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THE SITUATION IN LATIN AMERICA

Note by the Chairman of the Expert Working Group

Experts from Belgium, Canada, France, Germany, Italy, the Netherlands, Portugal, the United Kingdom and the United States met at NATO Headquarters from 24th to 27th October, 1972 to prepare the attached report.

2. This report, covering the period 28th April, 1972 to 27th October, 1972, is divided into two parts:

Part I: Policy implications
Part II: General assessment

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This document includes: 1 Annex

N A T O C O N F I D E N T I A L

THE SITUATION IN LATIN AMERICA

Report of the Group of Experts

PART I: POLICY IMPLICATIONS

1. Increased awareness of the scale of the social and developmental problems posed by massive growth in population will strengthen the determination of Latin American Governments to press their economic demands on the industrialised countries, and especially the Alliance states. The Latin American Governments have proved their ability to act collectively and should be particularly well placed to put forward their views on monetary affairs through membership of the new Committee of Twenty. It is in the interest of the Alliance governments to consider these demands in the light of changing conditions in Latin America as well as their traditionally friendly relations with these countries, and to respond to the extent possible through measures of the kind indicated in paragraph 3 of the Experts' Report of May 1972 (C-M(72)32) (see Annex).

2. Greater emphasis on the social aspects of development, including improved distribution of population and wealth, is likely to lead Latin American Governments to widen their criteria for assessing foreign investment projects. The Alliance states should respond sympathetically to these new trends, especially where government to government finance is involved, and support where possible investment in Latin America with a high social utility.

3. Given the increasing polarization and complexity of the Chilean political situation as the critical Congressional elections of March 1973 approach, it is more than even in the common interest of Allied members to continue to avoid as far as possible actions which could accentuate any trend in Chile to politically extreme solutions.

4. Although the trade and investment interests of members of the Alliance may be affected by the expected growth of economic nationalism in the period immediately before and after the March 1973 elections in Argentina, it will be in the long-term advantage of members of the Alliance to follow policies of restraint and equanimity as the country seeks to return to a democratic system of government and reactivate its economy.

5. The Communist countries have continued their policy of maintaining and expanding their presence in Latin America. Therefore, it is desirable to follow closely the evolution of their activities and to undertake to offset them by according increased attention to the needs of the Latin American peoples.

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PART II: GENERAL ASSESSMENT

A. SOCIAL, ECONOMIC AND FINANCIAL PROBLEMS

6. Population increase and its distribution remains one of the most intractable issues facing Latin American Governments at the present time and aggravates the task these governments face in promoting industrial growth, employment and improved income distribution. These problems affect Latin American attitudes in the international debate on trade, monetary and environmental questions, in which the views of Latin American Governments are likely to be of growing importance. These views are therefore of significance for relations between members of the Alliance and Latin America.

7. Latin American Governments have become increasingly aware of the importance of demographic trends. There are first signs of a recognition that uncontrolled population growth cannot be allowed to go on indefinitely at the present rate. Recent speeches by President Echeverria indicate a change of attitude on the part of the Mexican Government towards questions of family planning. Some Latin American clergy also show signs of moving towards similar conclusions.

8. At the same time Latin American Governments are beginning to recognise the importance and size of the problems posed by the uncontrolled growth of their major cities and the growing disparity between urban and rural incomes. They are looking for ways of achieving greater decentralisation of the population by stimulating settlement and industrial growth in their less developed regions. In promoting development, including that to which foreign investment contributes, Latin American Governments are now likely to place greater emphasis on criteria of social utility with the object of improving the quality of life for their peoples. In this context, whatever their political systems, almost all Latin American Governments recognise that economic growth by itself cannot solve their problems and now attach a growing importance to achieving a more equitable distribution of wealth and income. This can be noted also in Brazil, which has given priority to the promotion of growth. Latin American Governments hope that such policies will help to reduce social and political tensions and the influence of extremist movements.

9. In the field of international relations, Latin American Governments will continue to press for concessions from the industrialised countries of the kind which they presented at UNCTAD III and which were repeated in the CECLA Declaration of Santiago (September 1972) in respect of the relationship which they hope to achieve with the enlarged Community. The Alliance states will have to face demands for more meaningful participation by the Latin American countries in the forthcoming trade and monetary negotiations, especially through their membership of the new Committee of Twenty.

B. LAW OF THE SEA

10. With regard to Latin American positions on Law of the Sea matters, recent developments, especially the meeting of Caribbean countries in Santo Domingo, suggest that there is a widespread and growing adherence among Latin American Governments to the concept of a 12-mile territorial sea included within a considerably broader "patrimonial" sea. According to this concept, the coastal state would exercise control over all economic resources within the "patrimonial" sea, but would not claim control over navigation and overflight. There are some indications that this broad trend is affecting the position of even Brazil, Ecuador and Peru, which, among the Latin American countries, makes the most extensive claims. Although the concept of the "patrimonial" sea contains real problems for some members of the Alliance, it could possibly represent a better basis for eventual negotiation than the more rigid Latin American claims to complete sovereignty over a 200-mile zone.

C. CHILE

11. Current Situation: the present situation in Chile is characterised by a growing polarization of the political struggle between the Government coalition and the opposition and a deepening economic crisis. As yet, however, there has been no indication that the principal elements of either side are seeking to alter the existing balance by the use of force. This radicalization of the political situation, the more evident conflicts within the "Unidad Popular" parties, and the very difficult economic situation pose serious problems for President Allende at present. In fact, the President, while being challenged with renewed energy by private sector organizations, the Christian Democratic Party and the National Party, faces the continuing problem of radical dissension from the left wing of the Socialist Party (a member of the Government Coalition), and from the extraparliamentary MIR (Movimiento de Izquierda Revolucionaria) of Castroist extraction.

12. Allende's position vis-à-vis the MIR is one of particular importance since the revolutionary causes which it advocates cannot be systematically condemned by the President without the risk of his losing the support of the extreme left wing of his coalition as well as prejudicing his revolutionary credentials. On the other hand, the democratic means which Allende appears to want to continue using in order to build a socialist society sharply contrast with the extremist courses espoused by the MIR. Furthermore, the President's personal approach of seeking accommodation between conflicting views is often criticized as weakness by the MIR and some Socialist elements.

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13. Another factor contributing to the present political tension is the "Patria y Libertad" movement on the extreme right, which is organized as an armed group willing to challenge openly the government and, especially, the "Miristas" who are also armed.

14. The Chilean military is currently observing its tradition of non-intervention in political affairs. Even the most recent episodes in which the Army has been called upon by the government to restore order during disturbances confirm the desire of the military to avoid open involvement in the present political situation.

15. The opposition, fearful of the government's efforts to weaken its economic bases and restrict its access to mass media, is using against the government issues such as the severe inflation and the shortage of consumer goods. The balance of payments situation is very poor as a result of relatively unsatisfactory copper prices and production, reduced agricultural output, and the rise in imports caused by Allende's general economic policies.

16. Outlook: it is certain that in the period before the Congressional elections of March 1973, hostility will continue to characterise the relationship between the Allende Government and its opposition and it is probable that this bitterness will produce periods of dangerous tension. The Group of Experts estimates, however, that the chances are somewhat better than even that the elections will take place. This judgement is based on the underlying desire of key Chilean elements (the military, the opposition parties, Allende himself) to adhere to constitutional norms, and to avoid definitive confrontations (the latter desire shared also by the Communist Party and some important elements of the Socialist Party). At the same time, the Group recognises fully that the prospects for holding the elections can be destroyed by any number of fortuitous developments or by the intransigence and adventurism of extremists of the left (principally the MIR) and right (principally Patria y Libertad). Much will depend on the ability of Allende to control the elements of his coalition and that of the opposition parties to counteract the confrontational tactics of extraparliamentary elements hostile to the government.

17. In the pre-election period it appears that the military will continue to try to avoid deep involvement in the political situation and will exercise a moderating influence on both sides.

18. The economic situation will further deteriorate, but not to the point of acute crisis. Allende will probably take economic measures designed to enhance the UP's chances in the election. These kind of measures may well aggravate the medium-term economic situation.

19. In addressing the possible results of the March 1973 elections, the Group hazards the judgement, on the basis of present conditions, that the opposition will receive a majority of the popular vote, perhaps in the neighbourhood of 60 per cent. A vote in this range would not change significantly the current ratio of seats between the Government and the opposition but could have important psychological effects. Such a reverse would confront Allende with a crucial dilemma: to moderate his efforts to make an irreversible revolution, or to change all by trying to impose forcibly on Chile an authoritarian Marxist system.

20. With respect to the international dimensions of the Chilean situation, the Group believes that the Soviets, Chinese and the Cubans will continue to give the Allende Government vigorous rhetorical support. It is possible, moreover, that the USSR and perhaps the PRC will provide moderate balance of payments assistance to the Chilean Government in order to ease its pre-electoral economic stringencies. The countries of Latin America will be observing carefully the evolution of events in Chile. For his part, Allende will be active in seeking foreign sympathy and support, and he will take advantage of external developments (e.g. the Kennecott legal actions against copper exports) that give promise of strengthening his political position within Chile.

D. ARGENTINA

21. Argentine attention continues to be focussed on the elections scheduled for 25th March, 1973, which will end a seven-year period of generally ineffective military rule. Fears that the elections would be cancelled or postponed have now been largely dispelled. Significantly, the military is strongly committed to the projected timing of the return to political normality ("Salida politica"). The only declared candidate for the Presidency at this time, ex-Social Welfare Minister Francisco Manrique, does not enjoy sufficiently widespread support to be considered a serious contender. The selection of other candidates appears to be the centre of considerable manoeuvring between President Lanusse, ex-President Peron, the Radicals (UCRP) as well as the other oldline parties. The credibility of the election is dependent on the full participation of the Peronists although it is uncertain that this broadly based movement would rally as a whole behind any candidate other than Peron, whose candidacy - like that of President Lanusse - was prohibited by the election ground rules and who would not, in any case, be acceptable to the military. The military interlude and the general instability of the post-Peron period, unfortunately, have precluded the emergence of a new generation of politicians who can command widespread support.

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22. In spite of the extension of balance of payments assistance by developed countries, including several members of the Alliance, the Argentine economic situation continues to be difficult and no medium or long-range measures directed at correcting current problems can be expected until after the elections. A number of decisions, however, may be taken during the forthcoming months which will reflect increasingly strong feelings of economic nationalism.

23. It is evident that the government that emerges from the election will face serious economic problems, as well as the continued disruptive tactics of an active urban guerrilla movement. The new government is likely to enact some strongly nationalistic economic measures at the outset of its term, particularly if the government contains a strong Peronist element, but this direction may be modified as the government addresses itself to the necessities of reactivating a stagnant economy. It is clearly possible that the new government will seek a re-scheduling of the external debt in order to give itself greater economic flexibility. While giving up direct rule, the military will insure that it retains the rôle of final arbiter in the governing process.

E. COMMUNIST PENETRATION IN LATIN AMERICA

24. China: The Chinese People's Republic is patiently going ahead with its effort to penetrate Latin America, where its propaganda finds fertile soil in university circles, for which "Maosim" has an attraction, and in the long-established Chinese communities on the Pacific coast (Peru, Central America).

25. The Peking Government has already established diplomatic relations with several countries in the area: Argentina, Chile, Cuba, Mexico, Peru and Guyana. It offers the governments of these countries technical and financial aid and in 1971 granted a \$42 million loan to Peru, followed in 1972 by a \$100 million loan to Chile, both of these loans are interest-free and re-payable in twenty years. Practical implementation of this aid however, has come up against certain governmental misgivings and Peru for example has not so far taken advantage of the proffered benefits.

26. In the commercial field, China has sought to increase contacts with business circles and has signed a contract with Guyana for the supply of 30,000 tons of alumina.

27. In a clear effort to court favour in Latin America, China has announced its support for the concept of full sovereignty of coastal states over a 200-mile territorial sea and has emphasised this position in its propaganda directed toward Latin America.

28. USSR: during the last six months, there has been no significant change in the style and content of Soviet efforts to develop normal relations with Latin American countries. Nevertheless, the fact that the Soviets are also engaged in clandestine activity in Latin America is illustrated by the expulsion of Russian personnel, on account of their links with subversive extremist groups, from Bolivia and Colombia. In other countries such as Chile and Peru, the Russians have been able to take advantage of their close association with sympathising local groups.

29. Soviet maritime activities in the Caribbean, including naval visits and close co-operation with Cuba in oceanographic research, have continued in recent months. A potentially significant development that bears watching was the recent flight of two long-range Soviet aircraft along the East Coast of the United States from Cuban territory.

30. Cuba: in May and June, Fidel Castro, confident in the stability of his position at home and undeterred by the prospect of being out of the country for a prolonged period, paid a series of visits to socialist countries in Africa (Guinea and Algeria), and in Central and Eastern Europe (Bulgaria, Rumania, Hungary, Poland, the GDR and Czechoslovakia) before going on to the USSR.

31. The Soviet leaders have appeared to be ready to keep up their economic aid despite the adverse trade balance with Cuba (\$350 million in 1971). The Cuban Premier's Soviet hosts no doubt urged him to concentrate on the economic development of his country. Cuba's admission to COMECON is indicative of the USSR's willingness to continue supplying aid, its quest for additional means of swaying Cuban economic policy and its desire to shift some of the burden of aid to the satellite countries. None the less, the Communiqué issued by the Cuban Communist Party Committee on these talks, and also different Castro speeches, seem to reflect Cuban fears that stronger and closer ties with the USSR might run counter to their long-term interests.

32. Falling in with the general line of Moscow policy, the Cuban Government has for some time past adopted a relatively cautious stance vis-à-vis the sub-continent and this appears to have borne fruit. A Peruvian motion, tabled at the OAS on 15th May and proposing the re-establishment of relations with Cuba, was supported by seven countries, with Argentina, Barbados and Venezuela abstaining. Peru restored its links with Havana on 8th July, and it seems likely that other members of the OAS will shortly follow suit. In this context, it is significant that at their meeting in Trinidad in October, the Prime Ministers of the four Commonwealth Caribbean Governments announced their intention to establish diplomatic and/or economic relations with Cuba.

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33. None the less, the Cuban Government is still engaged on activities designed to encourage subversion in certain Latin American countries. In this context, various movements in contact with Cuba have suffered reverses, particularly in Bolivia and Uruguay. It is also reported that Cuban security agents are helping to train members of the Chilean secret services by providing technical support.

EXCERPT FROM THE MAY 1972 REPORT OF THE
GROUP OF EXPERTS (C-M(72)32)

3. Their response to the challenge which the situation in Latin America presents to them could consist in:

- (a) Increased trade opportunities, through assistance in developing exports, stabilising prices for Latin American products, granting non-reciprocal tariff preferences, reducing non-tariff barriers, and by Latin American participation in GATT negotiations.
- (b) Increased access to financial resources, by, for example, increasing the resources of international financial institutions; establishing some link between the creation of Special Drawing Rights and development financing; Latin American participation in negotiations on international monetary problems; and special attention to Latin American external debt problems.