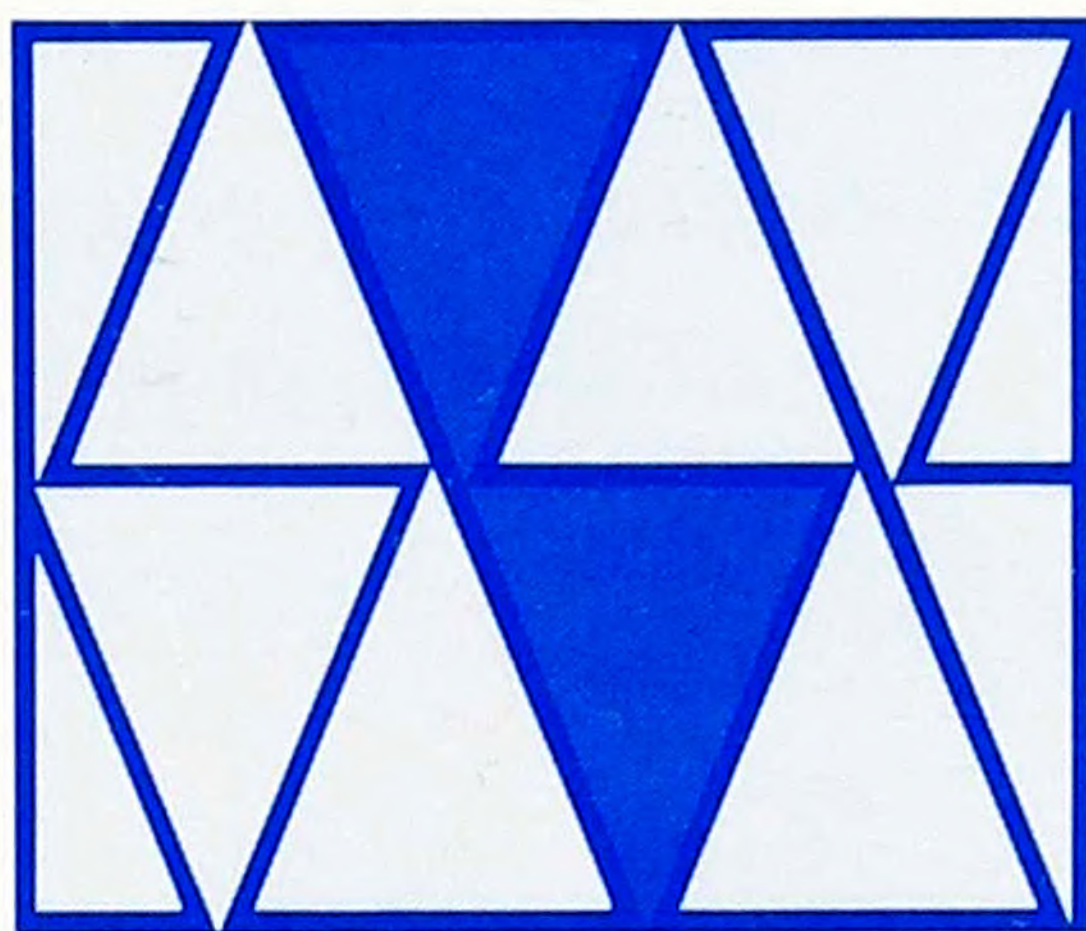

The Americas in 1984: A Year for Decisions



Report of the Inter-American Dialogue

May, 1984

Aspen Institute for Humanistic Studies
Washington, D.C.

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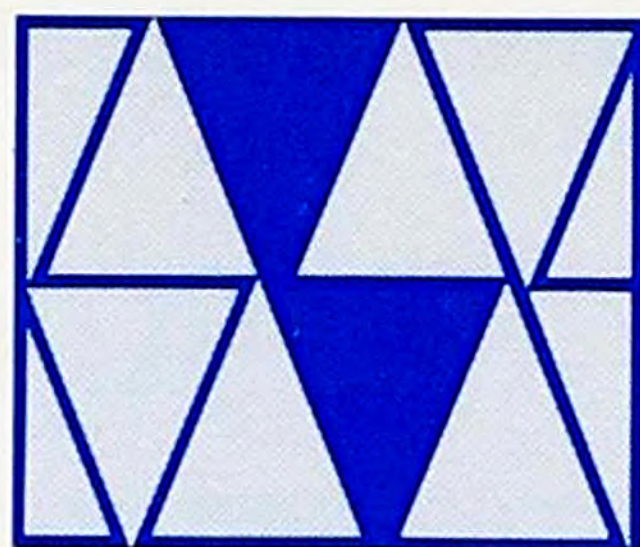
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Summary of Principal Findings

Overview

- Latin America's economies are badly depressed. Innovative measures are needed now to deal with the crisis of debt and trade. (Chapter 1)
- Central America's bitter conflicts are escalating. Concrete initiatives are needed to reverse the region's militarization and to move toward peace. (Chapter 2)
- South America's recent progress toward democracy is encouraging, but is being severely tested by economic and social strains. Restraint as well as positive programs are needed to strengthen democracy. (Chapter 3)
- The Organization of American States is close to collapse. New commitment by governments will be required to rebuild hemispheric cooperation. (Chapter 4)
- Inter-American communications and understanding are badly frayed. It is particularly important to improve awareness of Latin America within the United States. (Chapter 5)

Chapter 1: Confronting the Crisis of Debt and Trade

No single year in the last 50 was more disastrous for the economies of Latin America and the Caribbean than 1983. Per capita incomes are down 13 percent since 1980. Inflation and unemployment are at record highs. The region's foreign debt soared from \$27 billion in 1970 to \$350 billion in 1983.

No one should be lulled into complacency by the absence to date of financial collapse in Latin America. The economic recovery now under way in the industrialized countries will not resolve the Hemisphere's economic crisis, especially if interest rates continue to rise and protectionist pressures persist. The Latin American countries have so far met their debt obligations by rescheduling amortization, slashing imports,

and devoting 40 percent of their scarce foreign exchange to interest payments. As a result, Latin America is now exporting capital to the industrialized countries. The current situation is untenable.

Although harsh austerity measures have shown some positive short-term results, they are straining the social fabric of the region. Unless special care is taken, stabilization programs may lead to the worst of both worlds: political turmoil caused by the magnitude of the sacrifices, and economic failure because austerity programs cannot be sustained.

Among the short-term measures that should be taken to confront the hemispheric crisis of debt and trade are these: reducing "spreads" and eliminating management fees in refinancing the external debts of Latin America; adopting banking regulations in the United States and other industrialized countries that permit capitalization or reduction of part of the interest payments on loans without having to classify them as "non-performing;" extending maturities on new financings; and expanding the emergency loan programs of the World Bank and Inter-American Development Bank. Longer-term measures are also needed, including steps to increase private investment, to stop the spread of protectionism, and to improve the role of the International Monetary Fund.

Chapter 2: Central America: In Search of Peace

Central America in 1984 is a region at war. 150,000 people have been killed and almost 1.5 million have been uprooted during the last five years.

To exaggerate the East-West dimension of Central America's conflict has a self-fulfilling quality. The roots of Central America's crisis are primarily economic, social, and political, not military. The main sources of insecurity in Central America are internal to each nation; even when external support of insurrection is present, as in El Salvador, the underlying problems are domestic. Even though there is a military dimension to the conflict, the solutions ultimately lie in economic and social development and in political dialogue, not in more weapons, military advisors, and troops.

The United States and the other nations of the Hemisphere should work together to keep Soviet and Cuban combat forces and military bases out of Central America, and to prevent Cuba and the Soviet Union from disrupting the sea lanes in and around the region. Agreement should be reached among the countries of the Americas not to establish any offensive or strategic facilities in Central America, nor to threaten the territorial integrity of any country. At the same time, the United States should make it clear to the Soviet Union that any attempt by the USSR to introduce combat forces, bases, offensive weapons, or strategic facilities into the Caribbean Basin would be met by whatever measures are necessary to prevent or reverse it.

The danger of regional conflagration in Central America could be reduced by regional agreements to permit international inspection of border regions, bar new military bases, limit and reduce the number of

foreign military advisors, and restrict the weapons being introduced into Central America. All Central American nations should guarantee that they will not assist forces seeking to destabilize other governments.

In El Salvador, the just-concluded elections are a positive step, but by themselves they cannot produce peace. Elections without prior negotiations among the belligerents will not resolve the conflict. Appropriate interim arrangements must be devised to win the confidence of Salvadorans in their country's electoral process. To bar any such agreement in advance by labelling it "power-sharing" is to be imprisoned in a semantic trap, and to prejudice negotiations before they begin.

The underlying problems that feed Central America's conflicts must be faced. It is essential to stop the death squads that have cursed the political life of Guatemala and El Salvador, undertake social reforms and economic development programs throughout Central America, and expand effective political participation in all countries of the region. A plan for peace in Central America must also help the millions of victims of the region's violence, especially the displaced persons and refugees.

The Contadora process—the diplomatic initiative of Colombia, Mexico, Panama, and Venezuela—affords the best chance for building peace in Central America, and deserves strong, consistent backing. As a concrete step, the United States should immediately end support for the military and paramilitary activities of the *contras* against Nicaragua. If Cuba and Nicaragua end military or paramilitary support to the insurgents in El Salvador, the United States should further reduce its military involvement in Central America, provided that reciprocal measures are undertaken by Cuba to reduce its military presence. The prospects for peace in Central America might be enhanced if the United States and Cuba could discuss their differences.

Chapter 3: Progress Toward Democracy

Broadly based and sustained commitments to social justice, which are at the core of democracy, are crucial to reducing the tensions within the Hemisphere. In countries torn by civil strife, such commitments—in the context of political freedom, broad participation, regular and free elections, and constitutional guarantees—are critical to national reconciliation, durable peace, and true security.

With the elections in Argentina last November, six of the ten countries of the continent have now become democratic. Brazil is well on its way toward restoring democracy, and the popular pressure for political openings in Chile and Uruguay is strong. This encouraging trend should be reinforced. By its nature, however, democracy must be achieved by each nation largely on its own. Outside efforts to promote democracy easily become entangled with sensitive internal issues and may be viewed as unilateral intervention.

Improving the prospects for democracy in the Americas calls as much for international restraint as for positive action. It is vital to renew the

principle and practice of nonintervention, to support democracy as a basic objective (rather than as a tactic for another end, such as combating communism or promoting free enterprise), and to oppose economic and military assistance to governments that systematically violate basic human rights. Nothing could contribute more now to improving the prospects of the new democracies than alleviating their economic difficulties and permitting them to focus on longer-term issues of growth and equity.

Chapter 4: Rebuilding Inter-American Cooperation

The inter-American system is on the verge of collapse. The Organization of American States (OAS) was ignored before and after the invasion of Grenada. It has been relegated to the sidelines throughout the Central American crisis, and has played little role in grappling with the region's economic crisis. The countries of the Hemisphere continue to share a strong interest, however, in regional institutions that can deal with collective security needs, the mediation of conflict, arms control, economic coordination, and the protection of human rights.

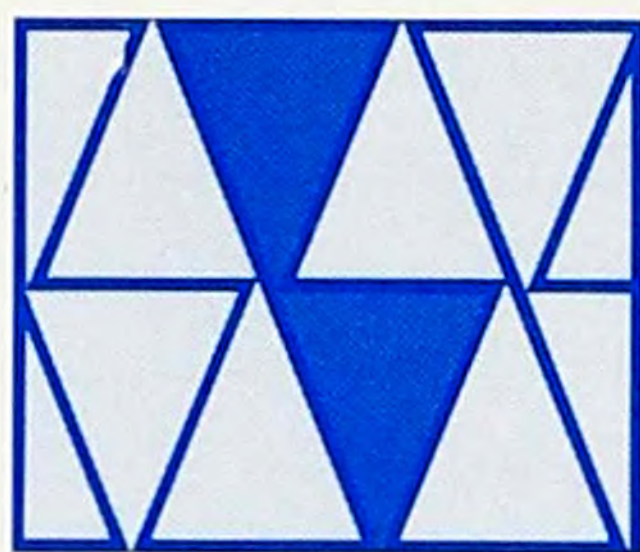
The OAS and its associated agencies can only be effective to the extent that governments are committed to making them work. If renewed commitment can be mustered, the first steps should be to strengthen the office of the Secretary General of the OAS, appoint ambassadors and other personnel at the OAS of high caliber, reactivate the fact-finding role of the OAS Council, authorize the OAS to gather and publish data on arms transfers, undertake measures to share information on military activities, arbitrate boundary disputes, and reinforce the Inter-American Commission on Human Rights.

Chapter 5: Improving Mutual Understanding

Mutual understanding in the Americas has been worsening while the underlying potential for fruitful interchange has improved and the need for comprehension has grown.

Many in the United States assume that the decline in inter-American understanding is primarily due to the failure of the United States to project its message southward. If carefully designed, redoubled U.S. efforts to communicate to Latin America could help. The single most effective way to improve inter-American understanding, however, is to enhance awareness about Latin America within the United States.

Understanding of Latin America could be advanced in the United States by expanding and upgrading media coverage, upgrading primary and secondary school teaching about Latin America, drawing more Hispanic Americans into the process of hemispheric communication, and establishing inter-American task forces to seek practical solutions to shared problems in the Hemisphere.



Preface

This will be a crucial year for United States-Latin American relations. 1984 could be a year of widening wars, deepening recessions, rising social tensions, and severe strains on fragile democracies. It could also be a year of intensifying inter-American friction and deteriorating communication, and a year when the inter-American system is at its lowest ebb.

The members of the Inter-American Dialogue share a strong commitment to seeking better alternatives. We see 1984 as a year for decisions. The people and the governments of the Western Hemisphere need to act now: to build a Hemisphere at peace, to promote equitable economic growth, to strengthen democracy and respect for fundamental human rights, to reconstruct inter-American institutions, and to commit all of us to working together to solve basic problems common to the whole region.

The Inter-American Dialogue is a group of about 50 business, labor, government, academic, political, and church leaders from Latin America and the Caribbean, Canada, and the United States that first convened in late 1982. What brought us together was our deep concern about the steady decline of inter-American relations. Our group includes men and women of many political tendencies, professional backgrounds, nations, cultures, and generations—persons of genuine diversity, but all people of stature in their home countries. To assure frank discussions, all of us participate in the Dialogue as individuals, acting in our personal capacities. We have not invited persons serving in national government positions to join our deliberations.

During the last eighteen months, we have met three times for plenary sessions lasting two to three days each; many of us have also participated in working groups and in drafting committees before and after the plenaries. We have had sustained give-and-take on the central issues among highly-qualified individuals from throughout the Hemisphere. Our members have not recently discovered the issues, will not forget them soon, and want to continue to work together.

This is the Dialogue's second report. The first, *The Americas at a Crossroads*, published in April, 1983, and distributed in English, Spanish, and Portuguese throughout the Hemisphere, touched on a wide

range of issues in contemporary inter-American relations. A book of background papers, edited by Professors Kevin Middlebrook and Carlos Rico, will soon be published.

In recent months, a number of other reports have been issued on U.S.-Latin American relations. These documents make valuable contributions by clarifying current problems and proposing solutions. Typically, however, they lack a truly hemispheric vision, an inter-American perspective. They are usually written from the vantage point of the United States or of Latin America. Too often such reports revert to an old style: of monologue rather than dialogue, of teaching instead of learning, of preaching instead of searching together for answers. At this critical juncture in U.S.-Latin American relations, that habit must be avoided. We hope—and believe—that in this report we have done so.

This report, like last year's, is a group document. Not every signer agrees fully with every statement in the text, but all of us affirm that the report reflects the consensus among the Dialogue's participants. Each of us subscribes to the overall content and tone of the report and to its principal recommendations. A few of the participants have added individual statements to clarify their particular views.

The signers take full and sole responsibility for the report, which does not necessarily represent the views of the foundations and corporations that provided financial assistance to the Dialogue, the institutions or organizations with which the individual signers are or have been affiliated, or the Aspen Institute for Humanistic Studies, under whose auspices this year's Dialogue convened.

The Inter-American Dialogue has required a great deal of cooperative effort. We are indebted to Peter D. Bell and Rodrigo Botero, who served as co-vice chairmen of this year's Dialogue. We are also grateful to Abraham F. Lowenthal of the University of Southern California, who continued to serve with great effectiveness as the Dialogue's executive director; Larry H. Slesinger, the Dialogue's omnipresent coordinator; Richard Bloomfield, John S. Fitch, III, Edward Gonzalez, Margaret Daly Hayes, William LeoGrande, Ambler Moss, Carlos Rico, Wayne Smith, and Gregory Treverton, consultants to this year's Dialogue; the many other persons who contributed their advice in letters, memoranda, or discussions; Michael Shifter, our rapporteur; and Caren Addis, Evelyn Devlin, Enrique Hermosilla, Mary Nogales, Linda Robins, Helen Soderberg, Douglas Stone, and Patricia Thorpe for their administrative and logistical help.

We speak for all the participants in the Dialogue in expressing our appreciation to Argentina's Ambassador to the United States, Lucio Garcia del Solar, for the reception following our plenary; to the other Ambassadors from Latin America and the Caribbean in Washington and to the many U.S. Ambassadors in Latin America who contributed their thoughts; to the staff members of the Inter-American Development Bank, the World Bank, the Organization of American States, and the U.N. Economic Commission for Latin America for their assistance; and to Jonathan Kandell for his editorial help.

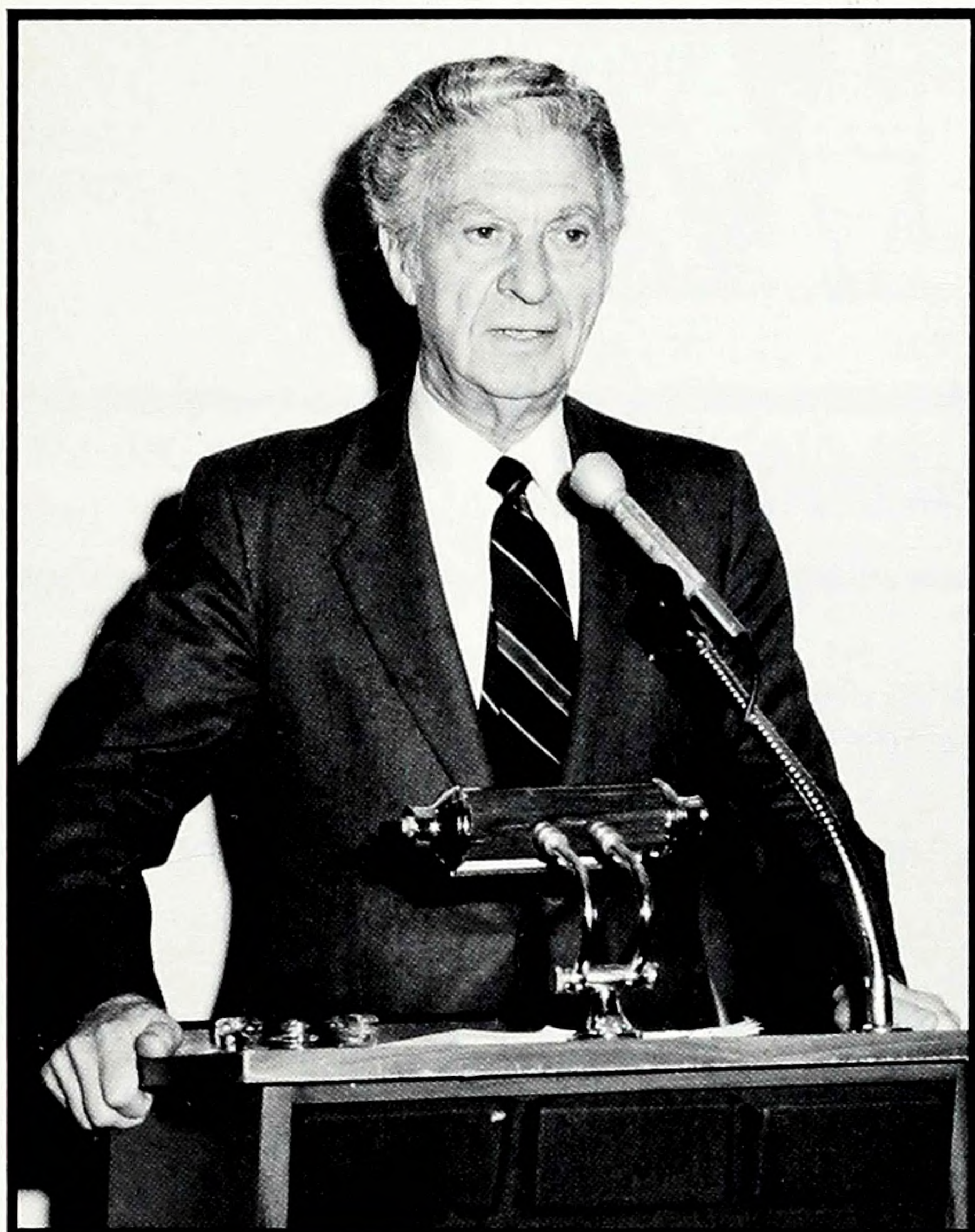
The reconvening of the Dialogue would not have been possible without the financial support of the Benton, Ford, William and Flora Hewlett, and Rockefeller foundations, the Carnegie Corporation, the Institute of the Americas, Chemical Bank, IBM-Americas Far East Corporation, Xerox Corporation, First Boston International, and Klabin Irmãos in Brazil. We are especially grateful to the Aspen Institute, and to its president, Joseph Slater, and its vice president, Stephen Strickland, not only for their gracious hospitality in Washington and at the Wye Plantation, but also for the substantive contribution made by Aspen's earlier project on Governance in the Western Hemisphere.

The two of us have worked closely together for many years and in many settings. Never before have we felt a greater sense of urgency about the issues facing our troubled Hemisphere, or a greater sense of the need for vision, sensitivity, and commitment.

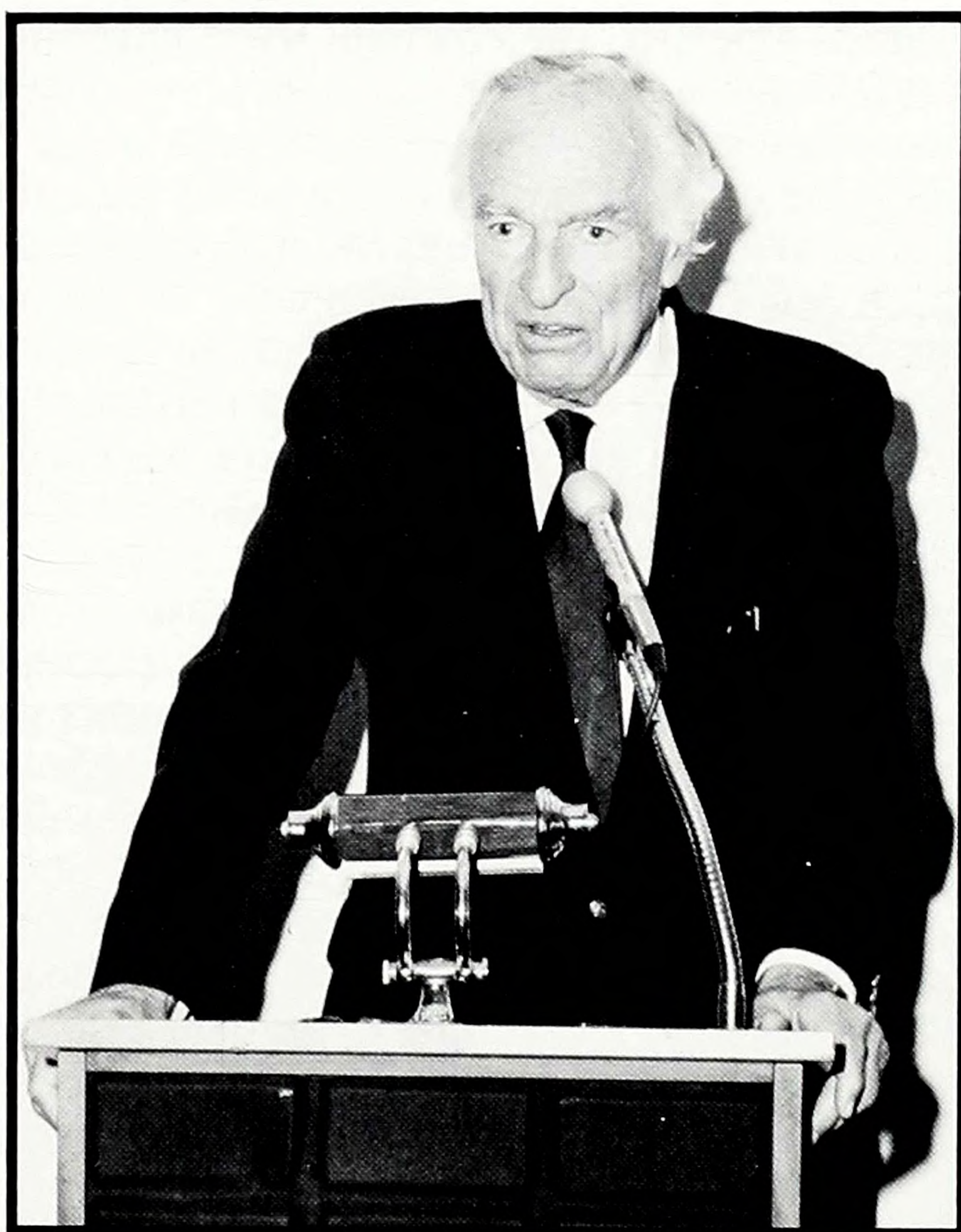
Benito Juarez expressed the conviction not only of Mexicans but also of people throughout the Americas when he said, "Respect for the rights of others is peace." That maxim should guide inter-American relations today.

Sol M. Linowitz
Galo Plaza

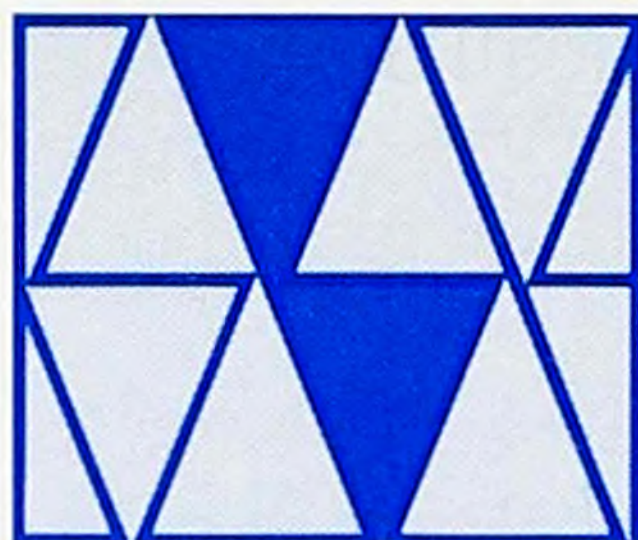
May 17, 1984



Dialogue Co-chairman Sol
M. Linowitz



Dialogue Co-chairman Galo
Plaza



Introduction

Just one year ago, the Inter-American Dialogue issued its first report, *The Americas at a Crossroads*. The members of the Dialogue said then that the Hemisphere was at a juncture of unusual danger and special opportunity. In fact, the situation proved to be even more critical than we recognized.

The year 1983 was the worst for Latin America's economies in fifty years. The region's gross domestic product fell 3.3 percent, and per capita income is now back at the level of 1976. Urban unemployment has risen sharply, and inflation has skyrocketed. *We believe the security and stability of the Americas are deeply threatened by the economic crisis—at least as much as by what is happening in Central America.*

That is not to underestimate the great tragedy that is occurring in Central America. The conflicts there have intensified sharply and casualties have mounted. The dangers of regional war and expanded outside involvement are rising. We fear that a wider conflagration could break out if the escalation of violence is not soon reversed.

This year has also seen the inter-American system verging on collapse. Ignored during and even after the Grenada invasion, bypassed in the Central American crisis and on the debt issue, and further damaged by the difficulty surrounding the departure of its Secretary General, the Organization of American States has reached its low point.

In this troubling context, it is important to emphasize that there have been some positive developments as well. In particular, cooperative efforts among Latin American countries—and between Latin America and the United States—have gained strength in the past year.

In Central America, the Contadora process for achieving a comprehensive settlement has moved forward, although by fits and starts. Concrete progress has been made toward resolving the Central American crisis; much more remains to be done.

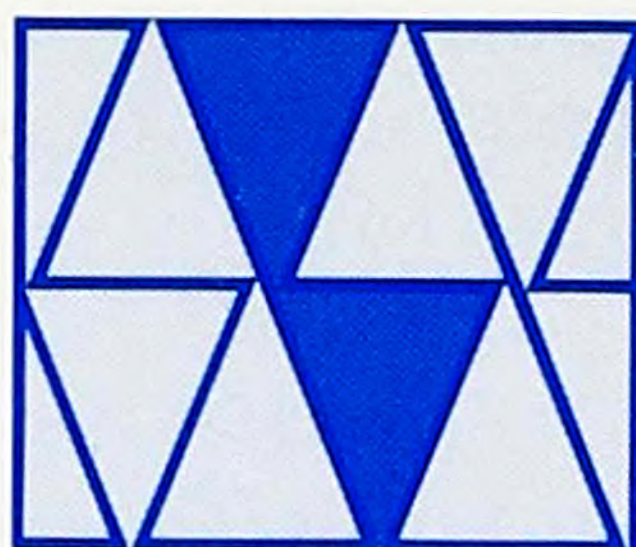
Although the debt crisis affecting Latin America is still very severe, Latin American nations, the U.S. Government, and private banks have shown that they can cooperate in their common interest. The measures taken at the end of March, 1984, to help Argentina meet its obligations may signal an important advance in hemispheric economic cooperation.

The Organization of American States has elected new leadership. It is too early to be sure what the Organization's future will be, but there is at least a chance that a serious new effort could now be made to strengthen hemispheric institutions.

And the region's political trends have been, on the whole, encouraging. Argentina has returned to democracy more swiftly and surely than we dared hope. Brazil, too, is moving toward a fully-functioning democracy, and elections are being held in many other countries of the region. The tide of democracy is rising in Latin America, although the momentum will be hard to sustain in the face of severe economic pressures.

All these trends, positive and negative, are coming to a head. This year, 1984, is a year for decisions. We believe this is a time for bold and constructive efforts by Americans from north and south to work together.

In issuing a second report, we have decided to concentrate on five key questions: how to promote equitable growth, how to build peace in Central America, how to strengthen democracy and respect for fundamental human rights, how to rebuild hemispheric institutions, and how to improve inter-American communications. Many other long-term questions—including immigration, urbanization, arms control, and ecology—deserve discussion. For now, however, we believe the urgent need is to focus on the five issues we have addressed and to act on them soon.



CHAPTER ONE

Confronting the Crisis of Debt and Trade

No single year in the last 50 was more disastrous for the economies of Latin America and the Caribbean than 1983. Since 1981, the gross product of Latin America as a whole has fallen by about 6 percent.* Per capita incomes have declined some 13 percent since 1980, and are now back to what they were in 1976. The economic indicators summarized in the table on page 19 paint a very bleak picture.

The figures, however, only hint at the extent of human suffering caused by Latin America's stagnant economies. The burden of adjusting to the region's depression has fallen most heavily on those least able to bear it. Inflation and unemployment are at record levels, and few workers in Latin America are covered by unemployment insurance. In the midst of strict fiscal austerity, governments can do little to help the poor. It is not surprising that food riots and similar disturbances have occurred in several countries in recent months. If conditions do not improve, more serious outbreaks can be expected. The fabric of Latin American societies will be strained, as will its political institutions.

Latin America's depression had some causes internal to the region, but its main origins lie in the broader global recession. High interest rates, the slowdown in world trade, increasing protectionism, and scarcer investment capital have all hit the Latin American countries harder than the industrialized nations. The region has been compelled to adapt to these highly unfavorable external factors under conditions of special vulnerability owing to its large debt. This sensitivity to the world economy is the common thread that explains the dismal economic performance of so many different Latin American countries.

In the wake of steeply rising oil prices beginning in the 1970s, Latin America chose an economic growth strategy heavily dependent on foreign loans. International commercial banks, surfeited with deposits from the oil-exporting countries, recycled large amounts of capital to developing countries, especially in Latin America. The external debt of Latin America soared from \$27 billion in 1970 to more than \$350 billion

*As in this sentence, the phrase "Latin America" is often used in this report to refer to the entire region of Latin America and the Caribbean.

by the end of 1983. Both the banks and the Latin American countries had counted on continuing global economic prosperity to enable Latin American borrowers to repay their debts.

But economic performance in recent years has failed to meet these expectations. Latin American exports have declined and the terms of trade have worsened because of the recessions in the industrial countries. Real interest rates, meanwhile, have remained at record levels since 1981. Latin American nations have been able to meet their debt obligations only by rescheduling amortization and devoting larger shares of their scarce foreign exchange income to the payment of interest.

Most countries of Latin America have made Herculean efforts to improve their trade balance over the last few years by radically reducing their imports. In fact, Latin America imported only \$56 billion in goods and services in 1983, compared to almost \$100 billion in 1981. But we see little cause for optimism in these impressive reductions. The cost of the improvement in the balance of payments has been internal austerity, proliferation of controls over trade, and precarious month-to-month management of international reserves. Moreover, Latin America has used its export surplus to pay out four times as much in debt service as it is receiving in net new loans. In other words, Latin America has abruptly and reluctantly been forced into the role of an exporter of capital to the industrialized countries. This situation cannot be sustained indefinitely.

Some observers argue that the global economic recovery now underway will soon correct the situation by greatly improving the export prospects of Latin American debtors. This confidence is misplaced, we fear, for three reasons. First, interest rates are rising again. Expensive money means larger payments abroad and lower standards of living for debtor countries, even if exports rise. Secondly, prospects for trade are clouded by protectionist pressures that have increased actual restrictions and multiplied other cases under consideration in the United States and elsewhere, both at the expense primarily of the larger Latin American countries. The recent adverse finding in the United States against steel from Brazil and Mexico is symptomatic. Third, trade expansion by the industrialized countries would not by itself assure sufficient Latin American exports. Latin American countries sell to each other and to other developing countries as well. If they all are to earn export surpluses, which among them will have scope to import, even from each other?

It is true that the austerity programs of the Latin American countries have shown some positive results, but these programs cannot continue long as the principal form of adjustment. They have already run into diminishing economic returns. Limited imports cause shortages of the raw materials and capital goods needed to produce potential exports. A vicious cycle ensues in which demand restraint gives rise eventually to reduction in supply and to even poorer economic performance.

We are also painfully aware of a political dimension to the problem. In the midst of a welcome reopening of political systems in the region to

popular participation, newly democratic governments cannot continue to impose austerity policies that seem primarily designed to satisfy foreign creditors. Unless carefully structured and implemented, stabilization programs can lead to the worst of both worlds: political turmoil fanned by the magnitude of the required sacrifices, and economic failure because the programs cannot be implemented.

There is a growing sense in Latin America that the region has borne a disproportionate real cost of the debt crisis. No one argues that the domestic policies of Latin American governments were blameless. The burden of adjustment, however, has fallen overwhelmingly on the borrowers. Because they are considered high credit risks, Latin American countries have been forced by foreign banks to pay management fees and interest rates higher than those imposed on domestic clients whose debts must also be restructured. One of the ironies of the current situation is that the huge private debts are forcing governments, which have assumed the responsibility of guarantors, to take greater control of the economies of Latin America. The governments of the United States and other industrialized countries have offered short-term assistance to Latin American nations in meeting the immediate shortfall in foreign exchange, but the industrialized countries have not provided longer-term assistance or opened their markets wider to imports from Latin America.

The present situation is untenable. The resentment of Latin Americans over their bind and the unwillingness of banks to lend could threaten the stability of arrangements to assure continuing service of the debt. Payment is not merely a matter of economic capacity, but also of political capability.

Beyond the impact of short-term instability on financial markets, continuing slow Latin American economic growth will take its toll on the recovery of the industrialized countries. Economic interdependence within the Hemisphere, although asymmetric, is real: U.S. exports to Latin America fell from \$38 billion in 1981 to about \$20 billion in 1983, at a cost of at least 300,000 jobs.

In addition, the very economic and political futures of many of the Latin American countries are in the balance. Democratic openings, new and still precarious, can fall victim to excessive demands. Latin America's open style of economic development during the last decade may increasingly give way to a closed, inward-looking style. Instead of correcting the mistakes of a decade of unbalanced integration into the world economy, Latin American nations may choose not to participate so fully in the international system—even when the opportunities for gain become more favorable than they have been in recent years.

The absence of financial collapse to date and the continuing signs of recovery in the industrialized countries should not therefore disguise the full dimensions of the regional economic problem and its implications for hemispheric relations. No one should be lulled into a false sense of complacency. Rather, this is the moment to take concerted action. We see the need, and the opportunity, to respond to the present economic adversity through constructive and cooperative solutions.

Economic Data: Latin America and the Caribbean

	Total Region	Argen- tina	Brazil	Chile	Mexico	Vene- zuela	Central America
% change in gross domes- tic product (GDP), 1981 to 1983	— 2.8	— 9.0	— 5.8	— 9.9	3.1	— 1.1	— 6.0
% change in per capita GDP, 1981 to 1983	— 9.5	— 13.3	— 11.9	— 14.3	— 4.8	— 10.5	— 16.0
Imports (bil- lions of U.S. dollars) 1981 1983	98.4 56.3	8.4 3.8	22.0 16.0	6.5 2.8	24.0 9.0	12.1 5.3	4.8 3.8
Exports (bil- lions of U.S. dollars) 1981 1983	96.8 87.5	8.1 7.8	23.3 22.3	3.8 3.8	19.9 21.0	20.0 14.7	4.4 3.8
Interest paid on foreign debt as % of merchandise exports, 1983	42	50	46	50	46	29	23
Annual % change in cost of living 1982 1983	86 130	210 402	102 175	21 24	99 92	8 6	— —
Open urban unemploy- ment %, 1983	—	5	7	20	13	—	—

SOURCES: Economic Commission for Latin America, *Preliminary Overview of the Latin American Economy During 1983*, December, 1983; P. P. Kuczynski, *Foreign Affairs*, Fall 1983
1983 Data estimated

Five Priorities

Looking ahead to the end of this decade, we would emphasize the following five objectives:

1. To restore the Latin American and Caribbean economy to a path of vigorous, sustained, non-inflationary growth. *More rapid growth, not austerity, is in the medium-term the only way to solve the debt crisis.* But the growth must be sustainable, resulting from sound policies that are responsive to the needs for both domestic full employment and balance in external accounts.

Growth by itself will not cure the problems of the region. Unless accompanied by deliberate and far-reaching social reforms, there is no guarantee that economic growth will benefit the majority of the population, and particularly the lower income groups. In the absence of growth, however, social and political reforms become much more difficult to undertake.

2. To reduce the burden of the external debt on the region. Of course, each national situation will have to be treated individually, but *major adjustments in maturities and interest obligations will likely be needed* in many cases. Active participation and leadership from the United States Government, including the Federal Reserve System and its regulatory agencies, will be required so that readjustments do not become unmanageable for either lenders or borrowers. Satisfactory resolutions will also depend on maintaining constructive relationships between the debtor governments and the lending institutions.

3. To restore a larger flow of financial resources into Latin America. Progress on this front will require correcting the past imbalances between borrowing and direct investment, and between private credits and public financing. To accomplish these objectives, in turn, will require efforts within both Latin America and the industrialized countries. Restrictions, especially in the Andean Group countries, have in some instances discouraged productive foreign investment. They should be reviewed in light of the burden of fixed debt obligations. An increase of direct investment will not be adequate by itself to restore growth. More public external resources are also required; their longer maturity and lower cost partially offset the burden of private debt.

Even with a renewed inflow, external resources will not play the important role in financing investment that they played in the 1970s. Increased domestic saving is, therefore, a high priority for all the countries in the region. Appropriate national policies to reward saving and to encourage its application domestically must be an integral part of a successful economic strategy.

4. To encourage exports from Latin America and the Caribbean and to resist protectionist pressures in the United States as well as in Europe

and Japan. Trade is the only means for paying back foreign debt. For Latin American countries, growing exports are a source of independence rather than dependence; yet at the very time that idea is gaining currency in the region, access to the world market is increasingly uncertain, especially for the largest debtors.

A wide range of products, including commodities and manufactured goods in which Latin Americans have a legitimate comparative advantage, face potential exclusion from the markets of the industrialized countries. Textiles, steel, auto parts, and sugar exports are only a few of the products that have come under increasing attack in the United States and Western Europe in the last few years. These tendencies must be resisted.

5. To restore fiscal equilibrium in the United States. The present combination of large public sector deficits, high interest rates, and an overvalued dollar overwhelms the efforts of Latin American countries to emerge from the debt crisis and to restore sustainable growth. In the absence of sound economic policy in the United States, the efforts of other countries in the Hemisphere will have limited permanent consequence. High interest rates will mean continued vulnerability to shortages of foreign exchange. An overvalued dollar will give continuing impetus to protectionist tendencies and diminish the volume of exports. Unless the United States puts its financial accounts in order, its own economic prosperity and that of the whole Hemisphere will be at risk.

Recommendations

These five priorities give rise to two sets of recommendations: one immediate, the other longer-term.

For the short-term, we recommend:

1. As an immediate, temporary step, commercial banks should significantly reduce the "spreads" (or premiums charged over base rates) in refinancing the debts of developing countries. These reductions should be greater than those recently granted to Mexico and Peru, for example. The prime lending rate should be replaced by a base rate which more appropriately reflects the cost of funds to lenders. In addition, management fees for refinancing should be eliminated. These steps should be taken temporarily, subject to review at the end of 1984. Debt renegotiations should be conducted between each of the countries and the banks, but within an overall framework provided by the International Monetary Fund (IMF).

2. As soon as possible, banking and accounting regulations in certain industrialized countries, including the United States, should be reviewed to assure banks that they can capitalize or reduce part of interest payments on sovereign international loans without having to classify them as "non-performing." If a portion of the interest were capitalized, it

would be added to the principal due later. In some cases, however, if debtors cannot meet their obligations for reasons beyond their control, an outright reduction in interest may be necessary. Any reduction of interest would be reviewed annually, with the goal of returning to market rates as soon as possible.

3. [Maturities on new refinancings should be extended to at least ten years](#), with the grace period and final maturity depending on each country's prospects.

4. [The emergency lending programs of the World Bank and Inter-American Development Bank should be expanded](#) as recommended by the Declaration of Quito, with which we are in broad agreement. The expansion, which would help Latin American countries meet short-term balance-of-payment problems, requires accelerating the timetable for the capital increase of the World Bank and the Inter-American Development Bank.

For the longer-term, our proposals flow from those we offered last year:

1. The role of the International Monetary Fund should be expanded. Although the quota increase of the IMF in 1983 was a step forward, three additional measures should be considered. First, [the IMF might undertake a new issue of Special Drawing Rights](#). This would help recompose international reserves of many Latin American countries and facilitate increasing trade required to sustain renewed economic growth. Second, [an extended lending facility should be established](#). Such a new funding window, created on the partial basis of IMF market borrowing, would encourage medium-term finance for structural adjustment. Third, [the present IMF facility for compensatory export credit should be extended](#) to permit more adequate protection against fluctuations of commodity prices. The adverse effects of the declines in prices experienced during the global recession could have been alleviated by larger credits.

2. [The role of the multilateral development banks should be expanded](#). The best means to assure the stability of world financial markets is to increase the resources not only of the IMF but also of the multilateral development banks. The assurance of a steady, enlarged flow of financing from these institutions will facilitate and support effective economic management in borrowing countries. It will also provide a solid backdrop for the commercial sector; the technical assistance and economic advice that the international financial institutions provide are an important reassurance to private lenders.

A convincing plan should be started now to improve the funding and expand the long-term capital of multilateral development lending institutions. A review of the long-term lending policies of such institutions should be undertaken to reduce criticism of them in some major industrial countries.

The Inter-American Development Bank has recently obtained a moderate increase in its resources, but both it and the World Bank need substantial additional strengthening. It should be noted that 95 percent of these resources would be in the form of callable capital, not cash. In the history of both institutions, there has never been a call on this contingent capital. A new effort must be made at educating the public to understand that the direct cost of additional capital for these multilateral institutions is limited, that the long-term benefits for the industrialized countries are substantial, and that the potential costs to the industrialized countries of withholding further contributions now are high.

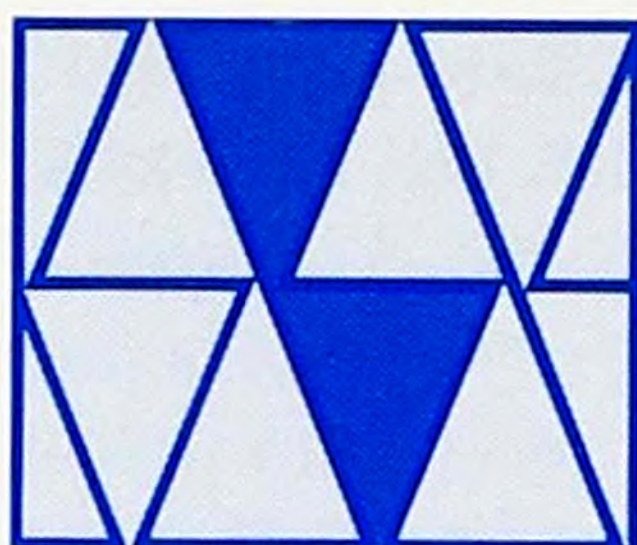
3. **Private direct investment should be increased.** Countries should encourage private investment, both domestic and from abroad. A balanced strategy of long-term development should look toward greater private direct investment from abroad on terms mutually suitable to the host countries and to the investors. Some debtor countries may deem it desirable to substitute long-term foreign direct investment for their present foreign debts.

4. **The spread of protectionism must be stopped.** This can only happen if there is a clear realization that trade is a two-way process: protectionism in the industrialized world reduces the exports of developing countries and thereby reduces their ability to import from industrialized countries, and from each other. Capital inflow can only flourish when trade is expanding. It is therefore essential to stem the spread of protectionism and other policies biased against trade.

Particularly frustrating are the barriers to Latin America's increasing exports of manufactured and processed goods. Most tariff structures in the industrialized countries have historically been biased against processed exports from the developing countries. This policy tends to perpetuate a pattern of Latin American exports with low value added. It thereby strikes at one of the fundamental elements of Latin America's development—increased productivity.

Only a cooperative effort at the global level can yield progress on these issues. Both the United States and Latin America should play leading roles in that effort. They have horizons that extend beyond the Hemisphere and a common interest in freer markets throughout the world. Protectionism, it must be recognized, is a global problem, requiring continuing attention. **An open international trading system is not easy to maintain, and it must be constantly reinforced by actions, not just by rhetoric.**

These recommendations are intended to respond both to the immediate financial crisis in Latin America and to the opportunity for long-term economic development. The region grew impressively from 1960 until the late 1970s and laid the foundation for expanded investment, production, and employment in the Hemisphere. The current problems of debt and trade are formidable; but if they can be confronted by Latin Americans and North Americans together, the way could be open for a new era of hemispheric prosperity.



CHAPTER TWO

Central America: In Search of Peace

Central America in 1984 is a region at war. Polarization, violence, repression, and destruction are prevalent. The human suffering is staggering; 150,000 people have been killed and almost 1.5 million have been displaced in the last five years. The physical infrastructure and productive capacity of Central America is being badly damaged. The isthmus is being drawn into the world-wide superpower rivalry. Central America's nations are interfering in each other's internal affairs, and a regional arms race is well underway.

All these trends, in turn, further undermine the prospects for development, democracy, and peace. As the nations of Central America spend a higher share of their resources on weapons, the funds needed for economic projects grow ever more scarce. As armies gain in power, it becomes more difficult to strengthen civilian political institutions. And as the arms race accelerates, the danger of interstate conflict grows. Each nation's pursuit of its own defense reinforces its neighbors' insecurity and heightens the temptation to seek external and even extra-hemispheric alliances. This vicious circle has become more apparent in recent months. No end to Central America's trauma is yet in sight. And the debate about how to deal with Central America's crisis is becoming increasingly heated.

Despite the highly-charged atmosphere of debate in the Hemisphere about Central America, we reached a consensus about the nature of the region's basic problems and the broad outlines of a recommended approach to resolving them. We recognize that there are no easy answers, no quick solutions, to Central America's turmoil. We understand, too, that we might not obtain the same degree of consensus on concrete details of policy, or on the exact sequence or precise timing of policy initiatives. What we do agree on, however, should be underlined.

We begin by highlighting a few points from our first report:

We agreed last year that both the United States and most citizens and governments throughout Latin America and the Caribbean share a desire to remove Central America from the East-West conflict to the greatest extent possible, and they firmly oppose the expansion of a Soviet or Cuban military presence in the Americas.

We emphasized that the countries of the Hemisphere, particularly the United States, could do much to foster a climate of security in the region by making unequivocally clear their commitment to respect national sovereignty and to refrain from unilateral intervention.

We expressed our skepticism that El Salvador's bitter struggle can be resolved militarily and our doubt that elections in which the insurgents do not participate can end the civil war. We called, therefore, for dialogue to prepare the way for internationally-supervised elections in El Salvador on the basis of security guarantees for all participants.

We argued that the alternative to successful negotiations was likely to be escalation of the fighting in El Salvador, sustained counter-revolutionary warfare in Nicaragua, increased violence in Guatemala—and the specter of wider regional conflict. To avoid this tragedy, we urged that negotiations be pursued to resolve the conflicts in all three countries. We proposed that broad regional discussions be initiated to determine whether settlements can be forged in Central America to protect the vital interests of all the parties without continuing and broadening the conflict.

We suggested that the Contadora nations—Colombia, Mexico, Panama, and Venezuela—take the lead in seeking political solutions to Central America's struggles. We urged the United States to fully support the active role of the Contadora nations.

We proposed that all relevant parties pledge not to deploy strategic or conventional combat forces anywhere in the Caribbean or Central America, or to install facilities that would pose a threat to other states of the Americas. We suggested that such pledges be monitored and be made contingent on mutual performance.

Finally, we affirmed two fundamental points: first, *the roots of insecurity in the Hemisphere and particularly in Central America, are primarily economic, social, and political, not military.* Even though there clearly is a military dimension to conflict, the solutions ultimately must lie in economic and social development and in political dialogue, not in more weapons or military advisors. Second, *the sources of insecurity in the Hemisphere are mainly internal to each nation; external influences are secondary.* Even when external support for insurrection is present, as in El Salvador, the underlying problems are still domestic.

All these points, and particularly the final two, remain valid today. Indeed, what has happened since last year and what has failed to happen only add to their relevance. But it is important to go farther, to propose specific steps toward peace. The Central American situation is fast deteriorating. The coming months may provide the last chance to avert deeper tragedy.

A Region at War

Although the causes of Central America's struggle are primarily internal, the international dimension of its strife has been expanding. In El Salvador, both the government and the insurgents have received extensive foreign support over the course of a bitter conflict. The fighting has become more intense in recent months, producing greater casualties and destruction. The just-concluded national elections open an opportunity to move toward negotiations, but by themselves they offer little hope of ending the struggle.

Nicaragua's neighbors have become concerned about the Sandinista build-up of a well-armed military establishment 50,000 strong and about the acquisition of tanks and other equipment that suggest an offensive potential. Nicaragua seeks to justify its build-up as a defensive response to repeated attacks across its border by thousands of armed partisans based in Honduras and Costa Rica, many of them aided by the Government of the United States as well as by Honduran authorities. The major U.S. naval maneuvers off Nicaragua's coasts, the U.S. involvement in the mining of Nicaragua's harbors, and the extensive U.S. exercises in Honduras have raised questions about U.S. intentions.

Honduras itself has been drawn into the widening Central American war, and the construction by the United States of additional military facilities there threatens to accelerate that process. Yet another coup in Guatemala has failed to bring peace to that nation, wracked by two generations of violence. Even Costa Rica, long tranquil, has begun to fear for its security in the face of escalating regional conflict.

Prospects for Peace

To be sure, some rays of hope are visible. The Contadora process has progressed, although by fits and starts. Under its auspices, the nations of Central America have achieved agreement on objectives and principles for resolving the region's wars, and on suggested first steps to ease tensions and begin meaningful negotiations. Contadora has been endorsed by many countries, including the United States, Canada, most of Latin America, and many European nations—as well as by the United Nations Security Council.

In Nicaragua, the Sandinista regime has given some signs, both symbolic and practical, that suggest a willingness to compromise in the interest of domestic and regional peace. Of particular interest, in the light of our earlier report's recommendations, was Nicaragua's declaration in July, 1983, that it accepts—within the Contadora framework—the principles of ending arms shipments across borders, removing foreign military advisors, banning foreign military bases, and allowing an inventory of weapons. Nicaragua has also declared its willingness to accept multilateral efforts to ease regional tensions and has announced that it will hold national elections in November, 1984. In neither case is it

yet clear how meaningful the undertaking will be, but these recent Nicaraguan initiatives suggest more openness than was apparent a year ago.

In El Salvador, there have also been a few encouraging signs. The Government of El Salvador established a peace commission that had a direct, if fruitless, discussion with insurgent leaders. The activities of the death squads reportedly have been reduced in recent months, although these forces have not been disbanded. The government has declared its adherence to the Contadora principles and has participated in the Contadora-initiated working groups.

El Salvador's insurgent Democratic Revolutionary Front/Farabundo Marti (FDR-FMLN), for its part, is reported to have scaled down significantly its importation of foreign weapons and has formally stated its intent not to introduce foreign military bases into the country. It has clarified its proposals for beginning negotiations, outlining some terms that would not be acceptable to many political actors in El Salvador but including some conciliatory provisions. The insurgents have agreed that the institutional integrity of the armed forces should be preserved in any negotiated settlement, and they have agreed to participate in eventual internationally-supervised elections. Proclamations of intent do not equal firm commitments of action, but these statements from both the government and the insurgents could become a basis for discussion.

Cuba, meanwhile, has declared that it is prepared to support a negotiated solution to the Central American crisis and to reduce or end its substantial military advisory presence in Nicaragua as part of an overall withdrawal of foreign military personnel from Central America. Cuba has also endorsed the Contadora process. We are under no illusion that Cuba has abandoned its hope for revolutionary change in the region, or that it is prepared to alter its ties with the Soviet Union. Most informed analysts agree, however, that Cuba now seeks to avoid a further escalation of violence in the Caribbean Basin, and we share this appraisal.

In the United States, there have been some positive signs as well. After several months of study and testimony from many witnesses, including several members of our Dialogue, the National Bipartisan Commission on Central America, chaired by former Secretary of State Henry Kissinger, reached a number of important findings: that economic injustice and political oppression are at the heart of Central America's turmoil and that basic change there will be needed to resolve these causes of continuing insurrection; that the establishment of a military presence by or on behalf of the Soviet Union in Central America should be strenuously resisted; that indigenous revolutionary movements in Central America are not in themselves a security threat to the United States; that negotiations in Central America should be pursued and that the Contadora diplomatic process deserves U.S. support; that U.S. economic assistance to Central America should be substantially expanded on a regional basis; and that economic and military assistance to Central America should depend on each nation's capacity to use the aid effectively and on its respect for human rights. If translated into policy and implemented, these conclusions would contribute significantly to making peace possible in Central America.

Other aspects of the Commission's report, however, trouble most of us. The report portrays Central America as a geostrategic crossroads of global dimensions and as a prime arena of East-West confrontation. This characterization contributes unnecessarily to making the region a focal point of the Cold War. The Commission's report defines Central America as a zone of vital security interest to the United States. It suggests that the exclusion of Soviet bases is not the only or even the main security concern, but it contains no clear statement of just what, in fact, is at stake. The report avows that indigenous revolutionary movements in Central America do not threaten U.S. security, but it employs a definition of "indigenous revolution" so restricted that many of us believe there is little if any possibility that an actual insurgency could fit the category. The report endorses the principle of nonintervention, but does not oppose the U.S. Government's support for the counter-revolutionary war against Nicaragua, a practice that violates the principle. It expresses support for the Contadora process, but makes Contadora peripheral to U.S. policy. More generally, the National Bipartisan Commission's report seems to most of us to treat the Central American crisis primarily as a military problem with a political dimension rather than, as we all see it, an essentially political and economic problem with an important military dimension.

We are deeply concerned about several aspects of the U.S. Government's policy toward Central America. Although the U.S. Government has repeatedly voiced its backing for the Contadora process, Washington's practice has been at odds with major elements of the Contadora approach. Support for the raids by armed insurgents (the *contras*) into Nicaragua and the mining of Nicaragua's harbors violate the basic principles of respect for national sovereignty, territorial integrity, and non-intervention emphasized by Contadora and traditionally espoused by the United States. The major U.S. military build-up in Honduras contradicts the Contadora objectives of excluding foreign military bases from Central America, reducing and eventually removing foreign troops and advisors from the region, and separating Central America from the East-West conflict. The U.S. Government has shown no willingness so far to test the proposals offered by Nicaragua and by Cuba within the past year as means to advance discussions. And the continued strong U.S. support for El Salvador's government despite its failure to end gross abuses of human rights—as well as the proposed renewal of U.S. military cooperation with Guatemala—directly contravenes the Kissinger report's emphasis, and our own, on the importance of human rights.

Breaking the Cycle of Despair

The past year, then, has seen a slide toward wider war in Central America, accompanied by some glimmers of hope that peace may still be achievable. A grim race is underway in Central America between the escalation of violence and the pursuit of peace. Initiatives are needed now to break the cycle of despair. Central America must be helped to move toward peace.

A plan for peace in Central America must address six different but interconnected problems: 1) Central America's entanglement with the East-West conflict; 2) the growing danger of inter-state wars in Central America, a danger that has already started a regional arms race; 3) external aid to insurgents in the region; 4) the civil strife within Central America's nations; 5) the human suffering of the victims of violence; and 6) the underlying social, economic, and political problems that both cause and exacerbate Central America's seething tensions. None of these six problems can be fully and finally resolved without facing the others. But they are separate questions, and they are best analyzed and approached as such.

The East-West Dimension

To be sure, there is an East-West dimension to events in Central America. Yet to exaggerate that dimension has a self-fulfilling quality, for it escalates the level of superpower involvement and confrontation in the region. It is important that the countries of the Americas not fall into a credibility trap of their own making by drawing artificial lines that then need to be defended.

The United States and the other nations of the Hemisphere have a security interest in keeping Soviet and Cuban combat forces and military bases out of Central America, and in preventing Cuba and the Soviet Union from disrupting the sea lanes in and around the region. These objectives can and should be achieved by concerted action.

As a first step, we recommend that all the nations of the Americas pledge not to establish new offensive or strategic facilities in Central America or the Caribbean, nor to threaten the territorial integrity of any country. The aim should be to disentangle Central America from the East-West conflict, to decrease the likelihood that any of the countries involved will be either the cause or the object of a security threat. The Contadora nations should take the lead in seeking reciprocal commitments, on a symmetrical basis, from all the relevant countries—including the United States and Cuba.

In the context of such a regional accord, the United States should make it clear to the Soviet Union that any attempt by the USSR to introduce combat forces, bases, offensive weapons, or strategic facilities into the Caribbean Basin would be regarded as a serious provocation, calling for the measures necessary to prevent or reverse it. The United States has the capability to assure that no direct threat to the vital security of the Hemisphere emerges from the crisis in Central America.

Interstate Conflict

The danger of outright interstate conflict in Central America—wars across borders with the potential of igniting region-wide conflagration—could also be substantially reduced by international agreement.

The Contadora nations have already achieved meaningful progress toward such an accord, and they should be encouraged to seek further advances.

A first concrete achievement, beyond those already registered in the January 8, 1984, resolution of the five Central American governments (see Appendix C), would be for the nations of Central America to sign a formal agreement that pledges non-aggression and promises to seek the peaceful settlement of international disputes. A second step would be to permit international inspection of Central America's frontier regions, as is already happening, to a limited extent, in Costa Rica. Another step, in furtherance of the agreed Contadora principles, could be a regional agreement not to establish any new military bases in Central America. Other measures could include limiting the number of foreign military advisors or reducing their number to an agreed level, and placing restrictions on the quantity and the type of weapons that can be introduced into Central America. All such agreements would need to be monitored, but means can be devised to assure that bases are not being built, that advisors are not being introduced, and that arms limitations are being observed, at least with respect to major weapons systems. The United States should make its technical cooperation available to the Contadora countries to help with verification. Cooperation might also be sought from Canada, Spain, and other countries.

Accord should also be sought to demilitarize the particularly volatile border regions between Nicaragua and Honduras, Nicaragua and Costa Rica, and Honduras and El Salvador. International observation could be arranged in these border areas, at least during a cooling-off and confidence-building period.

The Central American nations may feel vulnerable if they limit their armed forces and reduce their own military presence in the border regions. The Contadora governments could take the lead, preferably within the framework of the inter-American system, to reassure Central Americans that the Contadora countries as well as others will come to the defense of any victim of aggression.

Few weapons are manufactured in Central America; almost all materiel is imported. It would be useful, therefore, to supplement any regional arms limitation agreement within Central America by obtaining assurances that outside parties—in particular Cuba, the United States, and the Contadora nations—will respect these accords.

Ending Aid to Insurgents

A credible plan for peace in Central America must deal with the aid various nations are giving to the insurgents in several Central American countries. Allowing one's territory to be used as a base for movements that challenge the authorities in neighboring countries is a long-established practice in Central America that began well before the current crisis. But the dimensions and dangers of this practice have increased in recent years, with the growth of revolutionary and counter-revolutionary movements able to draw on extra-regional allies.

Each government of Central America now has a strong interest in halting all external assistance to insurgents, and in reversing the spiral of violence that such assistance feeds, with its implications for interstate conflict. Verifiable guarantees should be sought now from all the nations of Central America that they will not provide assistance to, nor allow their territory to be used by, forces seeking to destabilize other governments in the region. Agreement in principle on this point has already been reached within the Contadora discussions, but this general assent must now be converted into practical and enforceable steps.

It will be far more difficult to monitor an agreement not to aid insurgents than one to bar foreign military bases, combat troops, advisors, or sophisticated weapons. Support for irregular forces is difficult to detect, especially because of Central America's porous frontiers. What is essential, however, is not foolproof verification but rather the capability to detect any large-scale assistance to insurgents that could materially affect the course of an internal conflict. Developing the capacity for monitoring, verification, and enforcement should be a priority for the Contadora countries, with the assistance of the United States and others.

Ending Civil Strife

The most difficult challenge in Central America will be to end its bitter civil wars. At stake in these struggles is nothing less than the future of each society. The combatants are not disposed toward compromise, and their mutual hostility mounts as casualties climb. The conflicts in Central America have been building for years; we have no illusion that they will be quickly stopped.

Outside powers are inherently limited in their capacity to end such profound struggles, but the nations of the Hemisphere can try to contain and reduce the conflicts, to insulate them from the East-West rivalry, and to limit their human costs. Outside powers can refrain from fueling civil wars by desisting from aiding insurgent movements. More positively, they can also use their influence and offers of material assistance to encourage the process of reconciliation. Sustained external pressure for peace can sometimes be effective.

In the case of El Salvador, active international involvement will be necessary to achieve peace. There can be no lasting military solution to the kind of civil war that wracks El Salvador today. Even if one side were to win a temporary military victory, the losing forces would no doubt retreat to the hills and carry on a protracted guerrilla struggle. Reliance on a military answer to El Salvador's conflict is a recipe for further war.

We are also convinced, however, that elections held under the sole auspices of one of the contending sides in a prolonged civil war, and in which significant groups do not participate, will not resolve the conflict. The recent elections in El Salvador attest to the desire of hundreds of thousands of citizens to end the violence, but they also strongly reinforce

our conviction that elections without prior negotiations among the belligerents are not enough. Elections alone do not make effective democracies; democracies make effective elections.

International pressure, expressed preferably through the Contadora process, is needed to move the struggle in El Salvador from the battlefield to the political arena. Appropriate interim arrangements must be devised to win the confidence of Salvadorans in their country's political process so that free and fair elections can be held in which all parties participate. The precise details of such arrangements cannot be specified in advance; they must emerge from negotiations among the contending groups. To bar any such arrangement in advance by labeling it "power-sharing" is to become imprisoned in a semantic trap and to prejudice the negotiating process before it begins.

Because of their ties to the contending groups, it is vital that the governments of Cuba, Nicaragua, and the United States come out strongly in favor of such discussions and that they use their influence to encourage the parties to negotiate in good faith.

The approach we recommend does not mean that one group or another will "shoot its way into power." It simply recognizes that peace can only be achieved if both sides are included in the process, most likely under the auspices of either the Contadora group or another international presence. There is no road to peace without compromise.

Much of the above also applies to Nicaragua. Peace will not be achieved there until the democratic opposition is brought fully into the political process and guaranteed the right of free expression. Discussions should be promoted between the government of Nicaragua and the opposition groups to lay the basis for truly fair, internationally-observed elections, open to all who wish to participate.

The Human Dimension

Discussions of security, conflict, insurgencies, negotiations, interim arrangements, and elections tend to obscure that the lives of millions of women, men, and children are at stake in Central America. The civil wars may have brought hope to some, but they have meant anguish for most people in the region. A plan for peace in Central America must focus at once on ending Central America's bleeding and on helping the millions of victims of the region's violence.

Some 150,000 people have been killed during the last few years in the internal wars in El Salvador, Guatemala, and Nicaragua. As many as 1.5 million persons, up to 10 percent of the population of these three countries, have fled their homes to escape the violence. Between 500,000 and 1 million are still displaced within their own nations; another 500,000 are refugees in Belize, Costa Rica, Mexico, Panama, and the United States. And millions of others live in fear and desperation. The violent conflicts are worsening poverty and repression throughout the region.

The only real solution to all this suffering is to end the violence in Cen-

tral America. Until then, however, programs to alleviate misery are urgently required. Assistance to the displaced within El Salvador, Guatemala, and Nicaragua should be administered by international agencies. Local churches and independent organizations can be helpful, but they are too vulnerable to reprisal and interference to assume full responsibility. Even in the neighboring countries that provide refuge, the utmost care must be taken to protect refugees from incursion and harassment.

The governments and the people of all the nations to which Central Americans are fleeing have a humanitarian responsibility to aid the victims of violence, and to do so with generosity and understanding.

The Underlying Problems

Central America's tragic conflict is not the result of an international Communist master plan. Cuban and Soviet policies doubtless try to exploit Central America's turmoil, but there would be conflict in Central America even if all external support for revolution were to end.

Central America's violence arises in major part from pervasive and persistent economic deprivation, social injustice, and political repression. Centuries of poverty, exploitation, and autocracy—all breeding resentment, alienation, and desperation—will not be quickly reversed.

The time is long past due to begin confronting the problems that feed Central America's violence. A first step, a prerequisite to progress, must be to eliminate state and anti-state terrorism in Central America. It is essential to stop the death squads that have so cursed the political life of Guatemala and El Salvador. There will be no end to Central America's pain so long as this wanton violence is tolerated.

The United States and the Contadora countries should strongly encourage the newly-elected government of El Salvador to act decisively to put an end to the death squads and the flagrant abuses of human rights by its regular armed forces. If a firm course is set in this direction, and if the government of El Salvador undertakes determined efforts to negotiate a political solution to the conflict, the case for providing it sustained military assistance would be more persuasive.

Central America's other basic problems need to be tackled as well. Social and economic reforms—particularly land reforms that would give peasants a greater stake in their own production—should be actively encouraged and firmly backed. A long-term effort should be undertaken to help expand Central America's economies: by financing infrastructural development, by investing in human and physical resources, by supporting local efforts to encourage family planning, and by opening the markets of the United States and other industrial countries to Central American exports. Many of the specific recommendations on economic issues made in the National Bipartisan Commission's report on Central America are worthwhile, but they will only be effective if they are linked to meaningful political and social reforms and closely tied to the process of regional peacemaking. The United States and other inter-

ested powers should make it clear that the prospect of major outside support for Central America's development is contingent on concrete steps toward peace. Ultimately, a comprehensive political settlement is required for long-term, stable development in Central America.

Finally, initiatives to expand the effective participation of Central Americans in determining their own political future should be strongly encouraged. Sustained democracies will not emerge quickly in countries with little history of popular participation or respect for political diversity. Steps in this direction should be reinforced, however, throughout the region—in Guatemala, Honduras, and especially El Salvador and Nicaragua. Where effective democracy has been achieved, as in Costa Rica, it should be supported and helped to survive. Unless the peoples of Central America feel committed to the political processes of their respective countries, peace—even if it can be achieved—will not last.

The path toward peace in Central America, though no doubt arduous, may now be open. All the governments and movements of the region should know by now that the present course is sterile. They must understand that further escalation of violence will bring new dangers. And they know that if the wars are not to widen, they need to be stopped.

Strengthening Contadora

We believe events of the last year have shown that the Contadora initiative affords the best chance for building peace in Central America. The four Contadora nations have some influence and leverage in Central America but are not widely regarded as interventionist or intrusive. Each of the Contadora countries is committed to helping bring peace to the Central American isthmus. Their efforts have been cautious, to be sure. The four Contadora countries have somewhat different perspectives and priorities; they have encountered some resistance at home and in the region, as well as mixed signals from the United States; and the conflicts in Central America they seek to mediate seem intractable. It is unlikely, however, that any better avenue will be found for bringing external influence for peace to bear on the Central American conflicts.

We call upon the Contadora presidents to redouble their efforts in Central America. We hope they will give their personal and prompt attention to the reports now emerging from the Contadora-initiated working groups on security, political, and economic-social matters. If these reports warrant, we recommend that the Contadora presidents discuss next steps not only with the Central American presidents but, in separate meetings, with the presidents of the United States and of Cuba.

We urge the other nations of the Americas to make clear their readiness to support the Contadora process: by political solidarity; by economic assistance contingent on Central American peace; and by providing personnel and technical backing, on request, for peace-keeping measures, verification, and monitoring.

In particular, we urge the Government of the United States to take

concrete initiatives to foster peace. Over recent months, the *contras* have stepped up their activities with the “covert” support of the United States. The United States should immediately end support for the military and paramilitary activities of the *contras* against Nicaragua. Although some of us think that past pressures may have influenced Nicaragua to be more conciliatory, we believe that further support for them is unjustifiable. It would be ineffective, counter-productive, and, in the view of most of us, plain wrong.

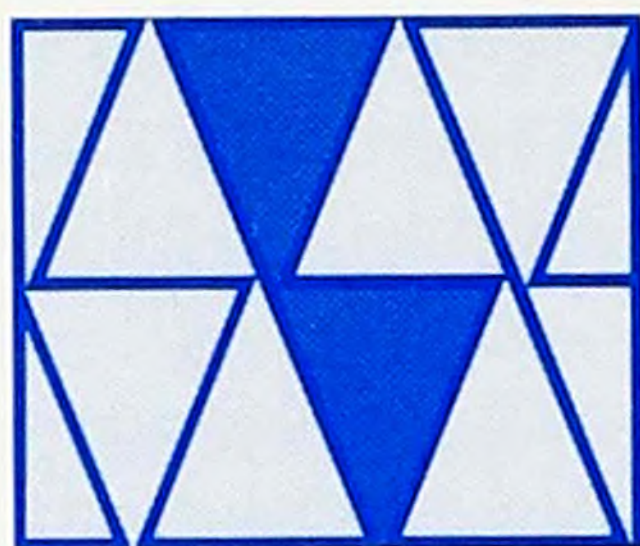
The Contadora countries should obtain firm assurances from Cuba and Nicaragua that neither country will provide military or paramilitary support for the insurgents in El Salvador. If such assurances are forthcoming and are not contradicted in practice, the United States should demonstrate its readiness to cooperate for peace by scaling down the level of its military construction in Honduras and by reducing the duration, size, and frequency of its maneuvers in the region. The United States should make clear its willingness to reduce further its military involvement in Central America provided that reciprocal measures are undertaken by Cuba—perhaps at the behest of the Contadora nations—to reduce its military presence in the region.

The prospects for stability and peace in Central America could also be enhanced if an opportunity were found for the United States and Cuba to discuss their differences. The mutual invective between Havana and Washington has worsened in recent months, and the outright military clash between U.S. and Cuban forces in Grenada has exacerbated tensions all the more. Each country holds the other responsible for most of Central America’s ills. Each speaks in exaggerated tones that illustrate the neuralgic quality of the U.S.-Cuban relationship.

Twenty-five years after the Cuban revolution, the United States and Cuba still lack conventional diplomatic relations. It is important that the two countries communicate about Central America sufficiently to avoid miscalculation and the danger of wider war that might result. More positively, it may be that an opportunity exists for a mutually acceptable resolution of Cuban-U.S. differences over Central America on the basis of a shared interest in de-escalating the conflict. Exploration of the prospects for dialogue between Havana and Washington, perhaps conducted at first through the Contadora intermediaries, should be strongly encouraged.

Turning Toward Peace

The prime requisite for making peace in Central America is not more aid, more weapons, or more advisors, but political will. All those involved—the governments of El Salvador, Nicaragua, and Guatemala and the opposition movements in those nations; the governments of Costa Rica and Honduras; the Contadora governments; the governments of the United States and Cuba—must turn toward peace. They must do so with decisiveness, perseverance, and a commitment to succeed. The time to act is now.



CHAPTER THREE

Progress Toward Democracy

All participants in the Dialogue share a deep commitment to democracy—to the progressive achievement of social justice in a context of political freedom, broad participation, regular and free elections, and constitutional guarantees.

Democratic governments take different forms in different countries. Some are more effective than others at discharging their responsibilities. Democracy is never a panacea. Whatever their exact form, however, democratic governments are the best guarantors of fundamental human rights and civil liberties. They are also more likely than authoritarian regimes to enact equitable social and economic reforms that last. Broadly based and sustained commitments to social justice are crucial to reducing the political tensions within all countries of the Hemisphere. In countries torn by civil strife, these commitments are required for national reconciliation, durable peace, and true security. Democracy is basic to the well-being of the Hemisphere.

In last year's report, we called attention to the return to democracy underway in much of the Hemisphere. Although we were heartened by what we believed was a trend toward democracy, we recognized the difficulty of sustaining and expanding fragile political openings. A year later, we are still encouraged, but we are even more conscious of the obstacles. The deepening conflicts in Central America inhibit meaningful progress toward democracy there. The economic crisis throughout the Hemisphere threatens the stability of all governments, authoritarian and democratic alike. In this difficult context, the continuing expansion of democratic rule in South America is all the more impressive.

Although the sources of democracy are internal to each country, the prospects for its emergence and growth are affected by international developments. We want to set forth some recommendations for creating conditions more favorable to democracy throughout the Hemisphere. Because Chapter 2 of the report is devoted to Central America, this chapter concentrates on South America. We believe, however, that most of our recommendations would apply to all of Latin America and the Caribbean.

Recent Progress Toward Democracy

During most of the 1970s, authoritarian rule prevailed in every country of South America except Colombia and Venezuela. Even in Uruguay and Chile, where the tradition of continuous democratic government had been longest, the crises of the early 1970s led to military dictatorships. The authoritarian regimes promised to restore national unity, institutional order, economic development, and eventually to return to democracy. Some regimes seemed successful for a while, but all have failed on most of these fronts in recent years. Now, one by one, they are being compelled to accelerate the return to democracy.

No country in South America has changed from democratic to authoritarian rule in the 1980s. Venezuela has strengthened its democracy, which it has now enjoyed for thirty years. Its recent presidential elections brought another peaceful change of administration. Despite the challenges of a guerrilla movement, Colombia has also demonstrated the resilience of its democratic institutions. It elected a new president last year who offered amnesty to those guerrillas who would lay down their arms.

Over the last several years, three other Andean countries—Ecuador, Peru, and Bolivia—have regained democratic rule. In each case a demoralized military regime gave way to an elected government, but the new governments have been buffeted by economic recession and the region-wide debt crisis. Prices of exports have fallen, costs of essential imports have risen, and unemployment is at record levels. Over the past year, floods and droughts have devastated much of the three countries' agriculture. Moreover, the Belaunde government in Peru has had to respond to the Sendero Luminoso, an increasingly bold terrorist movement. In the face of these difficulties, all three countries have so far been able to sustain their democracies.

Democracy in the Andean region is reinforced by the progress in Argentina and Brazil over the past year and by the democratic stirrings elsewhere in the Southern Cone. In November, Argentina elected a civilian government after eight years of military rule. We do not underestimate the difficulties confronting Argentine President Raul Alfonsin. Argentina has endured the traumas of a brutal internal conflict and defeat in the South Atlantic. Its economy is badly damaged, and its debt is staggering. Nevertheless, for all of the difficulties, the new political climate in Argentina is testimony to the powerful public sentiment supporting democracy. In a country where little seemed possible a few months ago, the return to democracy has restored hope for political reconciliation and civic decency.

What happens in Brazil over the next year may be critical to sustaining the momentum for democracy throughout South America. In November, 1982, congressional and state elections in Brazil demonstrated the military's commitment to a measured political opening. Opposition governors now serve in the most powerful Brazilian states. A presidential election, conducted by a government-controlled electoral college, is

scheduled for January, 1985. But after twenty years of military rule, in the midst of a calamitous economic situation, Brazilians are increasingly impatient for the election of a president by direct popular vote and for the full return to democracy.

Events in Brazil and Argentina have heartened democratic forces in neighboring Uruguay and Chile, where pressures are mounting for return to civilian rule. In Uruguay, the military government has announced a limited political liberalization. Demands have been rising to open the presidential elections, planned for November, 1984, to the full political spectrum. In Chile, the Pinochet regime has so far refused to consider elections before 1989, but popular pressures for an early political opening have increased.

Even Paraguay is not impervious to the democratic trend in South America. Its authoritarian regime would be severely tested if democratic governments emerged in all neighboring countries.

In Support of Democracy

There is a renewed conviction throughout the Hemisphere of the necessity for greater popular participation in politics. Americans—North and South—have long expressed their highest political aspirations in democratic terms. Even authoritarian governments, upon seizing power, typically promise eventual elections and justify their repression as preparation for the return to democracy. Such proclamations may seem cynical. They are, nonetheless, a recognition that democratic ideals are the prevailing norms in this Hemisphere. Dictatorships may be rationalized and abided temporarily, but support for them is inherently unstable. Regimes that cannot claim to rule with the consent of the governed lose their legitimacy.

Public acceptance of authoritarian rule has also declined sharply over recent years because military governments have so often failed to accomplish their stated goals. Despite their promises of economic growth and stability, and their success for a while, military regimes have been associated with the worst economic crisis in fifty years. Despite promises to restore national unity, they have pursued inequitable policies widening the division between rich and poor. They have sought to impose political order on their countries through repression and human rights violations. The result has been political division and social unrest. Most military regimes have been less successful than democratic governments in pursuit of their goals. And the cost of their efforts—in terms of social inequities and human rights violations—has been higher.

Against this record of authoritarian regimes, the arguments for democratic rule are compelling. Citizens have the right to be ruled democratically; democracy is a fundamental political and civil right. We also believe that democratic governments are more likely than authoritarian regimes to achieve other desired social goals. Democratic rule is the surest way to protect basic human rights, including freedom from arbitrary arrest, torture, murder, or “disappearance.” Authoritarian

regimes can pledge themselves to respect human rights and civil liberties; but in the absence of a free press, free trade unions, an independent judiciary, and other institutional arrangements for due process, individual citizens have no protection against arbitrary actions by the state.

Although poverty and inequality breed social unrest in all nations, revolutionary violence and a totalitarian outcome are far more likely to occur where free political participation and peaceful social reform are blocked. Democracy does not guarantee either equity or growth. It does, however, offer more promise of political reconciliation and of effective social and economic reform than do authoritarian regimes. Democracy provides greater economic opportunity for the individual and more equitable distribution of income. Without progress toward social and economic democracy, the stability of democratic government is uncertain. Political legitimacy requires both broad, popular participation in the election of democratic governments and effective action by those governments in meeting the basic needs of their peoples.

Progress toward democracy within individual countries and throughout South America is mutually reinforcing. By acting cooperatively, democratic governments can help to create an international climate more favorable to democracy in their own countries and to democratic transitions in nations under authoritarian rule. The return to democracy in most of South America also encourages the revival of the inter-American system through such shared values as respect for the rule of law, tolerance for political and ideological diversity, and belief in the sanctity of basic human rights.

Difficulties for Democracy

This is not the first time that South America has seemed on the verge of a democratic era. At the beginning of the 1960s, elected civilian governments emerged in most of the continent. That so many were short-lived underscores why it is important to do whatever is possible to strengthen the prospects for democracy now.

Historically, the greatest obstacle to democracy in South America has been the weakness of political, governmental, and civic institutions. Part of the explanation for the weakness of these institutions is the gulf between the poor majority and the rich that divides most South American countries. Extremes of wealth and poverty encourage political and ideological extremes. Even nations such as Chile and Uruguay, with strong democratic institutions and relatively high living standards, proved vulnerable in the early 1970s to extremists who rejected compromise and reform.

But the fragility of democracy in South America is not only the product of weak civilian institutions. It is also the result of military interventions that have thwarted the expressed will of electoral majorities. In much of South America, military establishments have regarded themselves as the guarantors of national order, reserving the right to intervene in poli-

tics when it becomes unduly chaotic or divisive. By disrupting constitutional procedures, albeit with the backing of an important segment of the middle class, military interventions have undermined civilian institutions and democratic processes.

During periods of military rule, the suppression of democratic institutions and civil liberties diminishes opportunities for citizens to participate in civic affairs and to gain political experience. When democracies are restored, they must not only rebuild civic, political, and governmental institutions but also train new political leaders.

Democracy faces special challenges at this juncture in South America. The failure of military regimes has been due in part to their inability to manage their economic crises fairly and effectively. Unless the new democratic governments gain broad support for their policies, which will require sacrifices from all citizens, they may once again open the way to the cycle of polarization, institutional breakdown, military intervention, and authoritarian rule. *It will take enormous discipline on the part of governments, opposition politicians, businesses, trade unions, and everyday citizens to pursue the austerity measures necessary for paying debt obligations and stemming inflation.* Heightened social instability, as indicated by the recent riots in Brazil and the Dominican Republic and strikes in Peru and Argentina, is a serious concern in Latin American and Caribbean countries facing economic crisis on an unprecedented scale.

The collapse of military authority in many countries is also due to the corruption of power and the violation of human rights and civil liberties. Democratic governments must show that they can maintain order, unity, and legality and that they will use power with both authority and restraint. To bring their nations back together, the new governments will have to restrain pressures for retribution against officials of the former regime. They will also have to incorporate into the political system members of the left and right who are prepared to abide by constitutional procedures. *If democracy is to succeed, it must be founded on reconciliation.*

The possibility of left-of-center reformist governments in some new democracies, combined with the near certainty of social unrest, will undoubtedly cause concern in the United States. If the conflict in Central America continues to escalate, some in the United States will be tempted to press an East-West view of the world on South American democracies seeking to pursue their national interests in their own ways. It would be tragic if the United States, out of concern over Soviet penetration in the Hemisphere, were to embark on another cycle of covert operations and destabilization policies. The United States would again be in the position of appearing to favor dictatorships over democracies. It would end up exacerbating the divisions within Latin American societies, encouraging ideological extremes, and weakening the underpinnings of inter-American relations. The United States and the South American democracies must understand their common long-term interest in seeking accommodation on specific issues and in protecting democracy in all its forms.

Recommendations for Supporting Democracy

The success of the efforts to achieve democracy in the Southern Cone and Brazil and to reinforce it elsewhere in South America is crucial to the well-being of the Hemisphere. Despite their difficulties and imperfections, democratic governments are always preferable to authoritarian regimes. The continuing economic crisis in the region and the attendant social unrest add to our sense of urgency. We know that democracy requires sustained commitment over the long term. It is vital, however, to strengthen the democratic momentum already underway. Over the last two decades, South Americans have experienced the social costs of political polarization and authoritarianism; they now seek a return to the observance of human rights and civil liberties. To support democracy today in the region is to support self-determination and popular participation, together with political moderation, compromise, and reconciliation.

We remain skeptical about the capacity of governments, particularly their foreign policy agencies, to foster democracy by direct, politically-oriented assistance to other countries. Outside efforts to promote democracy easily become entangled with sensitive internal issues and may thereby be viewed as unilateral intervention. Other governments, especially those of larger and more powerful countries, can damage the prospects for democracy even when they mean well.

By its very nature, democracy must be achieved by each nation largely on its own. It is an internal process rooted within each country—in its history, institutions, and values; in the balance of its social and economic forces; and in the courage, commitment, and skill of its political leaders. As we stated last year, *democracy is not an export commodity. It can and should be nurtured from abroad, but it cannot be transplanted from foreign countries.*

We make ten recommendations for improving the prospects for democracy in the Americas. In a few instances, our recommendations call for positive action; in most, they call primarily for restraint.

1. Unilateral intervention in the internal affairs of other nations is antithetical to democracy. It contravenes international treaties and norms that are vital to the long-term peace and security of all nations in the Hemisphere.

Intervention violates the right of self-determination which is the underpinning of every democracy. In denying nations their right and responsibility to govern themselves, it provokes reactions of dependence or of defiance, each ultimately destructive of domestic and international relations. Moreover, in violating international treaties, intervention undermines respect for the rule of law. *We call upon governments to refrain from activities, covert or open, which undermine the political autonomy or integrity of any other country.* The principle of non-

intervention must be respected throughout the Hemisphere. A revived inter-American system should monitor compliance with this principle.

2. The advancement of democracy in the Hemisphere should be a basic objective of all democratic countries, including the United States. *Supporting democratic government as a tactic for some other end—such as combatting communism or promoting free enterprise—weakens democracy and discourages democratic leaders.* For external support to be effective, it must be consistent and unwavering. A credible U.S. commitment requires patience, tolerance, and restraint, even when particular democratic governments and their policies are not to its liking. Over the long term, the United States and other governments should convey support not for particular political outcomes but for the democratic process itself. The same commitment is required of political leaders and ordinary citizens within each democracy. They, most of all, must be willing to stand by democratic rules and procedures despite disappointments and setbacks.

3. *Foreign support for democracy is best accomplished within a multilateral or regional framework.* The efforts of large countries acting alone, no matter how well-intentioned, may be construed as self-interested attempts to interfere in the internal affairs of weaker nations. On the other hand, cooperative measures by the region's democracies are more likely to be perceived as disinterested and legitimate.

4. The management of the debt crisis by South American governments, multilateral institutions, the U.S. Government, and the banking community greatly affects not only economic but also social and political stability in the Hemisphere. If governments are forced to embrace austerity programs in which the balance of payments and debt servicing take absolute priority, the resulting economic conditions may provoke social unrest and political disorder that would lead to default. Thus, in some cases, it is in the interest of everyone to reduce the burden of debt payments and to extend them over time.

Most of us believe that democratic governments, by virtue of their ability to seek compromise and consensus, are better equipped than military regimes to devise stable economic programs and to distribute the losses in real income equitably. Others of us are uncertain. Nevertheless, as stated in Chapter 1, we all believe that the prospects for the new democracies depend to a great extent on the financial leeway they are granted by the IMF and their creditors. *Nothing could contribute more in the short-term to improving the prospects of these governments than alleviating their current financial crisis and permitting them to focus on economic growth and equity.*

Over the long-term, such development agencies as the World Bank, the Inter-American Development Bank, the U.S. Agency for International Development, and the South American governments themselves should increase their commitment to reduce poverty, improve income distribu-

tion, and create new jobs. Poverty-focused programs for basic education, primary health care, low-cost housing, small farmers, and small enterprises can yield high economic returns and strengthen the social underpinnings of democracy. We believe that the multilateral and bilateral development agencies should show preference for such programs in democratic settings, where their assistance will have the most beneficial effect.

5. The balance between civil and military authority in most Latin American democracies is likely to remain precarious. Relations between civilian governments and military officers recently returned to their barracks are extremely sensitive. *Foreign governments should not allow their relations with the armed forces in another country to undermine that country's civilian authority.* The United States and other foreign powers should be especially sensitive to this injunction in undertaking programs of military assistance and training. We also believe that arms control and disarmament measures should be pursued individually by each civilian government and jointly by the region's democracies. Such measures would not only reduce tensions between nations but also free resources for social and economic programs. To the extent that a revived inter-American system settles outstanding border disputes in keeping with our recommendations in Chapter 4, the rationale for reducing the size of armed forces will be enhanced.

6. Regular and free elections are essential to democracy. We recommend that a regional organization of democratic governments make available technical assistance in preparing elections and in verifying their fairness when such aid is requested. Outsiders, however, cannot guarantee fair elections. The best assurance of meaningful elections in a transition from authoritarian to democratic government is the prior establishment of the rule of law and negotiations among political opponents over specific electoral rules and procedures. Elections that are rigged or manipulated, whether by stuffing ballot boxes, intimidating candidates, preventing assemblies, or censoring mass media, encourage cynicism. *Support by foreign governments for unfair elections undermines the idea of democracy and reinforces the view that political change must result from bullets rather than ballots.*

7. Governments affect the international climate for democracy by the tone and quality of their diplomatic relations. We believe that diplomatic relations should be regulated by a presumption in favor of democracy. Relations between democracies should be warm and supportive. Their relations with authoritarian and totalitarian regimes should be more distant. We question the utility of ostracizing any country from the inter-American community. But regimes that practice repression should not be given foreign assistance. Democratic governments should pursue a policy of material and symbolic support—in bilateral relations and multilateral institutions—for other countries striving to achieve or to maintain their democracies.

8. The protection of human rights and the advancement of democracy are mutually reinforcing. We reaffirm our opposition to economic or military assistance to governments that systematically engage in violations of basic human rights. We recommend that democratic governments strengthen the integrity and professionalism of their judicial and law-enforcement systems and place them under independent civilian control. We regard the free flow of information as a vital safeguard against governmental excesses and caution against the damaging effects of government control over print or electronic media.

Regional or multilateral action to protect human rights is not intervention but an international obligation. We affirm our earlier recommendations for strengthening the Inter-American Commission on Human Rights. We strongly support those private organizations in the Hemisphere dedicated to monitoring and protecting human rights without partisan or ideological favor. Their vigilance and courage continue to make a civilizing mark on the societies of the Hemisphere.

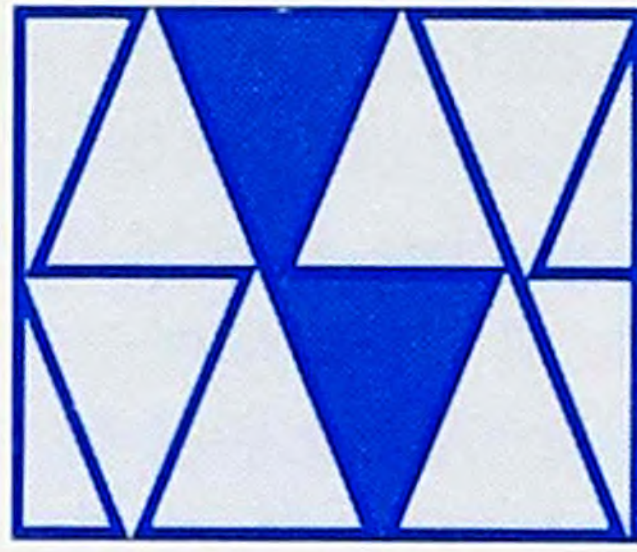
9. Freely elected governments do not by themselves make democratic societies. They must be underpinned by economic, social, and civic institutions that express and mediate people's demands and assume responsibilities for advancing not only their own interests but also broader public interests. Foundations, universities, scientific and professional associations, labor unions, and other private institutions in the United States, Canada, or Europe can be helpful in working cooperatively with private institutions in South America. Their efforts can strengthen local institutions that are important for building pluralism and democracy and securing the rule of law. During periods of authoritarian rule, collaboration from abroad may help to keep alive centers of critical inquiry and democratic practice. Within democratic settings, such organizations give vitality to civic discourse. To protect the integrity of such transnational relationships, we urge that they be removed from governmental or partisan controls and conducted in ways that respect political diversity and avoid promoting ideological division.

10. We note the establishment of the new National Endowment for Democracy, a private foundation for support of democracy financed by the U.S. Government. The increased interchange that the Endowment could facilitate among business, labor, political, and civic leaders of different countries might strengthen their sense of democratic solidarity; it would also increase their appreciation for the distinct forms that democracy takes in different countries. We are concerned, however, that the Endowment avoid intervening, or even appearing to intervene, in sensitive political affairs within any country. We urge the Endowment to develop clear guidelines for its grant-making and to do so in full consultation with Latin Americans. If the Endowment is to be broadly accepted and effective, it must support the full fabric of democracy rather than any particular ideology or partisan strand. We recommend that the Endowment work cooperatively with regional or multilateral institutions

and with well-established international organizations and private foundations. The experience of the Inter-American Foundation, a government corporation created by the U.S. Congress in 1969, is relevant. Rather than financing political organizations or activities, it has supported social and economic projects among grassroots organizations in Latin America and the Caribbean, which have encouraged local participation and self-reliance. We urge that the institutional autonomy and the nonpartisan character of the Foundation's program be maintained. These qualities, which would also serve the Endowment well, have been critical to the Foundation's acceptance by a broad spectrum of private, democratically-oriented organizations in the region.

In sum, our review of the recent authoritarian past of much of Latin America strengthens our democratic conviction. We believe that the danger of totalitarianism is more likely to stem from authoritarian regimes that thwart political participation than from democratic governments in any form.

The first and overwhelming responsibility for achieving and maintaining democracy rests with each country. We look to the leaders, citizens, and local organizations in each country to demonstrate the commitment, the discipline, and the tolerance needed to advance national reconciliation, to recreate hope for the future, and to achieve greater social justice. Other countries, especially the United States, can help. But we believe the most effective outside support may well be indirect—by rejecting policies that are unilaterally interventionist, cooperating in programs for the region that are multilateral, and assisting social and economic development.



CHAPTER FOUR

Rebuilding Inter-American Cooperation

The inter-American system is on the verge of collapse. The Organization of American States (OAS) and some of the related institutions which provide the backbone of this system have badly deteriorated in recent years. Never since the signing of the Inter-American Treaty of Reciprocal Assistance (Rio Treaty) and the founding of the OAS in the late 1940s have the means for collective security and mediation of disputes been so weak and ineffective. There is cause for alarm, not out of misplaced nostalgia, but because the demise of the inter-American system would threaten the interests of all our countries. The election of a new OAS Secretary General, João Clemente Baena Soares, in March, 1984, creates a fresh opportunity to focus on these problems.

In recent years, the OAS has become increasingly separated from the major issues of the Hemisphere. In some cases, it has been conspicuously absent from any significant role; in others, it has been completely ignored. The OAS has been largely relegated to the sidelines throughout the civil war that has raged in El Salvador, and during the mounting conflict within Nicaragua between the Sandinista government and rebel forces supported by the United States and Honduras. The OAS was never consulted before or after the invasion of Grenada in October, 1983, by the United States, Barbados, Jamaica, Dominica, St. Vincent and the Grenadines, Antigua, and St. Lucia. The OAS went unheeded during the Malvinas/Falklands War in 1982 which pitted the United Kingdom against Argentina. Nor has the OAS played a major part in grappling with the great economic concerns of Latin America in the 1980s, such as the foreign debt crisis, recession, growing protectionism, high interest rates, and worsening terms of trade.

The dramatic decline of the inter-American system has obscured the very real accomplishments of the OAS and its related institutions in the past. The OAS once served as a model for other parts of the Third World with similar regional organizations. The Inter-American Commission on Human Rights, created under the auspices of the OAS, has mobilized the conscience of the Americas and has sometimes embarrassed oppressive governments into modifying their policies. Discussions within the OAS

during the 1940s and 1950s led to the foundation of the Inter-American Development Bank, the first of several banks for different regions of the world that have helped to promote development. In the political arena, too, the inter-American system had some impressive feats to its credit. For example, the OAS was instrumental in bringing about a cease-fire in the 1969 war between Honduras and El Salvador and in achieving a durable peace for that conflict during the subsequent decade.

These successes were made possible by a widespread consensus that the OAS and its related institutions could function effectively with the strong backing of the Hemisphere's governments. *The central problem of the inter-American system today is very serious: the member governments no longer seem interested in making it work. No amount of organizational tinkering can substitute for a new commitment to self-restraint in conflicts and for a new endeavor to work toward common interests.* But before exploring possible ways by which the system and its institutions can be resuscitated, it is worthwhile to review how the inter-American system came into being and why it has declined.

The Bases of the Inter-American System

The inter-American system arose because both the United States and the countries of Latin America showed an interest in creating an effective regional organization under Article 51 of the U.N. Charter. Both sides were seeking a mutually acceptable framework within which to relate to one another while recognizing the power of the United States and the sovereignty of the Latin American nations. This was the tacit understanding between the United States and Latin America which underlay the signing of the Rio Treaty in 1947 and the creation of the OAS a year later.

Contrary to the expectations at the time, the creation of the inter-American system was not followed by decades of harmony, in which inter-American institutions became ever stronger and more useful to the member states. The framers of those institutions had designed a collective security system to deter outside aggression against a member nation. They failed to foresee that the economic and political changes characteristic of the postwar era would lead almost everywhere in Latin America to unrest, instability, and, at times, revolution. Because of the U.S. tendency to view power in world-wide terms, its security planners came to see the rise of leftist governments, whether by violent revolution or the ballot box, as providing the opportunity for Soviet power and influence to be introduced into the Hemisphere. By contrast, most Latin American countries tended to view the world more narrowly. Thus they were less apt to see their security as being jeopardized by the rise to power of a leftist regime in one of their neighbors. Only in the most extreme cases—Cuban attempts to foment revolution in several countries during the mid-1960s, and Trujillo's meddling in Venezuela—were sanctions applied under the Rio pact.

Recognizing the difficulty of applying collective security procedures to

internal turmoil, the United States began to revert in the 1950s to the practice of unilateral intervention that had characterized U.S. policy before 1930. An alternative to sending in the Marines was found in the CIA's newly-created apparatus for covert operations, which was first used in Guatemala in 1954. Since then, the United States has resorted both to covert operations and to direct U.S. military action as forms of intervention. The United States received what amounted to OAS approval in the aftermath of the military intervention in the Dominican Republic in 1965. But the decision only served to weaken the OAS in the long-run because many came to view it as a cover for the imposition of the U.S. Government's will in the Dominican Republic.

Collective security against outside aggression has been only one pillar of the postwar inter-American system. Another key concept has been the mediation of disputes between member nations. And here, too, the role of the OAS has deteriorated in recent years. This decline has taken place against the background of worsening U.S.-Soviet relations throughout the world since the late 1970s. The coming to power of revolutionary governments in Grenada and Nicaragua in 1979, and the responses to them by Cuba, the United States, and others, have brought the revived Cold War into the Caribbean Basin. In the late 1970s, Cuba resurrected, for the first time in a decade, its active support for insurgencies in the Western Hemisphere—specifically in Nicaragua, El Salvador, and Guatemala. Nicaragua acted in a similar vein after the rise to power of the Sandinista government in 1979. From the U.S. perspective, the unwillingness of the OAS to agree on ways it could concretely support its call for an end to the Nicaraguan civil war in June, 1979, diminished the utility of the OAS even as a mediator in Central America. Since 1981, the United States has stepped up its support for governments faced with insurgencies. And with Honduras, it has actively backed the anti-Sandinista forces that seek to overthrow the Nicaraguan government. *Subversion has replaced mediation as the pattern of international conduct in Central America.*

Looking Ahead

There are collective security problems in the Americas. There remains a pressing need for mediation of conflicts. And the principle of nonintervention serves the interests of weak states today as much as ever. Latin American countries have a profound stake in trying to defuse the dangers posed by all of the following potential crises:

- renewed war between Argentina and the United Kingdom;
- mobilization, to the edge of war in late 1978, between Argentina and Chile over a territorial dispute involving islands off the southernmost reaches of their countries (a conflict was averted then due to mediation by the Vatican);
- the subversion of incumbent governments by other nations, big or small, right-wing or left-wing;

- the collapse of the procedures and agreements that have contained nuclear weapons proliferation in the Hemisphere;
- heightened conflict over the legacies of colonialism (Belize-Guatemala, Venezuela-Guyana);
- the establishment of new, permanent military bases and personnel by the superpowers in Caribbean, Central, or South American countries.

The United States, too, has a considerable stake in containing conflicts in the Hemisphere. Until now, only modest U.S. military resources have been committed to the defense of Latin America or of U.S. interests in Latin America. This “economy of force” has allowed the United States to commit the bulk of its military resources to the defense of its own and allied interests in Europe, East Asia, and the Middle East.

The most effective and least expensive way to protect the shared interests of countries in the Western Hemisphere is to reconstruct the concepts of collective security and mediation that underpinned the inter-American system in the years immediately after World War II.

The world and the Western Hemisphere of the 1980s are not the same as those of the 1940s. The dominance of the United States in almost every sphere that characterized the immediate post-war period has given way to great diffusion of power in the international system. Within this Hemisphere, several Latin American countries have become increasingly active in international affairs. They project their interests and influence in the world without mediation by Washington. Canada, too, has become a more important independent actor. All these changes need to be taken into account, but the basic principles underlying the inter-American system can be refurbished.

We recommend that the United States and the governments of Latin America and the Caribbean agree that the following are unacceptable in the Americas: the deployment of Soviet strategic forces; the deployment of Soviet conventional forces in Cuba and of Soviet or Cuban conventional forces anywhere in the Hemisphere outside of Cuba; and material support from any foreign source for insurgencies seeking to overthrow other hemispheric governments. These principles can serve as a basis to rebuild inter-American collective security.

A revived collective security system requires—and we recommend—that the United States renew its commitment, in a credible and convincing way, not to intervene unilaterally in the internal affairs of other American countries, just as the United States calls on other countries to do. The United States should agree not to intervene unless sanctioned by the OAS. Such a commitment could provide the moral and political underpinnings of collective security.

History demonstrates that the roots of interventionism run deep in the North American psyche. A sustained and credible U.S. policy of non-intervention requires acknowledging the anxieties that have shaped U.S. policy toward Latin America for more than a century. It is these concerns which today produce a profound ambivalence in the United States about intervention. On the one hand, much of the U.S. public senses that

its government's policies in Central America run the risk of widening the conflict and leading to a choice between "defeat" and direct U.S. military action. On the other hand, the same public sees the Soviet Union and Cuba ready to exploit opportunities presented by indigenous revolution in Central America and elsewhere. Hence, opinion wavers between concern about the consequences of intervention and fear of the extension of Soviet power to the Hemisphere.

In order to deal with this dilemma, two courses of action must be pursued. First, people in the United States need to be reassured that their country can prevent a revolutionary regime in Latin America from providing military bases to the Soviet Union which pose a strategic threat to the Hemisphere. The United States has already done this successfully with regard to Cuba since the 1962 Missile Crisis, when Washington imposed a naval blockade to force the withdrawal of Soviet intermediate range missiles.

Yet, strategic containment, while necessary, may not be sufficient to legitimize within the United States a policy of nonintervention. There is another deeply-felt principle—that democracy should be the norm, if not in the whole world, certainly in the New World. *It is troubling to Americans, North and South, that the alternative to repression by the right so often seems to be repression by the left. The U.S. public might support a policy of nonintervention with greater enthusiasm if the Hemisphere's multilateral institutions are promoting democracy.* This means strengthening the Inter-American Commission on Human Rights. It also would require democratic states to use political freedom as a yardstick by which to gauge the appropriate distance in their relations with other American states. Such a policy of distinguishing between authoritarian and democratic regimes can be more easily justified if it is sanctioned by the collective will in the Hemisphere's institutions.

Latin Americans will need to be assured as well that a strengthened collective security system does not become merely a substitute for unilateral intervention by the United States. That will require time and a demonstration that a renewed U.S. commitment to multilateralism in the Hemisphere is not simply rhetoric.

Even a refurbished inter-American system can no longer perform all the tasks that were expected from it in the past. The OAS alone cannot provide for hemispheric peace. Informal or ad hoc procedures will be necessary in many situations of conflict where the OAS proves to be too unwieldy for quick, effective action.

Precisely for this reason, we recommend strong support for the activities of the Contadora countries to promote peace in Central America (see Chapter 2). They offer the best prospects for achieving these shared collective security goals. Contadora exists because the OAS has not been working properly. The Contadora governments are especially suited to engage the support of the pertinent Latin American countries. They can generate trust and cooperation from Cuba and Nicaragua more effectively than the OAS. The Contadora members should work to convince Cuba and Nicaragua to restrain themselves in exchange for restraints by governments supporting their adversaries. Then, perhaps, international subversion could give way to collective security and mediation.

With regard to other disputes, we recommend several measures to make the machinery of the OAS more effective:

1. The Secretary General and agenda formation. At present, the OAS is stymied by the reluctance of members to place matters on the agenda for discussion; only "interested parties" can now call matters up. Some disinterested party must be able to call for discussions to explore causes and solutions of disputes. The OAS Secretary General should play such a role. We support a Charter amendment that would increase the OAS Secretary General's authority at least to the level of the UN Secretary General. In the interim, we recommend that an informal commission of the OAS Council work to facilitate such changes. Under the Council's mandate, the Secretary General should become a more active intermediary in preventing and resolving crises in the Hemisphere.
2. Quality of personnel. We strongly urge that the hemispheric governments signal their renewed dedication to the OAS by appointing ambassadors and other diplomatic personnel of high caliber to represent them before the OAS.
3. Fact-finding. We recommend that the fact-finding role of the OAS Permanent Council on Meetings of Consultation be reactivated. In the past, the Council has sent teams of ambassadors solely on fact-finding missions when flare-ups occur. But their presence, not threatening to any party, can also be used to help calm emotions, clarify issues, and quell rumors.
4. Arms-monitoring. We recommend that the OAS begin to gather and publish data on arms and arms transfers in the Hemisphere to call attention to policies of member countries that arouse concern among their neighbors. Such data-gathering may, alternatively, dispel fears that might fuel arms races. It would establish the precedent that arms build-ups are a matter of collective concern.
5. Confidence-building. We recommend that the armed forces of Latin America go at least as far as NATO and the Warsaw Pact do in the implementation of confidence-building measures. Ad hoc agreements, within or outside the auspices of the OAS, should commit Latin American armed forces to provide notification in advance of any major military maneuvers within 155 miles of a neighboring country's border (a proposal to which NATO and the Warsaw Pact have agreed). Latin American armed forces might give advance notice of 45 days, invite observers to such maneuvers, exchange information about the organization and location of military forces, exchange annual forecasts of certain military activities, and arrange to monitor and verify each other's compliance with these agreements. These proposals resemble those that NATO has offered to the Warsaw Pact. We further recommend that the United States offer the same confidence-building measures to all hemispheric countries, including Cuba and Nicaragua, provided they reciprocate fully.

6. Registry of boundaries. We recommend that countries that have rival boundary claims submit them to neutral boards of inquiry, under OAS or other mutually agreeable auspices, explaining the nature of disagreements. The parties would be encouraged also to submit such claims to arbitration. Where informal, ad hoc processes are now operating fairly well, such as the Papal mediation between Argentina and Chile, this procedure is not necessary. But it may help to resolve the maritime boundary delimitation issues that emerged, in part, as a consequence of the general acceptance of 200-mile economic jurisdiction zones under the Law of the Seas.

7. Nuclear energy and nuclear weapons proliferation. Latin American governments have searched actively and constructively for bilateral and multilateral means to prevent the spread of nuclear weapons in the Hemisphere. Troubling questions are raised by recent developments in nuclear technology in Brazil, and especially in Argentina, which is embittered by the outcome of the South Atlantic war with the United Kingdom.

We urge Argentina to ratify all protocols of the Treaty of Tlatelolco banning nuclear weapons from Latin America. We also recommend that Argentina accept all the safeguards required by the International Atomic Energy Agency to prevent the diversion of nuclear material from peaceful to military uses. We encourage Argentina and Brazil to build upon their current bilateral agreement concerning nuclear energy development as a means to foster confidence and cooperation between the two countries. We reiterate that Cuba should sign and ratify the Treaty of Tlatelolco.

We also recommend that the United Kingdom signal its good will toward Argentina by halting and reversing the conventional military build-up in the Malvinas/Falklands islands of the South Atlantic. The United Kingdom should also enter into serious discussions with Argentina over the future of these islands and waters in recognition of the policies undertaken by Argentina's new civilian government.

8. The OAS and international economic issues. The OAS has not been, and is not likely to be, a major factor in resolving the Hemisphere's international economic problems. The OAS has limited economic resources, so the World Bank, the Inter-American Development Bank, and the International Monetary Fund will continue to play the more important economic roles. Thus our main economic recommendations appear in Chapter 1. Nonetheless, the OAS could perform some useful roles. First, it might improve its program of technical assistance, focusing on project feasibility; this program also features fellowships, training courses, and information exchange which are particularly important for the smaller countries. The management of the program needs to have greater autonomy from the daily political supervision by OAS ambassadors that has characterized the recent past.

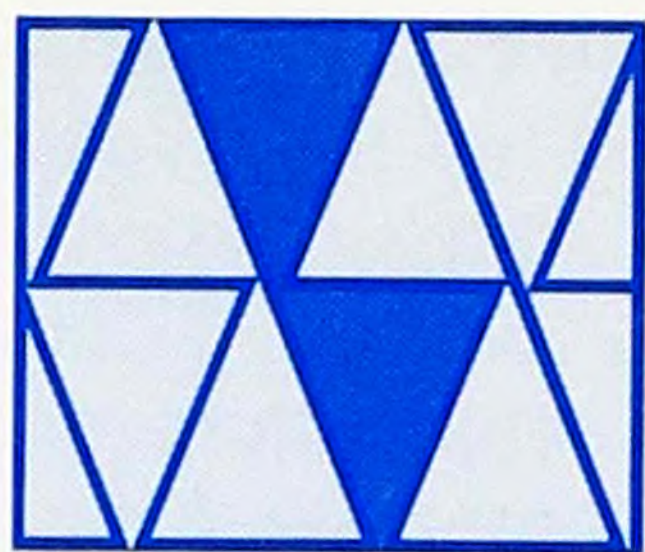
Second, the OAS could perform a more effective role of economic coordination if it were to adopt some of the practices of the Organization

for Economic Cooperation and Development (OECD). For example, the OAS could convoke meetings to help review economic development strategies and problems in a context less threatening than negotiations with the IMF. These meetings could assess the impact of IMF programs on Latin American countries. They could address trade relations in the Hemisphere more effectively than if the countries were to rely exclusively on the procedures of the General Agreement on Tariffs and Trade (GATT). Latin American countries may also pursue economic collaboration through regional integration agreements and through the Latin American Economic System (SELA).

9. Nongovernmental relations. The inter-American system should be nurtured not only through the actions of governments but also through those of private citizens and organizations. We therefore support bilateral and, especially, multilateral links that promote inter-American cooperation in social, educational, and economic activities among nongovernmental organizations.

10. Inter-American Commission on Human Rights. We strongly commended the work of the Commission in our report last year. It has contributed in recent years to the reduction of arbitrary rule and the promotion of democracy in many countries. We believe it should work to expedite its procedures in order to respond more quickly to violations of human rights in Latin America. We call especially on the democratic governments to work with the Commission to strengthen its capabilities.

International institutions and procedures, formal and informal, bilateral and multilateral, have served the Americas well in the past. We have a stake in seeing that they do so again in the future to reduce the dangers of war and to bring to an end the conflicts now under way. Flaws exist within the current institutions of the inter-American system, but the main problem lies with governments. It is up to them to ensure that in the future, the Western Hemisphere relies upon collective security and mediation rather than warfare and subversion.



CHAPTER FIVE

Improving Mutual Understanding

Communication and mutual understanding in the Western Hemisphere are badly frayed in a period when the fate of all Americans, from north to south, is increasingly linked.

The misperceptions and distrust evident in 1982 during the South Atlantic crisis vividly illustrated this deterioration. The frictions that arose during that crisis were not surprising, however, to those who follow inter-American relations. The diversification by Latin Americans of their international relationships and the withdrawal by North Americans from over-extended foreign involvements have contributed to reducing the opportunities for Latin Americans and North Americans to learn from each other. Their potential capacity to communicate has been exploding—due, in part, to new technologies. Actual inter-American communication and understanding, however, have diminished.

To be sure, comprehension and consensus are not the same. Some conflicts in U.S.-Latin American relations—on economic and financial issues, security, or ecology, for example—may become clearer as differences in interest and perspective emerge between north and south. *But the last few years have seen not only a rise in inter-American tensions, but also a decline in the ability of North Americans and Latin Americans to manage these tensions constructively.*

In part, the decline in U.S.-Latin American interchange results from the intermittent and sometimes haphazard attention paid to Latin America in the United States.

From the mid-1960s through the 1970s, efforts in the United States to focus on Latin America dropped in priority and funding. U.S. Government programs to bring Latin American students, professionals, and leaders to the United States, for instance, were sharply cut back. So were the programs of major U.S. private foundations operating in Latin America.

The cultural and educational influence of other nations—especially Germany, France, Spain, and the Soviet Union—expanded in Latin America while that of the United States receded. During the past few years, massive Soviet scholarship programs to educate youths from Caribbean Basin countries have attracted considerable attention; the fact

that total Soviet and Eastern European training now exceeds U.S. Government-sponsored awards in the region by a ratio of 14 to 1 is particularly telling. The larger pattern for several years, however, has been not so much one of Soviet activism as of declining official U.S. Government involvement in international exchange with Latin America.

This reduction in U.S.-Latin American exchange and understanding is troubling. And in two respects, it is also paradoxical.

First, it has been occurring at a time of heightened interdependence between Latin America and the United States. The economies of Latin America and the United States are increasingly intertwined, especially through financial flows, investment, and trade. The movement of tourists in both directions is considerable, as is the flow of students. Massive and indeed expanding migration binds the United States with certain parts of the Hemisphere, particularly Mexico, Central America, and the Caribbean. Large regions of the United States—in the Southwest, Southeast, and Northeast—are deeply affected by Latin American and Caribbean immigrants, in spheres ranging from business, labor, and politics to culture and cuisine. The need in the United States to know about Latin America and the Caribbean has been increasing.

Conversely, the United States continues to be overwhelmingly the most important foreign influence on the other nations of the Western Hemisphere. What happens to the economy, politics, society, or culture of the United States immediately and often fundamentally affects most nations of the Americas. Despite Latin America's evident emergence into the broader world arena, the relationship with the United States is cardinal for virtually every Latin American nation. The need for mutual comprehension has never been greater.

The second paradox is that *mutual understanding in the Americas has been worsening when the underlying potential for fruitful interchange has been at its highest*. The improved potential for mutually profitable communication between North Americans and Latin Americans derives from changed attitudes, enhanced human and institutional resources, and new technology.

Foundations for Enhanced Exchange

North American attitudes toward the rest of the world, including Latin America, are, on the whole, more modest than they were a generation ago. It is no longer possible for well-informed citizens of the United States to presume that their country has all the answers when it comes to economics, social organization, management, politics, or culture. It is widely appreciated that the United States has a great deal to learn from the rest of the world. After two decades of dynamic economic growth and transformation, social experimentation, and internationally-recognized intellectual achievements, Latin Americans are more self-confident about what they can contribute to cultural exchange. The enormous success in the United States and Europe of contemporary Latin American

novelists has fostered a new climate for inter-American communication. The changes in U.S. and Latin American attitudes, and the mutual respect that results, should make improved exchange possible.

Better exchange should result also from the fact that many more North Americans and Latin Americans than ever before are knowledgeable about each other's societies. Substantial U.S. investments in Latin American studies during the 1960s expanded the capacity in the United States for research and teaching on Latin America and the Caribbean. In almost every field, the best work done on Latin America by outsiders—on country after country, sector after sector—has been completed by North Americans during the past 20 years. A considerable capacity for further contribution to inter-American understanding is installed on the campuses of U.S. universities. Recent foundation grants to several university centers for Latin American studies have helped keep these centers active in a period of declining federal support.

On the Latin American side, there has been an even greater expansion in the ability to engage in meaningful dialogue with the United States. Waves of Latin American students have been coming to the United States ever since World War II, especially since 1960, and they have tended to change the previous European orientation of Latin America's intellectual establishment. Thousands of scientists and professionals trained in the United States now exert influence in their home countries. Research centers and university programs in the social sciences and other disciplines have proliferated; and some of them, especially among those located in private institutions, have attained intellectual and professional excellence.

Academic work on Latin American and inter-American affairs both in the United States and in Latin America has improved significantly because of the strengthening in recent years of an institutional network that encompasses both the United States and Latin America. The Latin American Program at the Woodrow Wilson International Center for Scholars; the Joint Committee on Latin American Studies of the Social Science Research Council/American Council of Learned Societies; the Helen Kellogg Institute at The University of Notre Dame; the Caribbean-focused programs at New York University, Florida International University, the University of Florida, and the University of Pittsburgh; the Mexico programs at the University of California at San Diego, Stanford University, and the University of Texas; the Center for Brazilian Studies at The Johns Hopkins University's School of Advanced International Studies; the major general centers for Latin American studies at several other universities; the new Bildner Center at the City University of New York; the incipient Institute of the Americas in San Diego; and many other institutions have spurred creative intellectual exchange between North Americans and Latin Americans. In large part because of these efforts, Latin Americans of many different disciplines and political tendencies feel much more comfortable engaging with their counterparts in the United States than they did only a few years ago.

Many Latin American institutions of learning have also been strengthened in recent years, despite the obstacles posed by authoritarian

repression and scarce resources. Universities, public and private, have mushroomed, and some have become institutions of great quality. Independent centers like CEDES, CIESA, and the DiTella Institute in Argentina; IUPERJ, CEDEC, IDESP, and CEBRAP in Brazil; CIEPLAN and the Academia de Humanismo Cristiano in Chile; FEDESARROLLO in Colombia; the Instituto de Estudios Peruanos in Peru; the University of the West Indies in Jamaica; and many others throughout the Hemisphere are carrying out innovative research in the social sciences. A few institutions are focusing systematically, mostly for the first time, on the United States.

The possibility for improved exchange is also facilitated by rapid changes in technology. Innovations ranging from jet planes, photocopying machines, and direct dial telephone connections to personal computers, video cassettes, satellites, and cable television are now available to expand communications and make them more rapid and accurate. It is true that sometimes more data confound understanding rather than ease it. Processing additional information without providing a context may indeed be confusing, but the potential offered by new technologies for improving inter-American communication is vast.

In short, growing interdependence between the United States and Latin America makes it more important than ever for Americans from throughout our Hemisphere to understand each other, to map out and try to resolve differences, to gain from and contribute to exchange, and to engage in dialogue. The conditions for improved understanding are available. Outside the limited world of scholarship, however, actual intra-hemispheric communication is often wanting.

The natural impulse for many in the United States is to assume that a perceived decline in inter-American understanding is primarily due to lack of effort or skill by the United States at projecting its message southward. Attention is increasingly being called in Washington to the decline over the last 15 years in radio programming beamed to Latin America (and to the increase in Cuban and Soviet broadcasting), the decreased presence of the U.S. Information Agency in Latin America, the drop in the number of invitations extended to Latin Americans to come to the United States for official visits, and the sharp decline in training funds offered by the U.S. Agency for International Development. Because of its concern about the state of inter-American relations, the U.S. Government has recently been designing programs to reverse these declines. Major new initiatives are being formulated to communicate from the United States to Latin America, and to make the cultural and educational resources of the United States more available to Latin America. The most dramatic of these proposals so far is the recommendation of the National Bipartisan Commission on Central America that 10,000 Central Americans be brought to the United States on scholarships.

If carefully designed and targeted, redoubled U.S. efforts to convey information to Latin America and to provide expanded educational and cultural opportunities in the United States for Latin Americans could be very constructive. It is important, however, that these initiatives serve to strengthen local efforts and institutions in Latin America. Bringing

thousands of Central Americans to the United States for university education would probably be less helpful, for instance, than bringing a few hundred over the course of several years as part of a plan for reinforcing universities and research institutes in the region. It is also important that the current intense preoccupation in the United States with Central America not divert attention from strengthening exchange with the Caribbean and South America.

Broadening Awareness of Latin America

Expanded efforts to project to Latin America what the United States has to offer—not only through formal educational programs, but also through the dynamic contribution of the U.S. private sector—are undoubtedly important. Perhaps the single most effective way to improve inter-American understanding, however, would be to broaden and deepen awareness in the United States about Latin America and its concerns.

The North American public, and even its foreign policy elite, remains remarkably uninformed about Latin America. Scholarship about the region has improved, the increase in the Hispanic-American population in the United States has made Latin America more visible, and the impact of Latin American events has made the region more salient; but broad understanding of Latin America in the United States is still very limited. Academic expertise tends to be pigeonholed; it is rarely well-connected to the media, professional groups, or broad public discussion.

Few North Americans—even among the groups most knowledgeable on international affairs—realize how much Latin America and the Caribbean have changed during the last generation, or recognize how Latin American needs and aspirations have shifted. Too many North Americans are surprised that their presumptions are not necessarily valid, welcomed, or even accepted in Latin America.

We believe that it is very important to focus on how to deepen and broaden awareness of Latin America in the United States. Two-way communication in the Hemisphere is needed. The emphasis now, however, should be on improving understanding of Latin America in the United States.

The way to begin is to strengthen existing efforts in this realm. Support for Latin American and other language and area studies at U.S. colleges and universities should be assured on a multi-year basis, as should support for sending U.S. scholars to Latin America. The false economies of proposed budgetary cutbacks must be resisted.

By the same token, programs to bring Latin Americans to the United States should be reinforced. The Hubert Humphrey North-South Fellowship Program and the Latin American Scholarship Program at American Universities (LASPAU) should be strengthened. Carefully designed programs should be encouraged to expand the number of Latin Americans,

particularly from disadvantaged backgrounds, who come to the United States for university training, especially at the graduate level.

Programs should be devised for capitalizing on earlier investments in inter-American exchange. Outstanding former Fulbright and other grantees, some from Latin America and some from the United States, should be considered for brief follow-up grants five to seven years after their original fellowship to enable them to stay in touch with their peers. Summer travel grants to young scholars to help them build up substantial field experience would be very useful. The library resources of major centers for Latin American studies should be made more accessible to scholars in the various regions of the United States. Increased support to Latin American centers for the study of the United States should be extended, and more effective links should be forged between them and research centers in the United States.

These efforts to build on existing programs deserve immediate priority. Much more, however, can and should be done:

1. A full-scale television documentary series and related telecourse on Latin America should be undertaken soon. Funding should be provided to produce a first-rate series and develop related educational materials.
2. A major effort should be launched to improve the quality of primary and secondary school teaching about Latin America in the United States. Innovative technologies can surely help, but what is needed now are sound texts and instructional materials, preferably linked to the proposed television series.
3. Substantially increased and more sustained coverage of Latin America by National Public Radio should be initiated, and efforts should be explored to prepare additional material on Latin America for use on commercial radio.
4. Other efforts to enhance the quantity and quality of U.S. media coverage of Latin America should be encouraged. Regional conferences should be organized for editors and journalists in different parts of the United States. Similar meetings should be arranged for editors and journalists with specialized interests, e.g., from magazines for women, from Hispanic publications, and from business and labor journals. Scholars from both Latin America and the United States should be encouraged to contribute newspaper articles on Latin America. Efforts to develop "human interest" articles that convey the continuing underlying realities of Latin America to the United States should also be stressed.
5. Efforts to improve the knowledge and understanding of Latin America by community leaders from the media, business, labor, and the professions should be stimulated beyond the Northeast corridor of the United States, where such efforts already occur. Whenever possible, Latin Americans should participate actively in such discussions.

6. Efforts should be initiated to expand and deepen the expertise of journalists from the United States and Latin America on each other's societies. Brief travel grants or seminars for journalists are of limited value. A more extended period of residence—and a two-way internship program—would be more effective, as would more exposure of journalists to area studies specialists and fuller involvement in seminars among opinion leaders from different sectors. A Nieman-like fellowship program for Latin American journalists and a reciprocal program for U.S. journalists should be considered.

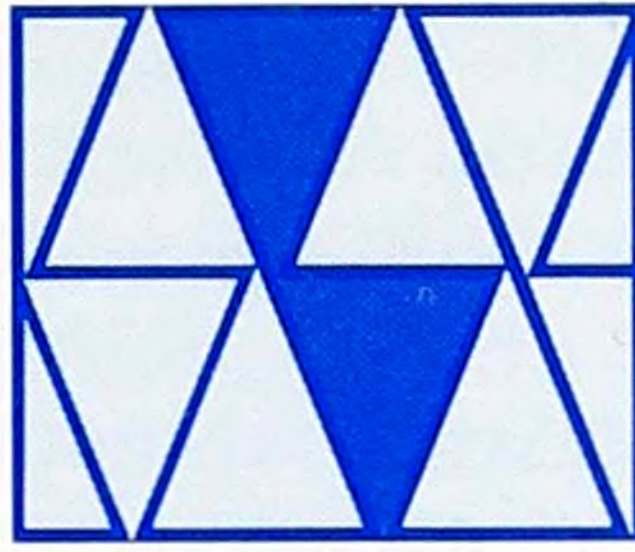
7. Efforts should be encouraged to help assure that future leaders in different sectors of U.S. society are more exposed to and knowledgeable about Latin America. The Luce Foundation has a well-managed program for exposing gifted recent college graduates who are neither area studies nor international affairs specialists to a year's residence in Asia at an early and formative stage of their careers, and then to keep them in touch with Asian affairs. A similar program for Latin America should be considered.

8. Attention should be focused on how the communities of Hispanic Americans in the United States could contribute more fully and positively to improving inter-American communication and mutual understanding.

9. The energies and resources of the U.S. private sector should be more fully engaged in the process of improving inter-American communications, through, for example, support for television programming in Latin America and through programs to bring the cultural and literary contributions of Latin Americans to the attention of people throughout the United States.

10. Inter-American task forces and working groups on specific issues, incorporating participants from throughout the Hemisphere in shared pursuit of constructive responses to common problems, could contribute to making this Hemisphere a better place for all of us.

The Inter-American Dialogue is itself an innovative attempt to improve mutual understanding in the Hemisphere. In concluding this report, we commit ourselves to continuing our efforts and urge others to join with us.



APPENDIX A

Supplemental Comments by Members of the Dialogue

Several Dialogue participants who have signed this report have also written individual statements to clarify their views. Their statements follow:

Oscar Camilion

I have reservations about the paragraphs in Chapter 4 on Argentina's nuclear policy, although I accept that Argentina should review its current position in matters relating to safeguards.

In addition, I believe that under the current circumstances, support to the Government of El Salvador should continue until adequate negotiations among all parties are possible.

Jose Maria Dagnino Pastore

I take exception to the specific recommendations in Chapter 4 on Argentina's nuclear policy.

Maurice Ferre

I do not concur with the two paragraphs on Cuba and Central America on page 35.

Jorge Fontaine

I do not share the concerns expressed by others regarding the Kissinger Commission Report. The East-West dimension of the problems in Central America pre-dates the work of the Commission and must be properly evaluated in any effort to develop possible solutions. Further, I do not believe that the Commission report made the Contadora process peripheral to U.S. policy. Our report should avoid the appearance of taking sides in the U.S. policy debate.

I am skeptical that the Governments of Cuba and Nicaragua will accept and implement agreements that would hamper the continued expansion of Soviet influence in the Americas. For this reason, I would

underline the report's emphasis on reciprocity, on verifiable agreements, and on careful monitoring. Nothing should be done that will provide the Soviet Union with military advantage. Further, I would emphasize that durable economic and political solutions must be complemented by appropriate military measures to provide a security shield.

The report should take due account of the Chilean government's formal commitment to formulate and enact a number of laws necessary for the establishment of full democracy. Among the recent measures taken by the Chilean government in this regard are the drafting of legislation pertaining to political parties and the electoral system. The Government has also announced that it will draft a law on the national Congress and prepare an efficient electoral registry.

The reference to protectionism in Chapter 1 should cite the attempts by several U.S. companies to restrict U.S. imports of copper.

Xabier Gorostiaga

I believe the Inter-American Dialogue's second report makes an important contribution, and that the Dialogue should be maintained as a permanent forum to help overcome what one of our members called the "curtain of ignorance" in hemispheric relations.

I do not believe the chapter on Central America emphasizes sufficiently the historic role of the United States as a political, economic, cultural, and military actor in our region. Central America has suffered almost 30 direct military interventions by the United States, and the United States has occupied Nicaragua for long periods. These facts go a long way toward explaining why Central Americans express so strongly our desire for national sovereignty and self-determination and why we decry imperialism so vigorously. To those who are not well aware of our history, and the determinative role of the United States, these positions appear rhetorical. The logical expression of our historic experience, manifested in our "anti-imperialism" posture, is sometimes confused with communism by those insensitive to our past.

I do not believe the document emphasizes sufficiently the enormous U.S. military build-up which has been taking place in Central America, as detailed in *The New York Times* (April 23, 1984), nor is the role of the CIA in Honduras, Nicaragua, and Costa Rica sufficiently discussed. It is true that some of the information about this has only been publicly acknowledged in the United States since our meeting, but the CIA's presence has been palpable to many Central Americans for a much longer time. I emphasize these points because the report's mention of the Sandinistas' "offensive potential" underplays the evident and legitimate need for a strong defense.

Similarly, I do not believe it is enough to say that the U.S. naval maneuvers, the mining of Nicaraguan harbors, or the building of bases in Honduras "have raised questions about U.S. intentions." These "intentions" are to widen the war, up to and including Panama, where the Canal Treaties are being violated with the use of U.S. military forces sta-

tioned there for military actions in Central America. It is fundamental that Soviet bases not be constructed in Central America, but it is just as important that U.S. military bases in Honduras be eliminated and military maneuvers ceased, so that all the Central American countries can initiate a process of negotiation and demilitarization. Central America should not be the "backyard" of any power.

Robert S. McNamara

I strongly support the capitalization of interest where necessary to permit a debtor nation to bridge over a liquidity crisis. I do not believe that a reduction of interest rates below market rates is politically or financially feasible, or in the long-run interest of the debtor country.

Hernan Padilla

The chapter on Central America outlines those factors that no doubt must form the basis for building long-term stability in the region. Indeed, those factors were also thoroughly appreciated in the report of the National Bipartisan Commission on Central America. I believe some of the Dialogue's criticism of the Commission's report and of U.S. policy in Central America is gratuitous. One is left with the impression, for instance, that the U.S. Government downplays the importance of eliminating the death squads in El Salvador. Clearly this is not the case.

I find some of the conclusions in this particular chapter to be inadequate. Specifically, I believe the report does not give proper emphasis to the role that external influences are currently playing in this region and to the threat they pose for destabilization. In addition, the report also lacks a proper appreciation of the role the U.S. is playing in creating conditions where negotiations designed to bring about political stability, economic progress, and a resolution of security problems could be undertaken with a reasonable chance of success.

Jose Francisco Peña Gomez

The peace of America is threatened by the persistence of the conflict in Central America. The peace negotiations should include all countries involved. I would emphasize the Report's recommendation that the United States and Cuba find a way of settling their differences, since these are at the root of many other aspects of the conflict.

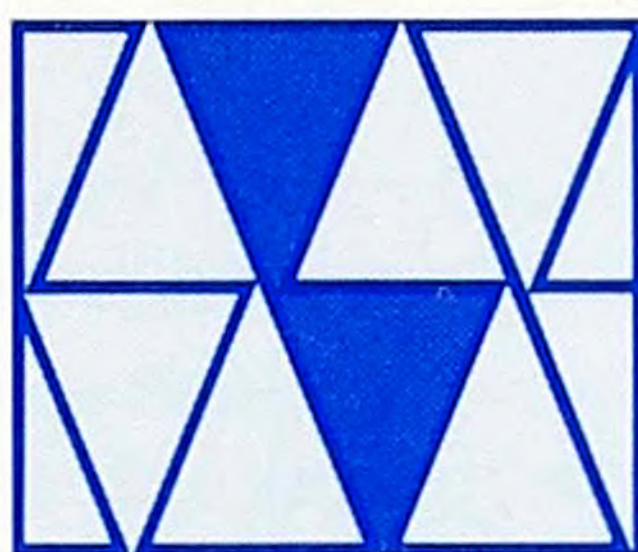
I firmly oppose the expansion of any military presence in the Americas. It is a partial truth to condemn only Cuba or the Soviet Union on these grounds. The opposition should be extended to encompass the United States as well, since U.S. military influence (in the form of open intervention, provision of arms, advisory bodies, staff training, and so on) has been predominant in the region throughout this century.

The right of the people of each country to choose their own form of government should be respected. Many Central American and Caribbean countries are struggling to free themselves from centuries of oppression and injustice. The policy of nonintervention in the internal af-

fairs of each country should be strictly respected. All overt or covert forms of interventionism—no matter the source, nature, or guiding principle of the interventionist action—should be rejected. I strongly condemn direct military intervention, be it unilateral or multilateral. The Dominican Republic has a bitter memory of the 1965 U.S. military intervention, which counted on the OAS backing to make it appear as an international peace force. This invasion of my country prevented it from resuming the democratic form of government which had been overthrown by the 1963 coup. I believe that our countries need financial aid to foster their development processes in peace. We need food, houses, medicines, not arms. This point deserves more emphasis in the Report.

Julio Sosa Rodriguez

It appears desirable, to avoid any possible doubts, to stress that for the emergence of further institutionalization of democratic processes legitimized by meaningful free and regular elections, there is the need to guarantee a framework, based on rules and procedures, that will permit the viability of pluralistic societies committed to the free creativity of the individual.



APPENDIX B

Biographical Information

From the United States and Canada:

Sol M. Linowitz (*Co-chairman*)

Sol M. Linowitz is senior partner of the international law firm of Couderdt Brothers. He served as President Carter's personal representative for the Middle East Peace Negotiations and as co-negotiator for the Panama Canal Treaties. In the mid-1970s he was Chairman of the Commission on U.S.-Latin American Relations. From 1966 to 1969, he was U.S. Ambassador to the Organization of American States. Previously, he had been Chairman of Xerox.

Peter D. Bell (*Co-vice chairman*)

Peter D. Bell is a resident associate of the Carnegie Endowment for International Peace in Washington. He was President of the Inter-American Foundation from 1980 through 1983, and Deputy Under Secretary of the U.S. Department of Health, Education and Welfare in 1979. He also served as the representative for the Ford Foundation in the Southern cone of Latin America. Mr. Bell is Chairman of the board of the Refugee Policy Group and is a member of the board of the Institute of the Americas.

McGeorge Bundy

McGeorge Bundy, Professor of History at New York University, was President of the Ford Foundation from 1966 to 1979. From 1961 until 1966 he was Special Assistant to the President for National Security Affairs. Previously he had served as Dean of the Faculty of Arts and Sciences at Harvard University.

Terence C. Canavan

Terence C. Canavan is Executive Vice President of Chemical Bank and head of the Latin American Division of its World Banking Group. From 1973 until 1976, he was director of the bank's affiliate in Caracas. Previously he had served as Chemical Bank's representative in Caracas, Mexico City, and Madrid.

Henry G. Cisneros

Henry G. Cisneros is Mayor of San Antonio. He recently served on President Reagan's National Bipartisan Commission on Central America. Mr. Cisneros is a member of the Council on Foreign Relations and the Co-Chairman of the International Trade Task Force of the National League of Cities.

Joan Ganz Cooney

Joan Ganz Cooney has been President of Children's Television Workshop since 1970. She serves on the boards of directors of several corporations, including Xerox, Chase Manhattan, and Johnson & Johnson.

Ralph Davidson

Ralph Davidson is Chairman of the Board of Time, Incorporated. From 1972 to 1978 he was publisher of *Time*. In 1982, he was appointed by President Reagan to the President's Commission on Executive Exchange, and is also a member of the President's Commission on International Youth Exchange. He serves on the boards of directors of the National Urban League, the Committee for Economic Development, and Signal Companies.

Jorge I. Dominguez

Jorge I. Dominguez is Professor of Government at Harvard University and is a former President of the Latin American Studies Association. Dr. Dominguez is the author of numerous books and articles, and is one of the foremost authorities in the United States on his native Cuba. He serves as a consultant to the Aspen Institute for Humanistic Studies.

Maurice Ferre

Maurice Ferre has recently been elected for a sixth term as Mayor of Miami. He was the first National Chairman of the Hispanic Council on Foreign Affairs.

Albert Fishlow

Albert Fishlow is Professor of Economics at the University of California at Berkeley. From 1978 to 1982, he was Director of the Concilium on International and Area Studies at Yale University. In 1975 and 1976 he served as Deputy Assistant Secretary of State for Inter-American Affairs. Dr. Fishlow has written several books and articles, particularly on Brazil and on international financial issues.

Douglas A. Fraser

Douglas A. Fraser is the former President of the United Auto Workers. He is a member of the board of directors of Chrysler Corporation and serves as Vice President of the NAACP.

Hanna Holborn Gray

Hanna Holborn Gray has been President of the University of Chicago since 1978. She was Acting President of Yale University from 1977 until 1978. Previously, Dr. Gray served as Provost of Yale and Dean of the College of Arts and Sciences at Northwestern University. She serves as a member of the boards of directors of several companies, including Morgan Guaranty Trust, J.P. Morgan, and Atlantic Richfield.

Ivan L. Head

Ivan L. Head has been the President of the International Development Research Centre of Canada since 1978. From 1968 to 1978, Mr. Head served as Special Assistant to the Prime Minister, with particular responsibility for foreign policy and the conduct of international relations. He has published widely on international law, and is a member of the Independent Commission on International Humanitarian Issues.

Theodore M. Hesburgh

Theodore M. Hesburgh, C.S.C., has been President of the University of Notre Dame since 1952. He has served as chairman of the boards of the Rockefeller Foundation, the Overseas Development Council, the U.S. Commission on Civil Rights, and the Select Commission on Immigration. Father Hesburgh has received more honorary degrees than any other individual in the United States.

Juanita M. Kreps

Juanita M. Kreps is Vice President Emeritus of Duke University. From 1977 until 1979 she served as Secretary of Commerce. Dr. Kreps has been a professor, a writer, and an administrator. She currently serves on a number of boards of directors, including Citicorp, R.J. Reynolds, and United Airlines.

Robert S. McNamara

Robert S. McNamara is the Chairman of the Board of the Overseas Development Council. From 1968 to 1981, he served as President of the World Bank. From 1961 to 1968, he was Secretary of Defense. Previously, he had been President of the Ford Motor Company. Mr. McNamara serves on numerous boards including the Bank of America, the Ford Foundation and the Brookings Institution, and is a Trustee of the Aspen Institute for Humanistic Studies.

Joyce Miller

Joyce Miller is Vice President of the Amalgamated Textile and Clothing Workers Union. Since 1977 she has been the national president of the Coalition of Labor Union Women. She is also a member of the Executive Council of the AFL-CIO.

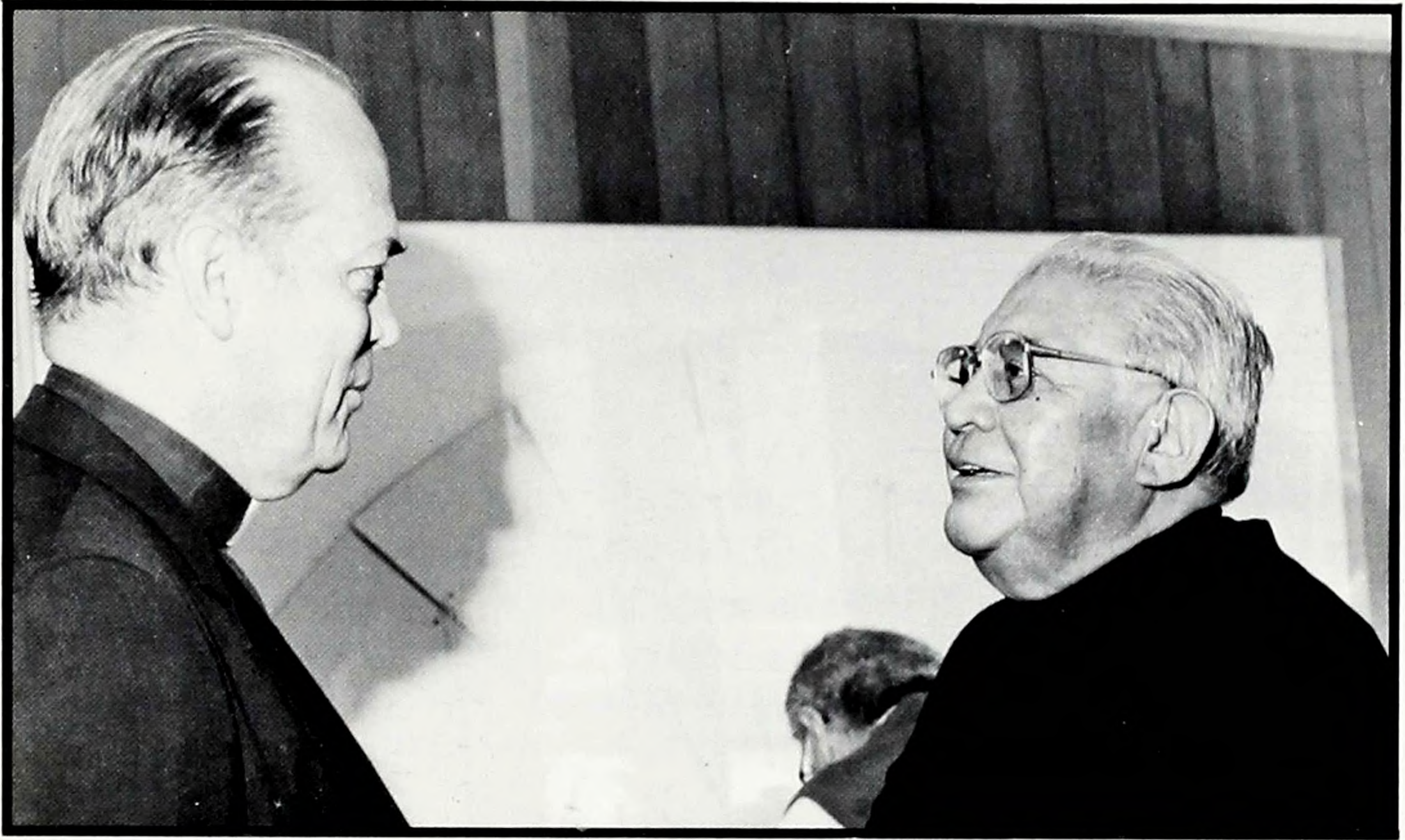


Top: Daniel Oduber
and Oliver Clarke

Center: Terence
Canavan, Joan Ganz
Cooney, and Sol M.
Linowitz

Bottom: March
18-20, 1984, plenary
session at Aspen
Institute's Wye
Plantation





Top: Archbishop
Marcos McGrath
and Antonio Carrillo
Flores

Center: Cyrus
Vance and Albert
Fishlow

Bottom:
Plenary session

William G. Milliken

William G. Milliken was Michigan's longest serving governor, having occupied the position from 1969 until 1982. He has also been chairman of the National Governors Association and the Republican Governors' Conference. A former business executive, Mr. Milliken serves on the boards of the Burroughs Corporation and the Chrysler Corporation. He is also on the board of the Ford Foundation, and is chairman of the Center for the Great Lakes.

Edmund S. Muskie

Edmund S. Muskie is a senior partner with Chadbourne, Parke, Whiteside and Wolff, an international law firm. He was a Senator from Maine from 1958 to 1980, and Secretary of State from 1980 to 1981. From 1954 to 1958, Mr. Muskie served as Maine's Governor.

Hernan Padilla

Hernan Padilla has been Mayor of San Juan, Puerto Rico, since 1977, and is currently a candidate for Governor of Puerto Rico. In 1982, he was appointed to the U.S. delegation to the United Nations. He has also served as a member of the Puerto Rican delegation to the Republican National Committee.

Ralph Pfeiffer

Ralph Pfeiffer is Chairman and Chief Operating Officer of IBM World Trade Americas/Far East Corporation and Senior Vice President of IBM. He serves on many boards of directors, including the International Chamber of Commerce, the Center for Strategic and International Studies, Riggs National Bank, and Smith Kline Beckman Corporation.

Elliot Richardson

Elliot Richardson is a senior partner at Milbank, Tweed, Hadley and McCloy in Washington. He is currently a candidate for the Republican nomination for the U.S. Senate from Massachusetts. He has served as Secretary of Defense, Ambassador to the Court of Saint James, Attorney General, Secretary of Health, Education, and Welfare, and U.S. Representative to the Law of the Seas Conference.

Franklin A. Thomas

Franklin A. Thomas has been President of the Ford Foundation since 1979. From 1967 to 1977, he served as President and Chief Executive Officer of Bedford-Stuyvesant Restoration Corporation, and from 1979 to 1980 chaired the Commission on U.S. Policies Towards Southern Africa. He is a member of several corporate boards, including Citicorp, Alcoa, CBS, and Allied Stores. He is also a Trustee of the Aspen Institute for Humanistic Studies.

Cyrus Vance

Cyrus Vance is senior partner in the New York law firm of Simpson, Thacher and Bartlett. From 1977 to 1980 he was Secretary of State. In the early 1960s, he was Secretary of the Army and the Defense Department's General Counsel. He serves on several corporate boards, including Manufacturers Hanover Trust, IBM, U.S. Steel, and The New York Times.

Clifton R. Wharton

Clifton R. Wharton, Jr. is Chancellor of the State University of New York. He is also Chairman of the Board of the Rockefeller Foundation. From 1970 and 1978, he was President of Michigan State University. He serves on numerous boards of directors including the Federal Reserve Bank of New York, Ford Motor Company, Time, Incorporated, and the Overseas Development Council, and is a Trustee of the Aspen Institute.

From Latin America and the Caribbean:

Galo Plaza (*Co-chairman*)

Galo Plaza was President of Ecuador between 1948 and 1952, and was Secretary General of the Organization of American States from 1968 to 1975. He acted as mediator in Cyprus from 1964 to 1966; served with the United Nations in the Congo in 1960 and in Lebanon in 1958; and was Ecuador's Ambassador to the United States from 1944 to 1946, and its Minister of Defense from 1939 to 1940.

Rodrigo Botero (*Co-vice chairman*)

Rodrigo Botero is a private consultant in Bogota, Colombia. He previously served as Colombia's Minister of Finance from 1974 until 1976 and was a member of the Brandt Commission on International Development Issues. He is the founder of the Foundation for Higher Education and Development in Bogota, and is a member of the Board of Directors of the Ford Foundation and a Trustee of the Aspen Institute.

Nicolas Ardito Barletta

Nicolas Ardito Barletta recently returned to Panama to run for its presidency. From 1978 until February, 1984, he was Vice-President of the World Bank for Latin America and the Caribbean. From 1973 to 1978, he was Panama's Minister of Planning and Economic Policy. Mr. Ardito Barletta has also served as Director of Economic Affairs at the Organization of American States, and President of the Latin American Export Bank.

Oscar Camilion

Oscar Camilion is a Professor at the University of Belgrano in Buenos Aires. He served as Argentina's Foreign Minister in 1981 and as its Ambassador to Brazil from 1976 until 1981.

Fernando Henrique Cardoso

Fernando Henrique Cardoso is Senator from the state of São Paulo and President for the state of São Paulo of the PMDB, Brazil's major opposition party. He was the founding President of CEBRAP, the Brazilian Center for Analysis and Planning in São Paulo, and is a former President of the International Sociological Association.

Antonio Carrillo Flores

Antonio Carrillo Flores is Special Advisor to the Government of Mexico for Financial and International Affairs. He was Mexico's Finance Minister from 1952 to 1958, Minister of Foreign Affairs from 1964 to 1970, Ambassador to the United States from 1959 to 1964, Ambassador to the U.S.S.R. from 1950 to 1951, and Secretary General of the World Population Conference of 1974 for the United Nations.

Oliver Clarke

Oliver Clarke is Chairman of the Board and Managing Director of *The Gleaner*, Jamaica's daily newspaper. He has also served as President of the Caribbean Publishing and Broadcasting Association, Director of the Private Sector Organization of Jamaica, and Treasurer of the Inter-American Press Association.

Octavio Costa

Octavio Costa, formerly a General in the Brazilian Army, serves on the boards of directors of numerous companies, including CAEMI, one of the largest private mining companies in Brazil. He is also a historian.

Jose Maria Dagnino Pastore

Jose Maria Dagnino Pastore, a Professor at the Argentine Catholic University, was Finance Minister in the first cabinet following the resignation of General Galtieri after the South Atlantic war. Previously, Mr. Dagnino Pastore served as Vice President of the Foundation for Latin American Economic Research, Ambassador in Europe, Chairman of the Argentine Investment Bank, Minister of Economy and Labor, and Secretary of the National Development Council of Argentina.

Jorge Fontaine

Jorge Fontaine is President of the Chilean Confederation of Production and Commerce. He served as Vice Minister of Mining and was active in the creation of PROCHILE, an organization that promotes Chile's exports.

Xabier Gorostiaga

Xabier Gorostiaga, S.J., is the founder and director of INIES (Institute of Economic and Social Research) in Managua, Nicaragua. Between

1979 and early 1981 he was Director of National Planning in Nicaragua's Ministry of Planning. Father Gorostiaga was previously founder and director of the Panamanian Center for Social Studies and Action, and an economic advisor to Panama during its negotiations on the Panama Canal treaties.

Enrique V. Iglesias

Enrique V. Iglesias is the Executive Secretary of the U.N. Economic Commission for Latin America. From 1967 to 1969 he served as President of the Central Bank of Uruguay. He has also been an advisor to the Inter-American Development Bank, and President of the Governing Council of the Latin American Institute for Economic and Social Planning.

Israel Klabin

Israel Klabin, the former mayor of Rio de Janeiro, is the managing partner of Klabin Irmãos, a major industrial holding company. He also serves as President of the Economic and Financial Administration of the Government of the State of Rio de Janeiro.

Pedro Pablo Kuczynski

Pedro Pablo Kuczynski is Co-Chairman of First Boston International. He was Peru's Minister of Energy and Mines from 1980 until mid-1982. From 1976 until 1980 he was President of Halco, a mining corporation. He is the author of *Peruvian Democracy Under Economic Stress: An Account of the Belaunde Administration 1963-68*.

Augustin F. Legorreta

Augustin F. Legorreta is a leading Mexican financier and industrialist. He held several positions, including President and Chief Executive Officer, and Chairman of the Board, with Financiera Banamex and the Banco Nacional de Mexico. He has also been President of the Mexican Bankers' Association.

Marcos McGrath

Marcos McGrath, C.S.C., is Archbishop of Panama. Born in Panama, he was educated there, at the University of Notre Dame in the U.S., and in Europe. He became Bishop of Panama in 1961 and has been Archbishop since 1969. Archbishop McGrath was Vice President of the Council of Latin American Bishops from 1967 to 1972.

Daniel Oduber

Daniel Oduber was President of Costa Rica from 1974 until 1978. He is currently President of the Governing Board of Costa Rica's National Liberation Party and Vice President of Socialist International.

Jose Francisco Peña Gomez

Jose Francisco Peña Gomez is Mayor of Santo Domingo. He was one of the founders of the Dominican Republic's Democratic Revolutionary Party and has been its Secretary General for many years. From 1978 to 1982 he was Vice President of Socialist International.

Bernardo Quintana

Bernardo Quintana is founder and President of the Grupo de Ingenieros Civiles Asociados (ICA), a Mexican consortium of construction and capital goods firms and one of Latin America's largest multinational corporations. He is also President of Empresas Tolteca de Mexico and Tele-Industria Erikson de Mexico, and serves as member of the board of Adela Investment Company.

Alberto Quiros

Alberto Quiros is President of Lagoven, an affiliate of Petroleos de Venezuela. Prior to the nationalization of the petroleum industry in 1976, Dr. Quiros was President of Compania Shell de Venezuela.

Augusto Ramirez Ocampo

Augusto Ramirez Ocampo is Mayor of Bogota. He previously served as Alternate Director of the Inter-American Development Bank for Colombia and Peru, and has been National Campaign Coordinator for Colombian President Belisario Betancur.

Javier Silva Ruete

Javier Silva Ruete, now an international consultant, was Minister of Economy and Finance in Peru from 1978 to 1980. From 1976 until 1978 he was Vice President of the Andean Development Corporation and a member of the Andean Pact's governing board. Prior to 1970, he served as manager of Peru's Central Reserve Bank and as Minister of Agriculture.

Mario Henrique Simonsen

Mario Henrique Simonsen is Vice Chairman of the Getulio Vargas Foundation in Rio de Janeiro. He was Brazil's Minister of Planning in 1979 and Minister of Finance between 1974 and 1979. He serves on a number of boards of directors, including Citicorp, and has written many books and articles on Brazil's economy.

Leopoldo Solis

Leopoldo Solis has been Deputy Director of the Central Bank of Mexico since 1976. He is the author of numerous books, including *Economic Policy Reform in Mexico*.

Julio Sosa Rodriguez

Julio Sosa Rodriguez is a principal in the engineering firm of Perrett y Sosa Rodriguez in Caracas. From 1969 to 1972, he served as Venezuela's Ambassador to the United States, and he has since served on several diplomatic missions for his government.

Gabriel Valdes

Gabriel Valdes is President of Chile's Christian Democratic Party. From 1974 through 1981 he was the Director for Latin America of the United Nations Development Program. He served as Chile's Minister of Foreign Relations from 1964 until 1970.

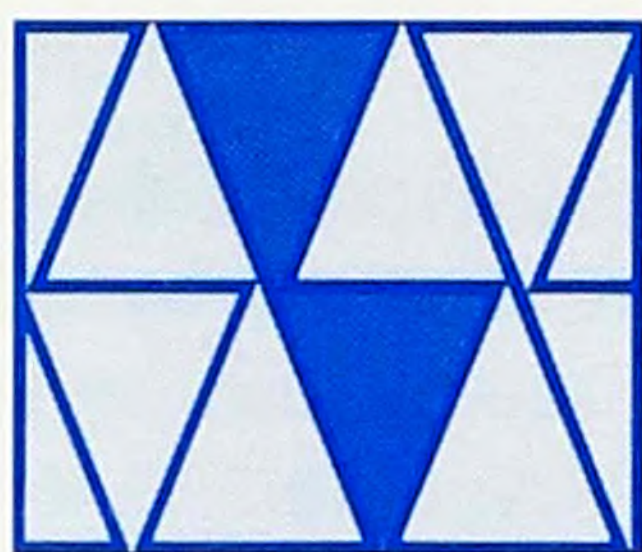
Mario Vargas Llosa

Mario Vargas Llosa is one of Latin America's most widely read novelists. His works have been translated into English and many other languages. In 1983 he headed a national commission to investigate a major outbreak of violence in highland Peru.

Executive Director:

Abraham F. Lowenthal

Abraham F. Lowenthal is Professor of International Relations at the University of Southern California in Los Angeles. From 1977 to 1983, he was the founding director of the Latin American Program at the Woodrow Wilson International Center for Scholars in Washington. Before then, Dr. Lowenthal had served with the Ford Foundation in Latin America and had been Director of Studies at the Council on Foreign Relations. He has authored numerous books and articles on Latin American and inter-American affairs.



APPENDIX C

Contadora Documents

(On September 9, 1983, the Central American Governments, under the auspices of the Contadora Group, adopted the following Document of Objectives.)

Document of Objectives

Considering:

The situation prevailing in Central America, which is characterized by an atmosphere of tension that threatens security and peaceful coexistence in the region, and which requires, for its solution, observance of the principles of international law governing the actions of States, especially:

The self-determination of peoples;

Non-intervention;

The sovereign equality of States;

The peaceful settlement of disputes;

Refraining from the threat or use of force;

Respect for the territorial integrity of States;

Pluralism in its various manifestations;

Full support for democratic institutions;

The promotion of social justice;

International co-operation for development;

Respect for and promotion of human rights;

The prohibition of terrorism and subversion;

The desire to reconstruct the Central American homeland through progressive integration of its economic, legal and social institutions;

The need for economic co-operation among the States of Central America so as to make a fundamental contribution to the development of their peoples and the strengthening of their independence;

The undertaking to establish, promote or revitalize representative, democratic systems in all the countries of the region;

The unjust economic, social and political structures which exacerbate the conflicts in Central America;

The urgent need to put an end to the tensions and lay the foundations for understanding and solidarity among the countries of the area;

The arms race and the growing arms traffic in Central America, which aggravate political relations in the region and divert economic resources that could be used for development;

The presence of foreign advisers and other forms of foreign military interference in the zone;

The risks that the territory of Central American States may be used for the purpose of conducting military operations and pursuing policies of destabilization against others;

The need for concerted political efforts in order to encourage dialogue and understanding in Central America, avert the danger of a general spreading of the conflicts, and set in motion the machinery needed to ensure the peaceful coexistence and security of their peoples;

Declare their intention of achieving the following objectives:

To promote detente and put an end to situations of conflict in the area, refraining from taking any action that might jeopardize political confidence or prevent the achievement of peace, security and stability in the region;

To ensure strict compliance with the aforementioned principles of international law, whose violators will be held accountable;

To respect and ensure the exercise of human, political, civil, economic, social, religious and cultural rights;

To adopt measures conducive to the establishment and, where appropriate, improvement of democratic, representative and pluralistic systems that will guarantee effective popular participation in the decision-making process and ensure that the various currents of opinion have free access to fair and regular elections based on the full observance of citizens' rights;

To promote national reconciliation efforts wherever deep divisions have taken place within society, with a view to fostering participation in democratic political processes in accordance with the law;

To create political conditions intended to ensure the international security, integrity and sovereignty of the States of the region;

To stop the arms race in all its forms and begin negotiations for the control and reduction of current stocks of weapons and on the number of armed troops;

To prevent the installation on their territory of foreign military bases or any other type of foreign military interference;

To conclude agreements to reduce the presence of foreign military advisers and other foreign elements involved in military and security activities, with a view to their elimination;

To establish internal control machinery to prevent the traffic in arms from the territory of any country in the region to the territory of another;

To eliminate the traffic in arms, whether within the region or from outside it, intended for persons, organizations or groups seeking to destabilize the Governments of Central American countries;

To prevent the use of their own territory by persons, organizations or groups seeking to destabilize the Governments of Central American countries and to refuse to provide them with or permit them to receive military or logistical support;

To refrain from inciting or supporting acts of terrorism, subversion or sabotage in the countries in the area;

To establish and co-ordinate direct communication systems with a view to preventing or, where appropriate, settling incidents between States of the region;

To continue humanitarian aid aimed at helping Central American refugees who have been displaced from their countries of origin, and to create suitable conditions for the voluntary repatriation of such refugees, in consultation with or with the co-operation of the United Nations High Commissioner for Refugees (UNHCR) and other international agencies deemed appropriate;

To undertake economic and social development programmes with the aim of promoting well being and an equitable distribution of wealth;

To revitalize and restore economic integration machinery in order to attain sustained development on the basis of solidarity and mutual advantage;

To negotiate the provision of external monetary resources which will provide additional means of financing the resumption of intra-regional trade, meet the serious balance-of-payments problems, attract funds for working capital, support programmes to extend and restructure production systems and promote medium- and long-term investment projects;

To negotiate better and broader access to international markets in order to increase the volume of trade between the countries of Central America and the rest of the world, particularly the industrialized countries, by means of a revision of trade practices, the elimination of tariff and other barriers, and the achievement of price stability at a profitable and fair level for the products exported by the countries of the region;

To establish technical co-operation machinery for the planning, programming and implementation of multi-sectoral investment and trade promotion projects.

The Ministers for Foreign Affairs of the Central American countries, with the participation of the countries in the Contadora Group, have begun negotiations with the aim of preparing for the conclusion of the agreements and the establishment of the machinery necessary to formalize and develop the objectives contained in this document, and to bring about the establishment of appropriate verification and monitoring systems. To that end, account will be taken of the initiatives put forward at the meetings convened by the Contadora Group.

(The Contadora Group issued the following statement on January 8, 1984, following their fifth joint meeting of the Contadora Group foreign ministers and the Central American foreign ministers.)

The foreign ministers of Colombia, Mexico, Venezuela, and Panama, the countries that make up the Contadora Group, and the foreign ministers of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua met in Panama City on 7 and 8 January.

This meeting, the 12th gathering of the Contadora Group and the fifth meeting with the Central American foreign ministers, took place on the first anniversary of the effort to achieve peace in the region that began with the Contadora Declaration.

To this effect, the fundamental importance that the Contadora process has had in the consolidation of a dialogue among all of the Central American states was emphasized, as was the search for a political agreement that can permit peaceful and negotiated solutions to the area's conflicts and restore a climate of harmony and stability in the area.

At the foreign ministers' joint meeting, concrete actions for the implementation of the Document of Objectives, adopted by the Central American governments in September 1983, were defined, based on the Cancun Declaration for peace in Central America.

With this purpose, a complementary document entitled Principles for the Implementation of the Commitments Undertaken in the Document of Objectives, which addresses matters involving regional security, political affairs, and economic and social cooperation, was approved:

Principles for the Implementation of the Commitments Undertaken in the Document of Objectives

The Governments of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, considering:

1. That in September 1983 the five governments approved the Document of Objectives, which is the frame of reference for the regional peace agreement;
2. And that it is necessary to take measures to implement the commitments contained in that document, resolve to:

I. Adopt the following principles for immediate application:

1. Security Affairs

- a. To prepare a registry or detailed inventory of military installations, weapons, and troops by each of the Central America states, in order to establish the foundations for a policy to control and reduce these things, providing ceilings and resulting in a reasonable balance of forces in the region.
- b. To prepare a census in each country and to adopt a calendar of reduction with an eye to the elimination of foreign military advisers and other foreign individuals who are participating in military or security activities.
- c. To identify and eradicate all forms of support, encouragement, and financing for or tolerance of irregular groups of forces involved in the destabilization of Central American governments.
- d. To identify and eradicate irregular groups of forces that, acting either from or through the territory of any Central American state, participate in destabilizing actions against another government in the region.
- e. To localize the areas, routes, and means used for illegal intraregional and extraregional arms traffic, in order to eliminate it.
- f. To establish direct communication mechanisms for the purpose of preventing and resolving incidents among states.

2. Political Affairs

- a. To promote national reconciliation on the basis of justice, freedom, and democracy, and, to that effect, to create mechanisms that permit dialogue within the countries in the region.
- b. To guarantee full respect for human rights and, to this end, to comply with the obligations contained in international legal documents and constitutional provisions on the subject.
- c. To enact or review electoral legislation for the convocation of elections, so as to guarantee effective popular participation.
- d. To create independent electoral bodies that will establish reliable electoral registries and ensure the impartiality and democracy of the processes.
- e. To dictate, or when applicable update, regulations that guarantee the existence and participation of political parties that are representative of the various sectors of opinion.
- f. To establish an electoral calendar and to adopt measures that will ensure that political parties can participate under conditions of equality.
- g. To strive to carry out actions that will permit the attainment of true political confidence among the governments of the area, in order to contribute to detente.

3. Socioeconomic Affairs

- a. To intensify the program of aid for Central American refugees and to facilitate voluntary repatriation through the cooperation of the governments involved, in communication or coordination with national humanitarian organizations and the appropriate international organizations.
- b. To grant full cooperation to the Central American Integration Bank, ECLA, the Action Committee for Support to the Socioeconomic Development of Central America, and SIECA (Secretariat of Central American Integration).
- c. To jointly negotiate for foreign resources that permit the revitalization of Central American integration processes.
- d. To encourage intra-zonal trade and to promote greater and better access to international markets for Central American projects.
- e. To promote joint investment projects.
- f. To establish just socioeconomic structures that consolidate genuine democratic systems and permit full access of their peoples to their right to work, education, health, and culture.

II. Authorize the technical group, which is the advisory body for the joint meeting of the foreign ministers of Central America and the Contadora Group, to follow up on the actions provided for in this document on security, political, and socioeconomic affairs. The technical group will inform the meeting of ministers on the progress made in the implementation of these measures.

III. Create, within the framework of the Contadora Group, three working commissions charged with the preparation of studies, legal briefs, and recommendations that develop the areas of security, political, and socioeconomic affairs, and proposals for the verification and supervision of compliance with the agreed upon measures.

The working commissions will be governed by the following rules:

- a. They will consist of the representatives of the Central American governments. Each country may appoint no more than two advisers per commission.
- b. The Contadora Group will convoke and participate in the session of those commissions, so that it may continue to extend its active cooperation in the discussion of the assigned topics and in the preparation of agreements.
- c. Foreign advisory services, whether provided by individual personalities or representatives of international organizations, must be previously approved by consensus.

- d. The working commissions will be installed in office no later than 31 January 1984. To this end, the participating governments will appoint their representatives and advisers and opportunely inform the Foreign Ministry of the Republic of Panama.
- e. Each commission will draft and present its respective calendar and working program before 29 February 1984.
- f. The working commissions will carry out their duties within the framework established by the Document of Objectives, will have their tasks coordinated by the technical group, and will present their studies, legal briefs, and recommendations to the joint meeting of foreign ministers no later than 30 April 1984.