and diversification of Latin American economies, trade, investment flows and international debt have created a stronger and wider web of interlocking relationships with the United States and with others in the West and Japan.

All this has changed the agenda of issues. It has transformed the relationship countries of Latin America and the Caribbean seek with each other, with us and the world. The outlook for the future is dramatically different from the past on which our foreign policy has been based. As we and other governments move to shape new policies the prospect of a "developed" Latin America must be an important consideration.

We must seek a modern relationship with the countries of this hemisphere that takes into account their interests, the strength and bright economic prospects of some, the development problems of others and the vulnerability of several to Soviet-Cuban expansion. It must be a relationship that fits their growing importance in the modern world.

It is with this viewpoint that we must look to our interests in Latin America and the Caribbean.

And the overriding interest is peace. Without it neither we nor our neighbors can prosper or advance our mutual interests in a cooperative relationship.

Fortunately, the countries of the hemisphere, despite some tensions, are at peace with each other. This is due in large measure to the Inter-American system. It has proved to be a force for peace, and we will work to strengthen it. Its effectiveness derives from principles that have been long accepted as the norms of relations between the American states. These are:

- Respect for national sovereignty and self-determination
- Respect for the rights of man in a free society
- Non-interference in internal affairs
- Collective defense against aggression

These principles remain fundamental to a peaceful order.

In this hemisphere only Cuba rejects them. It brings to the hemisphere the ideology of the Soviet Union with a commitment to spread totalitarianism in its own image and extend Soviet-Cuban influence. Cuba has hardly troubled to disguise its support recently for guerrillas in Guatemala, El Salvador, Colombia, or earlier in Uruguay, Brazil, Venezuela, Argentina Bolivia, and the Dominican Republic. It openly scoffs

at the international norms of relations between states. Cuban behavior has alienated most of its neighbors.

Today it is the principal threat to peace, a threat that is underwritten by enormous subsidies to Cuba's economy and military strength from the Soviet Union.

By now it should be clear -- to Cuba and our allies -- that we will not tolerate Cuban aggression. We will assist countries which are vulnerable to Cuba's intervention in their affairs.

President Reagan made the point in his inaugural address:

"To those neighbors and allies who share our ideal of freedom, we will strengthen our historic ties and assure them of our support and firm commitment."

The first test of this commitment was in El Salvador. There we have shown that we will respond to the call for help from a friendly government of a small, nearby country trying to bring its people peace, reform and democracy, but facing guerrillas armed and advised by Cuba and other Soviet allies.

But security cannot be assured by military assistance alone and peace itself rests on economic development. In El Salvador our economic assistance this year is three times our military assistance.

We have an equal stake in the economic well being of the countries in the hemisphere. After all we

are neighbors; our own prosperity is tied increasingly to theirs.

The people in Latin America deserve a better life, education, housing and health care and the opportunity to profit from their own labor.

And we must look beyond only those countries, like El Salvador, who find themselves torn by civil strife to the others in the Caribbean Basin, like Jamaica, whose economies desperately need the help of their wealthier friends and neighbors. In today's world their small economies cannot be sustained without increased trade, private investment to expand their productive sectors and regional cooperation to broaden economic opportunity. Their very independence may depend on it over the long term.

In this regard, we are studying the concept of a greater development effort in the Caribbean basin.

We, with others, are considering increasing balance of payments assistance to those in serious deficit. We would like to strengthen the productive sector of their economies by offering guarantees for private capital, both local and foreign. We are studying the possibilities of trade incentives to stimulate new enterprises and expand existing ones.

We hope to explore with other countries and international financial institutions the ways in which together we might coordinate to strengthen economies throughout the Basin, the English- and Spanish-speaking countries alike.

It is the region to which all of us in the hemisphere must turn our attention. It will require resources in a time of austerity. It will need your support and interest. Your founder David Rockefeller is leading an effort by American firms to increase their activity in Jamaica. We will be counting on the vitality of American business as an important resource for development throughout the Caribbean basin.

We will welcome your views in planning a broad cooperative venture. We will want your help.
Thank-you.

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MEMORANDUM

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NATIONAL SECURITY COUNCIL

May 6, 1982

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Bailey

INFORMATION

NOTED

Latin Am.

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *NB*

SUBJECT: The Future of the OAS

The Pax Americana in the Western Hemisphere was born in 1895 with the issuance of the Olney Declaration ("the word of the United States is fiat upon this continent") and died in 1982 after weakening steadily after 1961 (Bay of Pigs).

The Organization of American States is and always was an instrument of the Pax Americana. The last time it was used for this purpose was in the "Soccer War" between Honduras and El Salvador, almost a decade ago. Since then, it has been moribund. Now it too is dead, although it may survive as a lifeless shell.

Straws in the wind are the suggestions by Costa Rica that the headquarters of the OAS be moved out of the U.S. and of the Venezuelan Foreign Minister that it be scrapped entirely and replaced by an all Latin American organization.

In my preliminary view, recovery will be impossible in South America south of the Amazon. Argentina will be so weakened economically and militarily by the crisis that Brazil will become geostrategically paramount in the area. A result of this may well be a speeding up of the race between the two countries to develop atomic weaponry, since this is the only way Argentina might be able to recover its regional position.

In the Caribbean Basin area, recovery in my view is possible, but only if the U.S. will now take clear, forceful, and if necessary (as I believe it will be, given Mexican, Venezuelan, Canadian and now even Colombian attitudes), unilateral actions in all fields, political, economic and military, to reassert our dominance in the area. This cannot take place without

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Review May 6, 1988

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1. A willingness to take advantage of all windows of opportunity (i.e. current Mexican financial problems); that the only "special relationship" we are interested in is one involving U.S. leadership.

2. A willingness to devote major financial resources to the effort.

3. A willingness to work directly for the overthrow of antagonistic regimes, such as those of Grenada, Nicaragua and Cuba.

cc: Roger Fontaine
Michael Guhin
Carnes Lord

COUNCIL OF THE AMERICAS BARBARA
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NEW YORK NY 10021

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NORMAN BAILEY
NATIONAL SECURITY COUNCIL
WHITE HOUSE
WASHINGTON DC 20506

*Sater
am*

THE FOLLOWING MAILGRM WAS SENT TO HONORABLE WILLIAM P CLARK

DEAR MR CLARK

THE COUNCIL OF THE AMERICAS HELD AN EXTRAORDINARY MEETING OF ITS EXECUTIVE AND ADVISORY BOARDS ON FRIDAY, MAY 14 TO DISCUSS THE U.S. POSITION ON THE TERRITORIAL DISPUTE BETWEEN ARGENTINA AND THE UNITED KINGDOM. GREAT CONCERN WAS EXPRESSED ABOUT THE POSSIBLE EFFECT ON OUR FUTURE RELATIONS NOT ONLY WITH ARGENTINA BUT ALSO WITH THE NATIONS OF THE AMERICAS.

THE COUNCIL'S BOARDS OPTED AGAINST A FORMAL, PUBLIC POSITION ON THE FALKLAND/MALVINAS SITUATION. HOWEVER, WE BELIEVE THAT THE U.S. GOVERNMENT SHOULD ACTIVELY PURSUE A PUBLIC CAMPAIGN TO CLARIFY ITS POSITION. WE CERTAINLY DEPLORE THE USE OF FORCE TO SOLVE SUCH PROBLEMS, BUT BELIEVE THAT THE STATE OF NEGOTIATION IS NOW AN INTERGOVERNMENTAL MATTER.

WE WOULD LIKE TO PROPOSE A ROLE FOR THE COUNCIL OF THE AMERICAS. FIRST, THERE IS CONCERN ABOUT THE RAMIFICATIONS OF ANY ADDITIONAL ECONOMIC SANCTIONS AGAINST ARGENTINA. DAMAGE CONTROL SEEMS TO BE IN ORDER. WE WOULD BE PLEASED TO DISCUSS EFFECTS THAT STRICTER SANCTIONS MAY HAVE ON BUSINESS AND COMMERCE BETWEEN THE UNITED STATES AND ARGENTINA, AS WELL AS POSSIBLE REACTIONS THROUGHOUT LATIN AMERICA.

SECOND, DAMAGE CONTROL WITH ALL LATIN AMERICAN NATIONS SEEMS TO BE IN ORDER. A PUBLIC CAMPAIGN TO FULLY EXPLAIN THE U.S. RATIONALE FOR ITS CURRENT POSITION COULD BE MOST HELPFUL FOR THE FUTURE OF OUR HEMISPHERIC RELATIONS.

THIRD, WHEN THIS CRISES PASSES, ECONOMIC RECONSTRUCTION OF ARGENTINA WILL BE REQUIRED. WE HAVE SEVERAL SUGGESTIONS THAT ARE POSSIBLE AND WOULD BE PREPARED TO ORGANIZE A COUNCIL TASK FORCE TO DISCUSS THESE WITH YOU AND OTHER U.S. GOVERNMENT OFFICIALS.

FINALLY, WE ARE REACTIVATING OUR ARGENTINE-U.S. BUSINESS COUNCIL, TO BE CHAIRED BY WILLIAM R RHODES, SENIOR VICE PRESIDENT OF CITIBANK. THIS BILATERAL CORPORATE GROUP CAN BE VERY USEFUL IN FUTURE RELATIONS AFTER THE CRISES IS SETTLED.

ix

WE ARE REQUESTING A MEETING WITH YOU AS SOON AS POSSIBLE IN WASHINGTON PREFERABLY DURING THE WEEK OF MAY 17. SEVERAL SENIOR MEMBERS OF OUR BOARD OF DIRECTORS ARE WILLING TO JOIN US. PLEASE LET ME KNOW ON (212)628-3200 WHEN SUCH A MEETING WOULD BE CONVENIENT SHOULD YOU AGREE TO SEE US.

SINCERELY

SAMUEL L HAYDEN PRESIDENT COUNCIL OF THE AMERICAS

15:35 EST

MGMCUMP

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BUREAU OF INTELLIGENCE AND RESEARCH

ASSESSMENTS AND RESEARCH

(U) REGIONAL INSTABILITY IN SOUTH AMERICA: A POST-FALKLANDS ASSESSMENT OF FIVE KEY COUNTRIES^{1/}

Summary

The recent war in the South Atlantic, coming at a time of severe domestic and international economic strains, has contributed to conditions and perceptions in key South American states that promise increased instability in the region. Longstanding national ambitions and fears have been aroused, and this has given impetus to aspirations for increased and more technologically advanced military power. Simultaneously, the US role in the inter-American system of collective security has been called into question by US support for the UK against Argentina.

The war reconfirmed the Latins' view that the US is an unreliable arms supplier in a growing field of acceptable competitors. US policy, they believe, is still constrained by mistaken ideological considerations and geoeconomic preferences for rival states. The US lacks the leverage necessary to assure local balances and discourage open conflict.

The emerging situation is too fluid for a single US doctrine to be workable. US decisions to

^{1/} This assessment is based on conversations and meetings held during brief visits to Brazil, Argentina, Chile, Peru, and Colombia. In different combinations in each country, views canvassed were those of present and former officials of host governments, scholars in universities and research institutes, business and banking officials, media representatives, and US Embassy personnel.

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Report 483-AR
October 19, 1982

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- ii -

supply or withhold arms, and US positions in crises between states in the region, will have to be formed on a case-by-case basis. Each case will involve difficult tradeoffs between short-term commercial and ideological considerations and longer term geopolitical and geoeconomic interests.

Despite Latin proposals for revamping the inter-American system to exclude the US, the present system is likely to survive, supplemented--as Peru would prefer--with closer but informal consultative arrangements among South American states. Though genuine resentment toward the US is high, and rhetorical resentment often higher, there is still a strong underlying sense of hemispheric solidarity and a realistic appreciation of US military power and determination to defend its vital interests. The geopolitical reality for most South American states is that they, more than the US, need the assurances of the inter-American system--particularly against one another.

Thus in some cases of possible conflict in the remainder of the decade, the inter-American system may still play a useful peace-restoring if not war-avoidance role. If extreme anti-US Brazilian rhetoric does not preclude it, quiet, but not eager, US support for a larger leadership role for Brazil, aimed at peaceful relations with and among its neighbors, may also serve to dampen conflict.

During the late 1980s, sub-regional and extra-regional forces and alignments are likely to play a more important role as South American states continue to search for viable economic partners and reliable arms suppliers among their neighbors and around the globe. The US will have to pay close attention to the emergent patterns of South American international relations--including how these patterns manifest themselves in UN bodies--in order to decipher both dangers and opportunities. Careful tracing of these relations may reveal opportunities to moderate unsettling conflict through quiet diplomacy.

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(U) REGIONAL INSTABILITY IN SOUTH AMERICA:
A POST-FALKLANDS ASSESSMENT OF FIVE KEY COUNTRIES^{1/}

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Declassify: OADR (Bellocchi, N.)

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BY RW NARA DATE 5/18/15

Independence From the US, But No "Collective Independence"

US support for the United Kingdom in its war with Argentina has led to considerable rethinking in Brazil, Argentina, Chile, Peru, and Colombia about the inter-American system and about each country's security problems and aspirations. Each wants to put distance between itself and the US, to be more "independent." This is most evident in Argentina, where closeness to the US in the immediate prewar period was in any case an aberration. The same aspiration is evident in the other four countries.

Nevertheless, there is little serious support for the proposition that the inter-American system be revamped to exclude the US and other non-Latin states. Chances are that the Peruvian position, now said by planners in the Peruvian Foreign Ministry to be firm, is close to what will emerge as a South American consensus: continuation of the present inter-American system but with closer (though non-institutionalized) consultative arrangements among the South American states.

Chilean Foreign Minister Rojas' proposal for compulsory arbitration of disputes in the hemisphere is generally viewed as a non-starter, even among planners in his own ministry. For reasons in Brazil, Argentina, and Peru that differ from those in Chile and Colombia (the only two Latin states not to line up with Argentina on the Falklands issue), the collective security arrangements of the Rio Treaty are viewed as inadequate and beyond improvement, yet indispensable. Chile, Peru, and Colombia profess fear of their neighbors. The inescapable conclusion for all five countries is that each must attend more diligently to its own security interests.

Arms Technology

In all five countries the war stimulated an interest in armaments technology. The performance of the Argentine naval air arm is viewed with respect, if not fear, and has made the technology of fighter-bombers a matter of keen interest. Similarly, the success of British naval power, whatever the flaws displayed, has stimulated an interest in more technologically advanced ships and submarines. The aspirations of military chiefs and planners no doubt exceed what is economically feasible, but all five governments, whether military or civilian, will be giving significantly

higher priority to the acquisition of technologically advanced weapons.

Brazil: An Uncertain Regional Leader

The Government of Brazil, mired in stagflation, nervous about the strength of opposition parties in the November 15 elections for all offices except the Presidency, burdened with foreign debt, and desirous of expanded commercial relations and stability in the continent, may be on the verge of overcoming its traditional reluctance to exercise leadership in South America. Having emerged as an important arms producer and exporter to developing countries, Brazil would like to expand that role, especially through a licensing arrangement for the co-production of advanced aircraft. Although Brazil is planning to improve its own air and sea capabilities (and, presumably for internal security reasons, is planning to enlarge the army but not enhance its technological sophistication), it is not eager for its neighbors to import technologically advanced weapons from outside the area.

President Figueiredo's September 27 address to the UN General Assembly, although focused on a "deep crisis in the international economic system," contains suggestions of Brazil's willingness to play larger regional and global roles and of its desire to distance, but not alienate, itself from the US. Figueiredo's very appearance was an important statement because it was the first time a Brazilian President had, as he put it, "come to the United Nations." His call for the UN to play a larger and more effective role was accompanied by denigration of unspecified "other international forums...run by the more powerful countries" for their own purposes.

"Being part of Latin America," Figueiredo declared Brazil's conviction that its neighbors would be able peacefully to overcome "even" their territorial disagreements. He expressed Brazil's hope that these "fraternal" nations would "strengthen their capacity for dialogue and regional understanding" and "work together." And he underscored Brazil's longstanding recognition of Argentina's "sovereign rights" over the Malvinas while calling for negotiations to achieve a lasting political solution, to which Brazil has devoted "considerable efforts" in recent months.

In distancing Brazil from the US on the global scene, Figueiredo was indirect and measured. His few references to the failings of the "superpowers" did not distinguish one from the other. But he referred to Brazil as "purely Western" and described its approach to the Eastern bloc as one of trying to maintain "correct relations." He named the US only once, and then coupled it with "West Europe" in explaining how unemployment in these countries is leading to the "spiralling impoverishment" of

the developing nations. Otherwise his extensive critique of the international economic system was aimed more generally at the "developed countries" or "great powers."

Even so, certain references to hegemonic structures, persistently high interest rates, insurmountable protectionist barriers, and over-reliance on market forces were artfully crafted to suggest that both Third World countries and the industrialized allies of the US had common complaints about its economic policies and performance. However, in calling for "long-term efforts" to launch "necessary global negotiations," he cautioned against "recriminations and confrontation." Rather, North and South "are facing the same terrible adverse situation," one making it imperative that "the main international organizations" examine "emergency measures."

If extensively though implicitly critical of US policies, Figueiredo's speech was not "anti-US." Brazilian rhetoric could shift in that direction if Brazil were to suffer further severe economic deterioration. But for the moment, Figueiredo's UN address stands as an urgent plea for North-South reconciliation to rescue the world economy and a statement of Brazil's underlying interests in peaceful and profitable relations with its Latin neighbors as part of its expanding role in Third World commerce and investment.

The "Unpredictable" Argentines

Post-Falklands reactions of politically moderate Argentines have followed a pattern:

- Condemnation, anger, and frustration directed at the US for its support of the UK.
- Gradual admission that the Argentine Government made errors and deceived the people. In some cases the deception was partly excused on the grounds that "some" US representatives had deliberately--or because of confused US policymaking inadvertently--misled the Galtieri government.
- Deep and perplexed concern about the future governance of Argentina. The military government has been discredited, but the parties are unprepared to offer leadership. The elections talked about for 1984 arouse less hope than worry, leading to agonizing questions about the future of politics. Can the Argentines develop the habits of compromise and fair play that would sustain a moderate, stable, responsible, and responsive political system? Even the few Argentine optimists seem more driven by hope than by expectation. (Among non-Argentines, the future of Argentine politics is also

cause for great pessimism. Brazilians express a fear of anarchy; Chileans hold a conviction that military regimes will prevail, whatever their ideological color; among US observers, the word "unpredictable" is heard most often, accompanied by little expectation of moderation.)

--Finally, Argentines make the plaintive query: "Is there any basis on which the US and Argentina can have good relations?" Argentines exploring that question often acknowledge that bilateral relations have never been smooth and that future disagreements should be expected. Nevertheless, no fundamental conflicts of interest militate against normal US relations with an Argentina at peace with itself and its neighbors.

The latter is not the case between Argentina and its UK "neighbor" on the Falklands. Militarily the Argentines have been humiliated on territory they continue to believe is rightly theirs. They insist that the US should help them bring the UK to the negotiating table. Many Argentines, however, are vague as to timing, and few expect that even the US can move a determined Prime Minister Thatcher.

If the UK can not be negotiated out of the Falklands, the Argentines appear to believe that they will drive the British out at some more propitious time. Thus, despite present economic distress and political uncertainty, military preparedness seems assured a high priority. (Indeed, the Chileans claim that postwar arms acquisitions have already restored Argentine prewar force levels, at least in the air. US observers point out that even if that is true with regard to equipment, a year or more of training will be required to achieve equal operational effectiveness.)

The Argentines seem anxious to downplay the Beagle Channel dispute with Chile. They stress that, unlike the Falklands, the Channel is not a broad-based "national issue." In moments of candor, the Argentines also admit that Chile has a superior legal and practical position. The Chileans, convinced that military regimes will prevail in Argentina, argue that future governments there could readily mount a propaganda campaign to make the Beagle Channel a "national issue" whenever that was convenient. Other observers doubt, in the post-Falklands period, that the Argentine people will be that gullible.

While unpredictable may be the best word to describe Argentina's political future, at least some Argentine circles are thinking seriously about politics and are making realistic assessments about Argentina's place in international politics. Defeat probably has matured some political thought. If so, such maturation might be nurtured and extended if an election in 1984 opened the way for what a few observers see as a potentially middle-of-

the-road coalition government of center and center-left Peronists and members of the Radical Civic Union party. But most seasoned observers do not assign a significant probability to that outcome.

Chile's Nightmare

Planning staffs in Chilean Defense and Foreign Ministries express deep fears concerning both Argentina and Peru. They believe that a victorious Argentina would have sought a military solution in the Beagle Channel dispute with Chile. Badly out-gunned in such a confrontation, the Chileans probably could resist for only about two weeks; much less if, as the Chileans fear, the Peruvians threatened to or actually did open a second front in the North. Chileans are mindful that during the war the Peruvians supplied aircraft to Argentina; they are convinced that the Peruvian Navy took up a position designed to keep part of Chile's attention on its northern border (not denied by Peruvian Foreign Ministry planners, who professed ignorance). The Chilean nightmare is of a two-front war in which Chile's military position would be hopeless.

Professing to be a territorially satisfied power with clear treaty rights to its borders and claims, Chile seeks to deal with its neighbors' perceived aggressive intents primarily by two devices:

--strong support for international law and peaceful settlement (thus Foreign Minister Rojas' proposal for compulsory arbitration); and

--the search for reliable allies.

A desire to look toward Brazil, already an important arms supplier for Chile, is muddied by the perception of some Chileans that "Brazil doesn't need allies."

Clearly the US is the most desired ally, but the strongly authoritarian nature of the Pinochet regime and the widespread US skepticism that any meaningful Chilean steps toward democratization are likely to take place suggest that US Congressional constraints on resumption of the US role as arms supplier will be difficult to overcome. Chileans worry that the US, to repair relations with Argentina, may grant Argentina--before Chile--certification permitting importation of US arms. They would hope to be first, but at a minimum would like simultaneous certification.

Peruvian Perspectives

The democratically elected Belaunde government has inherited from the preceding military regimes three things:

- strengthened and relatively modernized military forces with the Soviets and French as major suppliers for the air force and the British and Dutch as important naval suppliers;
- military leaders who would like Peru to stay technologically 10 years ahead of rival nations in the region; and
- armed services that need to be, and reportedly are, pampered to minimize the possibility of another coup, especially by an army officer corps said to be still influenced by the populist-leftist ideology of the coup-makers of 1968 who brought down Belaunde's earlier government.

The Peruvian Air Force, which reportedly has received cash for the planes it supplied to Argentina during the Falklands war, and which won acclaim for its role in dampening the latest flareup on the border with Ecuador, is in an especially good position to "persuade" Belaunde (whatever his personal convictions) that it needs more modern planes. US observers believe that the Ecuadorean Government will add to the justification by arranging border flareups whenever its own domestic political purposes can be served by such action.

Unlike Chile and Argentina, Peru has US "certification." Thus the question of which fighter-bomber might be purchased--F-16-A, F-16-79, F-5-B, Mirage--has been a lively one in Lima. The most widely shared assessment is that: (1) Peru will not settle for any US plane other than the F-16-A; and (2) because Washington's policy is to deny the F-16-A (on grounds many observers find unpersuasive following the US agreement to supply such equipment to Venezuela), Peru will purchase French planes. Such an outcome will be a commercial loss for the US; a US loss of whatever marginal influence suppliers achieve--"marginal influence is better than none"; and another US failure to slow military buildups in a region open to multiple suppliers.

Peruvian officials, like those of Chile, profess that Peru is a territorially satisfied power. They express a fear of Chile that few foreign observers find credible. Indeed, Chilean fears are generally more credible to US observers. These observers believe, however, that only radical and unlikely developments in Peru would result in its attempt to regain "lost territory" militarily.

A few observers see a longer term, "Texas-type" problem being created on Peru's jungle border with Brazil. Brazilian settlers are moving into Peruvian territory so remote that Peru can do little to stop them. These immigrants conceivably could reach sufficient numbers in the next 10-15 years that, like the Texas settlers of the mid-19th century, they could declare their

independence and seek support from a "mother" country not averse to annexation.

Colombia: Isolation and Neglect

The impact of the Falklands war on Colombian security thinking is difficult to sort out from the impact of Betancur's election and recent installation. By their failure to support the Argentine position during the war, Colombians feel they paid a price in political isolation from other Latin states for which the US shows little understanding or appreciation. This is but another in a litany of complaints by Colombians that they are undervalued and neglected by the US even though they have consistently demonstrated support for it. Serious under-reporting by US media of Colombia's successful democratic election, frequent failure of the US to send delegations to conferences and events sponsored or hosted by Colombia, and US favoritism for oil-rich Venezuela--which Colombians appear covertly to envy, resent, and fear--are just a few other items in this charge of neglect, one in which US observers see some substance.

That charge also manifests itself in connection with the US Caribbean Basin Initiative (CBI). Colombians continue to ask why they were not included in the original group of "donor" nations. Now that they are included, they appear to be raising sharp questions about "what's in it for us." Such questions are posed by some in the private sector, including leaders of the influential National Association of Financial Institutions who are planning a late 1982 workshop on the CBI and are anxious for high-level US participation. For them, at least, such participation is another test of US attitudes toward Colombia.

These sentiments mesh with the national unity, relatively populist orientation of President Betancur. They help produce apparent movement away from close identification with the US and toward Latin and Third World themes. Colombia is said to be considering joining the Group of 77 and, less seriously, the non-aligned movement. Still, Colombian convictions that its terrorist groups are supported by Cuba, suspicions of Nicaragua's political orientation and designs on Colombian-claimed islands, and perceptions of beneficial US economic ties make it likely that Colombian policy will shift more in rhetoric than in fact. But fact may well follow rhetoric if the sense of US "neglect" continues to be strong.

Prospects

In the mid-term, major countries of South America face bleak economic prospects symbolized in most cases by a heavy burden of foreign debt. Successful management of this debt will require

unpopular austerity measures that will arouse resentment against the foreign lenders. The US stands first in line as the target of political rhetoric that will emanate from both government and opposition circles.

US observers may believe that it makes little sense for countries in such economic straits to invest in arms buildups. But national ambitions and fears, domestic political alignments, and doubts about the inter-American system militate for increased arms expenditures. The prospect is for a period of growing instability in and between some of the key countries of South America.

If the current economic storm is weathered, sub-regional and extra-regional forces and alignments are likely to increase in importance in the late 1980s as South American states continue to search for viable economic partners and reliable arms suppliers among their neighbors and around the globe. Groupings of producer, consumer, and trading nations will dampen some and complicate other regional rivalries, but also offer the possibility that new parties may be engaged in the never-ending process of conflict management and resolution. The US will have to pay close attention to the emergent patterns of South American international relations (including how these patterns manifest themselves in UN bodies) in order to decipher both dangers and opportunities. Careful tracing of these relations may reveal opportunities to dampen unsettling conflict through quiet diplomacy.

Prepared by E. Raymond Platig
x21342

Approved by Natale H. Bellocchi
x21038

RECEIVED 01 NOV 82 11

TO PRESIDENT FROM SHULTZ, G

DOCDATE 01 NOV 82 ²

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ENCLOSURE(S)

KL 8/29/11

KEYWORDS: LATIN AMERICA BRAZIL
COLOMBIA COSTA RICA
INTL FINANCE IMF

L.A.

SUBJECT: PRELIMINARY THOUGHTS & OBJECTIVES FOR PRES TRIP TO LATIN AMERICA

ACTION: PREPARE MEMO FOR CLARK DUE: 04 NOV 82 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

FONTAINE

SAPIA-BOSCH

BAILEY

DUR

ROBINSON

NAU

MARTIN

no comment

COMMENTS

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MESSAGE NO. _____ CLASSIFICATION ~~CONFIDENTIAL~~ No. Pages 2

FROM: W. Paul Bremer, III S/S 28448 7224
(Officer name) (Office symbol) (Extension) (Room number)

MESSAGE DESCRIPTION Memorandum for the President, The Scope of Your Latin America Trip

TO: (Agency)	DELIVER TO:	Extension	Room No.
NSC	Mr. Michael Wheeler	395-3044	
NSC	Mr. Robert McFarlane	456-2257	

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S/S Officer: *Wf* *[Signature]*

THE SECRETARY OF STATE
WASHINGTON

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NLRR M353/1 #117552

BY RW NARA DATE 5/18/15

MEMORANDUM FOR: THE PRESIDENT
FROM: George P. Shultz *WBS*
SUBJECT: The Scope of Your Latin America Trip

I wanted to give you now our early and still preliminary thoughts on objectives and major themes for your trip to Latin America.

I. OBJECTIVES

General: Express confidence in and a sense of priority for our neighbors. Overcome post-Palklands resentments and set the agenda for the Inter-American system.

Brazil: Lay the basis for a renewed partnership by showing U.S. backing at a critical economic and political juncture. Anti-communist, pro-free enterprise, Brazil is a natural ally and a future great power.

Colombia: Engage the new Betancur administration in a cooperative approach to Central America and the region, before it veers off to the "Latin America versus U.S." ideas it is toying with.

Costa Rica: Emphasize democracy as a sine qua non for peace in Central America. We have stopped the drift to Marxism/Leninism. We now need to show our staying power.

II. SETTINGS

Brazil will have run out of money, announced austerity measures, and started negotiations with the International Monetary Fund. Although our relations have improved markedly since their 1977 nadir, they are still bedeviled by a Brazilian concern that we may not take them seriously in a global sense and by bilateral disputes over trade and nuclear non-proliferation. President Figueiredo has just articulated third world views on the current economic crisis in a responsible UN speech, and we will be expected to respond. Our reception in Brazil, by both government and the public, will be warm.

Colombia will be more wary. Having concluded amnesty with its terrorist adversaries, it will be preoccupied about how to further its idea of a hemispheric meeting of heads of state

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(with us) and of foreign ministers (without us). It will be concerned about security in Central America and the Caribbean, but wondering whether direct negotiations with the Left may not be desirable. Our reception will be good but not effusive.

Costa Rica is just working through its massive debt problems and, lacking an army, knows it cannot survive without the U.S. It intends to use its deep democratic traditions as a bulwark against the Nicaraguans and the Marxist/Leninists. The meeting with regional leaders hosted by Monge will be warm and positive, as will be our reception by the Costa Ricans themselves.

III. APPROACHES

Brazil: Public focus should be on global recovery and future growth; we should stay away from immediate financial problems and any hint of a U.S. bailout. I recommend that we also pass up old symbols (World War II military cooperation, Alliance for Progress), and any appearance of suggesting a new "special relationship" or Brazil/U.S. condominium. Your speech should include global themes (peacemaking/development) as well as regional and bilateral ones. We are considering proposing a conference on growth in the Americas--the theme you set forth in your CBI speech--to set the agenda for the Inter-American system and get the focus off immediate financial management (the latter is better done case by case). Privately, the focus should be on financial and trade management, nuclear affairs and possibilities for military coproduction. We may want to set up bilateral working parties on the non-financial issues.

Colombia: Public focus should be on Colombia's economic potential and strong democracy, and its CBI leadership role. Privately, we should talk through a hemispheric strategy: isolation and ultimate democratization of Nicaragua, control of territorial conflicts, and search for sustainable economic growth. (Our conference idea could perhaps be linked to Colombia's concept of a meeting of hemispheric chiefs of state).

Costa Rica: Our goals will be largely symbolic--support for security and democracy in Central America. We hope to be able to induce Guatemala to announce an election timetable before your visit, and to join the group in San Jose. Your visit should also help promote the CBI, which will be up for action in Congress at that moment.

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MEMORANDUM

NATIONAL SECURITY COUNCIL

3/31

March 14, 1983

Latin Am

~~SECRET~~

Norman

Time for our next major initiative, PDR etc. as soon as PBCC underway - Western Hemisphere Community. We obviously coordinate first-hand. Look. - Seize the time.

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *NAB*

SUBJECT: Trip Report

Even though I was on leave during the past week, my trip was sufficiently interesting to justify a report. I addressed the American Chambers of Commerce of Rio, Sao Paulo and Buenos Aires. I also met with large numbers of Brazilian and Argentine businessmen, bankers, professional people and former government officials, including a lengthy conversation with former President Videla of Argentina. Since it was a non-official trip, I met with no government officials presently in office. The Consul-General in Rio and Sao Paulo attended my talks, and I met extensively with Ambassador Shlaudeman in Buenos Aires, who was very helpful in many ways.

There was a considerable contrast between my impressions in the two countries. The general feeling in Brazil was one approaching despair at the economic and financial situation. It was felt there was no hope without a basic restructuring (not just rescheduling) of the external debt if IMF conditions cannot be met, and both external and internal project and investment financing simply is not available or is so expensive as to be prohibitive. It is feared that as a result of economic decline, social unrest may increase to such a point as to jeopardize the democratization of the country. On the other hand, everyone agreed that U.S.-Brazilian relations had not been better for a long time and what seemed like very genuine gratitude was constantly expressed for USG assistance during the present debt crisis.

In Argentina, the general feeling seems to be that the worst is over, economically and financially speaking, and a slow and painful recovery will begin. It is not felt that the civilian government, which will take over after the October elections, is likely to repudiate the external debt, although it will be a populist, weak regime. This relative, superficial optimism in the economic sphere is tempered by the belief that the political morass the country has been wallowing in for decades will continue for the foreseeable future. In terms of U.S.-Argentine relations, the matters most often brought up were certification of the country as eligible for U.S. arms

exports (and if not done now, it should not be done after the elections); assistance in getting the British to agree to talks on the future of the Falklands; and trade matters, especially three year CCC credits to some of Argentina's traditional customers such as Brazil and the long-standing (since 1935) prohibition on the importation of fresh Argentine beef.

Incidentally, for what it's worth, if the U.S. is ever going to try to form a Western Hemisphere free trade area, now would be the time to do so. The Latin American countries recognize that they must export to the U.S. if they are to be able to pay their debt and recover, and they realize that in order to do so they must make concessions as well. Additionally, they are very angry at Western European trading practices. The suggestion was made several times in both countries that the U.S. should form a trading bloc with at least the major Latin American countries.

To sum up, a large reservoir of goodwill exists and can be expanded and strengthened rather easily with imagination, tenacity and professionalism. All three qualities have too often been lacking in our relations with Latin America.

cc: Roger Fontaine
Al Sapia-Bosch
Roger W. Robinson