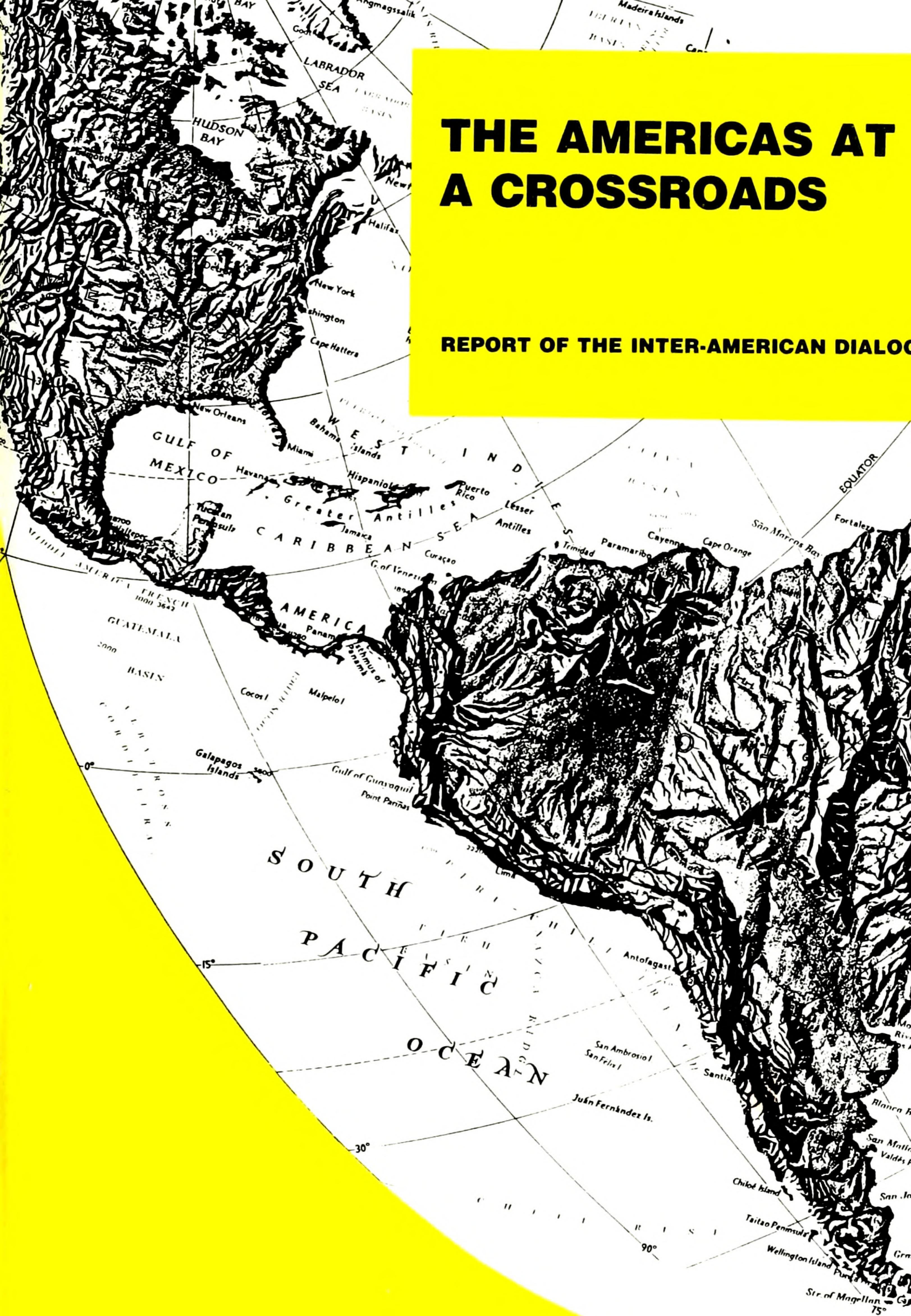


# THE AMERICAS AT A CROSSROADS

REPORT OF THE INTER-AMERICAN DIALOGUE



WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

APRIL 1983

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**THE AMERICAS  
AT  
A CROSSROADS**

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**REPORT OF THE INTER-AMERICAN DIALOGUE  
APRIL 1983**



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## PREFACE

*The Western Hemisphere today faces challenges more serious than any since World War II, or perhaps even the Great Depression.*

Many Latin American nations, including the largest and most industrialized countries as well as some of the smaller and less developed ones, are deeply in debt, unable to repay the principal due on massive foreign loans without very great strain. A number of U.S. economic interests, including some of the country's largest commercial banks, are jeopardized by Latin America's economic reverses. Trade between the United States and Latin America declined sharply in 1982. As concerns in the Hemisphere have mounted over burgeoning debt and diminishing trade, tensions have intensified over protectionism and immigration, and over the adoption in several countries of nationalist remedies. The attention that should be devoted to these troubling problems, in turn, tends to be overwhelmed by the deepening violence in Central America, and by the sharpening differences in the United States and in many other countries over how to respond to the Central American tragedy.

Our shared concern that these and other major hemispheric challenges are not being adequately addressed led the two of us last October to convene the Inter-American Dialogue. We were deeply disturbed about the crisis in hemispheric relations, symbolized in mid-1982 by the South Atlantic war over the Malvinas/Falklands Islands—a needless clash that found the United States and most of its Latin American neighbors aligned diplomatically on opposite sides. We felt that the South Atlantic war dramatically and painfully underlined what had already been bothering both of us in recent years: that the ability of Latin Americans and North Americans to communicate with and to understand one another has been deteriorating markedly. We, therefore, undertook to work with other concerned citizens throughout the Hemisphere to try to reverse this deterioration

by opening a dialogue for discussing major issues and how to resolve them.

The response to our invitation to establish such an Inter-American Dialogue, under the auspices of The Woodrow Wilson International Center for Scholars, was immensely gratifying. Some of the busiest people in the Americas—from Latin America and the Caribbean, and from the United States and Canada—promptly agreed to join our deliberations. We committed ourselves to speak frankly with each other as private citizens; none of us purported to represent the views of a national government. We agreed not to rehash old controversies but to look constructively to the future. We resolved to probe our differences openly and to seek areas of possible cooperation in dealing with key problems.

We met first in October without a pre-established agenda in order to listen to each other and to determine together the issues on which we would focus. Following our October meeting, and with the dedicated assistance of experienced staff and consultants, we commissioned a number of background papers and memoranda on specific topics, prepared by experts with different perspectives. These documents (of which selected and edited versions will eventually be published by the Wilson Center) were then used as background materials by four Working Groups of Dialogue participants. These groups, in turn, prepared discussion papers for our second plenary meeting in March.

The situations we decided to examine have been in constant motion in recent months. In the very week of our March plenary session, for instance, major debt renegotiations were being conducted by Brazil, Bolivia and Peru; Venezuela announced the imposition of exchange controls; OPEC's members met to consider reducing the price of oil; Argentina announced a firm calendar for new elections; the President of the United States told Congressional leaders that he would request substantial increases in economic and military assistance to El Salvador; and Pope John Paul II embarked on a trip to Central America and the Caribbean.

Our deliberations, therefore, were infused with a sense of urgency. That led the participants in the Dialogue unanimously to decide to issue this report. We all believe that the time has come to speak out.

The report we are issuing is a group document. Not every signer agrees with every statement in the text, but all of us affirm that it reflects the consensus among the Dialogue's participants. Each of us subscribes to the overall direction and tone of

the report, and to its principal recommendations.

The signers take full and sole responsibility for the report, which in no way undertakes to reflect the views of the Wilson Center, of the several foundations and corporations that provided financial assistance to the Dialogue, or of any of the institutions or organizations with which the individual signers are or have been affiliated.

No project of this magnitude could be undertaken without a great deal of cooperative effort. We speak for all the participants in the Dialogue in extending our appreciation to: the Woodrow Wilson International Center for Scholars and its Director, Dr. James H. Billington, for sponsoring the Dialogue; Dr. Abraham F. Lowenthal, Secretary of the Center's Latin American Program, who skillfully directed the Dialogue's staff and consultants; Drs. Kevin Middlebrook and Carlos Rico, senior consultants; Drs. Cynthia McClintock, Gregory Treverton, Richard Feinberg, and Viron P. Vaky, consultants; Sylvia Maxfield, Richard Sholk, and Lisa Condit, rapporteurs; Margaret Smith, Sallie Mitchell, and Barbara Friday of the Wilson Center's administrative staff; Wallace Irwin, Jr., for his editorial assistance; the many individuals who provided papers, memoranda, or advice; the Aspen Institute for Humanistic and International Studies and its Vice President, Stephen Strickland for arranging the use of the Institute's Wye Plantation for our second plenary meeting; the Organization of American States (OAS) and its Secretary-General, Alejandro Orfila, for its hospitality to the participants in the Dialogue; staff members of the OAS, the Inter-American Development Bank, the World Bank, and the UN Economic Commission of Latin America, for assistance extended to the Dialogue; Vice President George Bush, Secretary of State George Shultz, and Assistant Secretary of State Thomas Enders, for exchanging ideas with the Dialogue's participants; Ecuador's Ambassador Ricardo Crespo, for his hospitality and advice; and the Ambassadors of the countries of Latin America and the Caribbean in Washington and the U.S. Ambassadors in Latin America who gave us their thoughts and ideas.

We are especially grateful to the following sources of financial support for the Dialogue and for the publication and distribution of this report: The Ford, Gildred, William and Flora Hewlett, and Rockefeller Foundations; Rockefeller Brothers Fund; Chemical Bank; IBM-AFE; and Time, Inc.

The two of us have worked closely together for many years, at the Organization of American States during the 1960s and in many other fora. Never have we had more dedicated colleagues

than the extraordinarily devoted participants in the Dialogue, who contributed their time and counsel so willingly. This experience has reinforced our belief in the importance of a continuing dialogue in the Hemisphere, and our faith in the future of inter-American cooperation.

SOL M. LINOWITZ  
GALO PLAZA L.

*Co-Chairmen, Inter-American Dialogue*

*April 7, 1983  
Washington, D.C.*

## **STATEMENT**

The Woodrow Wilson International Center for Scholars is the nation's official "living memorial" to a great scholar-statesman; and the Center has included in its overall program of fellowships and meetings a particularly active Latin American program since 1977.

Between October 1982 and March 1983, the Center sponsored an extensive Inter-American dialogue under the distinguished co-chairmanship of Ambassador Sol Linowitz and President Galo Plaza. The purpose was to enrich dialogue within the Americas and to produce a volume of prepared papers and summarized discussions, which will soon be published.

The Inter-American dialogue, like other meetings sponsored by the Center, was not designed to generate any collective conclusions. However, the participants felt during the concluding meetings a particular desire to prepare a common report for all to consider signing. The emergence of this report from a Center-sponsored conference is, thus, somewhat exceptional, and of course does not reflect the views of The Wilson Center, of its Latin American Program, or of the various foundations that have supported this undertaking. But the distinction of the participants, the seriousness of the issues and the comprehensiveness of this report all make it a clearly important contribution to the informed dialogue here and abroad that is central to the broad purposes of The Wilson Center.

JAMES H. BILLINGTON  
*Director, The Wilson Center*



## **INTRODUCTION**

The Americas are at a crossroads, at a juncture of unusual danger and of special opportunity.

After three decades of sustained economic growth, Latin America now faces severe depression. Not only has growth in the region ceased—1982 was the first year in forty that gross income in Latin America declined—but financial systems are faltering, bankruptcies are common, trade has declined, and unemployment is staggering.

Last year also saw the outbreak of the Malvinas/Falklands war, the first outright military confrontation in memory between a Latin American nation and one from outside the Hemisphere. Recent years have also seen intense frictions over the borders between Argentina and Chile and between Peru and Ecuador, as well as smoldering conflicts between Venezuela and Guyana, Guatemala and Belize, and Nicaragua and Colombia. For the first time since the 1930s, multiple border wars seem possible in Latin America.

In Central America, scene of so much tragedy, civil wars are escalating within several nations and armed clashes across borders are threatening. Military involvement in the region by non-Central American nations appears to be escalating as well, and the danger of a region-wide conflagration cannot be discounted.

Immigration, long a fact of life in hemispheric affairs, is increasing and becoming more conflictive. The combination of economic downturn and political convulsions increases the pressure to emigrate, while economic difficulties in the receiving countries produce frictions, restrictionist policies, and even violence.

And the inter-American system, the institutional network the countries of the Western Hemisphere have evolved to solve their common problems, is in serious disarray. The intra-hemispheric divisions displayed during the South Atlantic crisis were the most dramatic evidence to date that the Organization of American States is not able to come to grips with some of the major problems the Hemisphere faces in the 1980s.

All these problems are severe; some are critical. Constructive steps have been taken in recent months to confront the im-

mediate financial crisis, but much remains to be done. Failure to face the region's difficulties more effectively would mean a major deterioration not only in inter-American relations but also in the daily lives of citizens throughout the Hemisphere.

But when conditions of crisis are perceived and faced imaginatively, special opportunities for progress exist. We urge greater cooperation between the United States and the countries of Latin America and the Caribbean on the basis of mutual recognition of changing realities. We are heartened by growing evidence that concerted action is possible in this Hemisphere, and that shared values—a deep commitment to democracy and human rights, for example—are being reaffirmed. We believe that Americans, North and South, can forge a more hopeful future if we work together in the years ahead.

We are citizens from many different countries of the Hemisphere—men and women of different generations, from different political perspectives and professional backgrounds. Our experiences and some of our premises are different but we also share common values, convictions, and concerns. It is in recognition of what we share that we came together, and that we now issue this report.

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## **CHAPTER I**

# **ECONOMIC AND FINANCIAL ISSUES**

*Propelled by the worst world-wide economic crisis in half a century, economic and financial questions today dominate the inter-American agenda as never before.* The development prospects of all Latin American countries have been threatened by a series of unprecedented external shocks. The repercussions of Latin America's crisis, in turn, are felt in the international financial and trading systems, and in the balance sheets of United States banks, exporters, and foreign investors.

Although no two countries followed the same path to the present situation, some general patterns can be seen. For most, the very dynamism and favorable prospects of their economies during most of the 1970s encouraged ambitious economic policies that yielded rapid rates of growth—financed by increasing foreign indebtedness (and by high fiscal deficits, in some cases) and critically dependent on expanding export markets. This strategy, now confronting a much deteriorated external environment, has led to a financial crisis throughout the region. Unprecedentedly high levels of external debt service, combined with the scissors effect of climbing interest rates and falling export revenues, have brought Mexico, Brazil, Argentina, Chile, Costa Rica, and others to dire straits. Almost overnight, debt management has acquired a central place not only in economic policy but also in the domestic politics of many countries of the region.

The financial crisis is also a problem for the United States. *The Latin American exposure of the nine largest U.S. banks now amounts, on average, to well over 100 percent of their equity.* Hundreds of regional banks across the United States are also concerned about their loans in Latin America. The entire, closely interlinked, financial system is under challenge.

At the same time, thousands of United States producers have felt the constriction of their once flourishing Latin American market. Latin America's sharp reduction of imports in 1982 hit them with particular force. This impact is significant, for the United States is responsible for more than 30 percent of all sales to the region. Latin America as a region is now the third largest purchaser of U.S. industrial exports and particularly of capital

goods, and accounted in 1980 for 17.6 percent of all U.S. exports.

U.S. involvement in Latin America's current crisis dramatizes a trend that has long been underway: the enhanced interdependence that increases the stake of the United States in Latin America's economic health. This inter-American link, in turn, reflects a still larger trend: the increased importance to the U.S. economy of international transactions worldwide. Between 1970 and 1979, merchandise exports as a share of the U.S. GNP doubled, and now stand at 8 percent. Approximately 20 percent of U.S. consumption is supplied by imports—over a sixth of which come from Latin America. The United States has become more and more integrated into the global economy in the last decade.

Broad interests of the United States and indeed of the world economy, are thus at stake in the current debt crisis. If major Latin American borrowers were to become insolvent and unable to service their debts, the impact on the United States and the international financial system would be severe and unpredictable, and world economic activity might well be disrupted. Already, the present uncertainty is an adverse influence on an emerging economic recovery, while the decline of exports to the region has taken its toll in unemployment and new jobs not created. At the same time, continuing economic depression in Latin America is adding to the "push" factors that cause more and more Latin American workers to emigrate to the United States in search of employment.

The immediate crisis captures headlines, but the economic issues go deeper. Commercial banks, international financial institutions, and governments have already agreed on emergency measures to avoid immediate collapse. But it remains to be seen whether they will now pursue the longer-term basic reforms that are necessary to avert recurrence of the grim 1982 results that saw per capita incomes decline in virtually all the countries of the hemisphere, North and South.

The fact must be faced that today's problems are more than a passing phase. They are a sign of—and a stimulus to—a profound transition in inter-American economic relations. The responses to them are bound to influence hemispheric development strategies in the years ahead and, thereby, the character of U.S.-Latin American relations. The difficult times faced by all our countries may lead in the coming years to increased acrimony and conflict on the one hand, or to closer collaboration on the other. Which road will be taken depends to a considerable degree on actions and policies that are now being decided in the governments and marketplaces of the hemisphere.

It is also clear that these economic issues go far beyond the region. Many developed countries besides the United States have large financial and commercial interests in Latin America. Indeed, the presence of European nations and Japan in the region has expanded over the last decade. The involvement of these countries, their private sectors, and other agencies, is essential. The United States, even while it has an opportunity and obligation to lead, cannot alone sustain the recovery of the global economy.

The economic challenge facing the countries of the hemisphere is twofold: to forge a cooperative solution to manage the immediate liquidity crisis, and to help resume sustained economic growth and development. The stakes are high. In the last analysis, hemispheric security depends upon political stability built, in turn, upon an expanding economy in which all can equitably share.

## MANAGING THE LIQUIDITY CRISIS

### *The Character of the Problem*

To confront the crisis, one must understand its origins in the debt strategy pursued in the 1970s. When increases in oil prices worsened their terms of trade and sluggish growth in the industrialized nations limited the market for their exports, most Latin American countries sought ways to sustain domestic growth rates. They required external loans to supplement internal savings and to finance needed imports. The international commercial banking system was quick to respond. Flush with deposits from the surplus oil-exporting countries and other sources, the banks, often encouraged by governments, rapidly recycled large amounts of capital to developing countries, especially in Latin America.

Latin America increased its external debt from \$27 billion in 1970 to about \$300 billion by the end of 1982. Commercial banks and commercial credit played the most important role. The proportion owed to private rather than official creditors rose from less than half in 1970 to more than two thirds in 1980. This new mix had two ominous results: it shortened the average maturities of Latin American debt, and made its cost depend immediately upon changing market interest rates. In some cases, this more onerous debt structure accumulated at a rate not sustainable over a long period.

In all cases, lenders and borrowers anticipated a favorable

international environment that would enable the borrowing countries to service their mounting debts. These expectations proved far too optimistic. By 1979, a liquidity crisis already loomed on Latin America's economic horizon. Interest rates rose, export markets became more uncertain, and amortization requirements, especially in the roll-over of short-term loans, became more burdensome. The intensifying global recession exaggerated all of these difficulties and added new ones. Commodity prices fell, the terms of trade became more adverse, export markets stagnated or even contracted—all resulting in a drop in export earnings. Simultaneously there was a sudden and unanticipated rise in real interest rates to be paid on the large volume of outstanding debt owed to international commercial banks—a rise in part triggered by U.S. domestic policies. The response was further to shorten maturity, and eventually to curtail further lending. By 1982, for many countries of Latin America, including its three largest economies, the liquidity problem was severe.

It was the banks' alarm over the Mexican debt crisis, in the wake of war in the South Atlantic, that brought further loan commitments to the region to a halt. Very bullish attitudes toward international lending rapidly turned deeply bearish as the banks demonstrated a tendency to reinforce and exaggerate the ups and downs of the "real" economy. Whereas Latin American countries received \$42 billion in net capital inflows in 1981, they received much less in 1982. This reduced inflow, in fact, was significantly exceeded by dividends paid to foreign investors plus much higher interest payments. The flight of private capital from several major countries of Latin America during the same period, exacerbated by stop-and-go exchange policies, further complicated the situation.

To adjust to stagnant exports, reduced financial inflow and high interest payments, Latin American countries have had both to draw down significantly on their reserves and to cut imports sharply. This dramatic drop in imports could only be obtained by a general contraction in economic activity, and in many countries, exchange controls, restrictive import licensing, and other administrative controls. Several of the region's countries, including the largest, had to put into effect, as they never had before, the type of belt-tightening programs required to receive emergency assistance from the International Monetary Fund (IMF). The region has thus already taken significant first steps, at a high price in terms of curtailed growth and high unemployment, to meet the financial crisis by reorganizing its international economic transactions. It is extremely doubtful—

for economic, political and social reasons—that such a price could or should continue to be paid over a long period of time.

Even with this contraction and reduced need for external borrowing, many countries are still having difficulty meeting their debt service requirements. The build-up of arrears and the rescheduling of payments of principal—and even of some interest—are widespread. Commercial banks, increasingly nervous about the creditworthiness of their borrowers, have substantially increased risk premiums and fees, and have shortened outstanding maturities. In the case of Mexico, the interest bill has increased despite the decline in interest rates. The result of all this is only to aggravate the liquidity crisis. What may be in the interest of any particular bank may worsen the situation of all, even of the international financial system itself.

*Solutions: the need for concerted action*

Continuation of this downward spiral is not inevitable. But if each party pursues its own narrowly conceived interests, there is a danger that all will lose. If Latin American countries fail to impose more effective financial discipline and fail to honor their debts; if commercial banks stop lending; or if the U.S. and other major governments ignore the crisis, everyone will suffer. To avert a self-inflicted tragedy, a cooperative, mutually beneficial approach must be found—one that realistically balances the problems and capabilities of the leaders and borrowers, private financial institutions, international organizations, and concerned governments. We believe that time still exists for the United States and Latin America to work together to restore economic growth and financial stability. But the need is urgent, and delay could mean disaster.

We therefore advocate the following immediate measures, some of which have already begun to be put in place:

**1. The International Monetary Fund should be given a larger role.**

The IMF needs more resources—through quota increases and extension of the General Arrangements to Borrow—if it is to respond adequately to the crisis. Countries must be encouraged to meet their short-term liquidity problems without resorting to even more severe capital, currency and trade controls. They will be better able to do so if the Fund offers resources in large enough volume to compensate for the difficult adjustment programs they must also accept.

The IMF and other public-sector institutions, rather than simply “bailing out” the commercial banks, must increase their

own lending if the vitally necessary flow of new net private investment into Latin America is to resume. In recent cases, the IMF has wisely made its own loans contingent upon the availability of new private finance. Such public-sector initiatives can encourage—and if necessary should require—commercial banks to recognize that their long-term interests lie in continuing to lend to Latin America. Prudence requires larger rather than smaller commitments.

It is essential, of course, that these new commitments be made more carefully than in the recent past. Loans by the IMF and the commercial banks should only be extended on the understanding that the recipient country will adopt the domestic measures required to ensure creditworthiness. In the 1970s, many commercial banks lent without such assurances. In the future, greater coordination among the IMF and other sources, as well as more caution on the part of both lenders and borrowers alike, can prevent a repetition of past mistakes. In particular, borrowing countries will have to increase their domestic savings rates and exercise more effective control over their public-sector spending so as to reduce the need for external capital.

The IMF has shown that it can lay down conditions of this kind and have them accepted. But "conditionality" cannot go beyond what is politically and economically feasible. As the IMF itself pointed out in its 1979 guidelines for stabilization programs, those programs should be responsive to the political and social objectives of the government in question. They must also be responsive to commercial, monetary, and other aspects of the world economic environment. In general, the IMF should take into account the impact of its policies, and of world economic conditions, not only on the borrowing country's financial condition but also on income distribution and the fulfillment of the basic needs of the population. Moreover, if borrowing countries have to cut back output too sharply, they may permanently endanger future growth and, in addition, further aggravate the global economic contraction.

To permit the stabilization programs of the IMF and other international agencies to respond to these requirements, adequate new financial resources will be needed. The extension of such resources need not be a budgetary drain on the developed countries. IMF quota increases, for example, do not count as a net outlay in the budget of the United States, nor does the extension of short-term "swap" lines of credit by the Federal Reserve or the U.S. Treasury. Most contributions to the official development banks are also callable capital, never used so far. Some of these programs should be seen as contingent liabilities that

would be drawn upon only if the borrowing countries should default. If the programs are successful, those costs will never be paid. In comparison with the likely consequences of failing to try—and the great danger of a global financial crisis and economic contraction to which the peoples of both debtor and creditor countries are exposed—the contingent liabilities are surely worth incurring.

## **2. Lending agencies should improve their cooperation.**

The national and international financial agencies—the IMF, the Bank for International Settlements (BIS), the World Bank (IBRD), the Inter-American Development Bank (IDB), and major central banks—have shown a capacity to fill the necessary role of “lender of last resort” in the present crisis. Cooperation among them, and between them and commercial banks, has improved in the process. However, the mechanisms of cooperation, and the sharing of responsibilities, are still *ad hoc*, and need to be perfected and formalized. In this connection, the World Bank and the Inter-American Development Bank (IDB), in addition to their long-term lending programs, should be asked to assist in the short-term adjustment of the Latin American economies. They should make increased resources available for quick disbursement in support of agreed-upon reforms, and should consider the possibility of loans to cover local currency costs of investment projects.

## **3. Both “lending” and “borrowing” governments should remedy administrative and policy weaknesses.**

In the capital-exporting countries, national regulatory agencies have at times issued regulations that discourage justifiable lending to developing countries. Such measures should be avoided. In particular, regulators must not require banks to reduce their loan portfolios too rapidly at this critical point. By the same token, they should devise criteria to prevent an imprudently rapid expansion of foreign credit in the future. In borrowing countries, there is an urgent need for improved economic management and for closer governmental control over the total foreign debt. Governments should have current information on all official agencies’ foreign borrowing and should make such information promptly and publicly available to the foreign governments and international agencies concerned. For lender and borrower alike, the aim must be to correct the inadequacies of free-market operation that the last decade has re-

vealed, but without limiting lending and borrowing that is soundly based.

### THE LONGER TERM

Managing the crisis is the urgent task of the moment, on which all future hopes now depend. But the fundamental task remains the same: Latin America's development. For decades if not generations to come, Latin America will continue to require large capital inflows to attain its full growth potential—just as the United States, Canada, and Australia all did during the nineteenth century. Side by side with their integration into global capital markets, the countries of the region must also increase their earnings from foreign trade in order to service—and eventually repay—their foreign debts. *In the long term, debt and trade are two aspects of the same problem.* In recent years, Latin America as a region has borrowed much more heavily than it has exported. That balance will have to be rectified if liquidity problems are not to become a permanent constraint on future growth.

A first requirement for restoring the balance, as well as for easing the short-term liquidity crisis, is for the industrial countries to achieve a sustainable recovery from the present recession. Only then will the prices of Latin America's export commodities return to normal levels, markets for its other exports expand, and its foreign-exchange revenues increase. An expansion is needed that avoids a renewal of inflation and eases current unprecedentedly high real interest rates. Recovery must be based upon policies that will foster a rapid growth of trade such as occurred for almost four decades after post-World War II. To this end it will be necessary to avoid a new burst of rapid inflation; to ease today's unprecedentedly high real interest rates; and to adjust to, rather than obstruct, the changing division of labor in the world economy.

The need for such adjustments is not easy to see in a time of slow growth, especially for those most directly affected. Hard-pressed producers and their governments are all too likely to follow a vicious cycle in which protective measures only aggravate the ills they are meant to cure. In the United States, producers with excess capacity, and especially their workers, tend to resist the penetration of competing products. Developing-country imports are wrongly blamed for lost jobs when, in fact, aggregate demand and technological change have been far more influential in determining the pattern of employment. Meanwhile, investment needed to finance capacity in new sectors remains insufficient as long as corporate profits lag.

Latin American producers, for their part, when faced with a slow growth of world trade, tend to prefer internal markets and even promote tariff and other restrictive policies which prejudice expansion of exports. In this situation, the trade surplus required to service debt will derive from reduced imports, not increased exports. Conflicts will multiply over limited access of U.S. producers to Latin American markets, even while slow Latin American export growth translates into slower and less efficient growth of production within Latin America itself.

Slow growth therefore poses a real danger of protectionism and mutual recrimination rather than mutual benefits. Often the recrimination centers on grievances that are largely imaginary. *U.S. protectionism, for example, has been much criticized in Latin America, even though it has not been a significant factor in the disappointing export performance of many countries in the region.* Their declining export earnings are primarily the result of recession, not of U.S. trade policy. U.S. imports from Latin America, particularly of manufactured products, have continued to expand. Brazil and Mexico especially have benefitted from tariff-free imports under the Generalized System of Preferences. (There has been talk of requiring those two countries to "graduate" from entitlement to GSP benefits, but fortunately that notion seems to have been dropped in view of the new adverse conditions these countries face.) Most of the specific complaints brought by U.S. producers against Latin American exports have been decided in favor of the Latin American countries. Indeed, the United States has proven itself the least restricted market for Latin America among the industrialized countries.

But recent policy decisions and other signs of a new reliance on restrictive measures are increasingly worrisome. For instance, the United States imposes countervailing duties against some Latin American countries that are not parties to the GATT codes concerning export subsidies. Some Latin Americans have interpreted this policy as an abandonment by the United States of traditional most-favored-nation principles. Such impressions, if allowed to prevail, could not only affect trade flows as such but also discourage Latin American producers—as well as foreign investors—from producing for export to industrial countries.

The complaints are not all on one side. Latin American countries have come under increasing attack in the United States for giving subsidies to exporters as incentives to encourage production for foreign markets, and for limitations on imports from the United States and other industrialized countries.

These complaints, however factual in themselves, ignore the fundamental reality of the Latin American experience during the 1970s. Despite the rise in oil prices in that period, Latin America's greatly increased indebtedness enabled it to finance large import surpluses in manufactured products, many of them of U.S. origin.

World economic recovery will make such restrictive policies less attractive and perceptions less distorted. It will begin to ease the debt service burden weighing on Latin American countries, and encourage the flow of new capital. To achieve it is the first imperative of any strategy for Latin America's long-term development.

But the tonic of more rapid growth must be accompanied by deliberate policies to reinforce the mutual benefits of such growth. We therefore recommend the following steps to encourage and ensure an adequate flow of capital, to restructure debt, and to expand trade:

### **1. The role of the multilateral development banks should be expanded.**

To assure the stability of world financial markets requires a better proportion between official credits, commercial lending, and domestic savings. As the proportion of official credits and domestic savings increases, and the demand for commercial flows declines, the borrowing countries can achieve the longer maturity structure of debt consistent with their development needs. Also, the smaller, generally poorer, and less creditworthy countries will be more assured of adequate financing.

The best means to this end 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; for the technical assistance and economic advice that the international financial institutions provide are an important reassurance to private lenders.

We applaud the sixth replenishment of the IDB's capital, and the General Capital Increase currently being negotiated by IDB member states, and urge this be completed swiftly. The IDB's resources for technical cooperation should also be expanded in coming years. In addition, the resources of the IBRD should be increased, either by a general capital increase or by a relaxation of the gearing ratio (the ratio of lending to capital). The latter alternative could also be considered by the IDB. Such

steps should only be undertaken, however, if they would be consistent with these institutions' financial soundness and creditworthiness.

A related step, no less important, is to complete the sixth replenishment of the capital of the International Development Association (IDA), the "soft-loan window" of the World Bank. Simultaneously, negotiations for the seventh replenishment should begin. IDA provides highly concessional loans to the poorer developing countries the world over, thereby freeing the IBRD to allocate a higher proportion of its own lending to the relatively advanced countries of Latin America. The region can receive no more than its fair share of the total resources available to all developing countries from the World Bank and its affiliates. As the global total rises, Latin America's share will rise accordingly.

The expansion of cofinancing arrangements should also be continued. By this device, commercial bank credits are made more secure by being extended in coordination with multilateral development banks. Since the purpose of cofinancing is to increase the flow of resources for well-structured projects in developing countries, the official agencies should seek to assure that the cofinanced credits which they extend result in lengthening the maturity of the debt, and that they are truly "additional" instead of simply substituting for lending that commercial banks would have extended in any event.

## **2. Maturities of existing debt should be extended.**

Several Latin American countries have assumed large short-term debts in order to finance long-term projects which will not yield a profit for years to come. An adequate solution to this problem requires the conversion of part of their short- and medium-term debt into longer-term maturities. If commercial bank lending slows, as seems likely, the smaller inflow can best be compensated by smaller annual rate of outflow.

Several mechanisms have been proposed whereby five to seven year obligations with floating interest rates could be converted into substantially longer-term debt at lower real interest rates. A fundamental objective of these proposals is to distribute the cost of rescheduling more equitably among the commercial banks, the creditor governments and the debtor governments. Present *ad hoc* rescheduling schemes place an overwhelming burden on the debtor governments—a burden that may prove to be untenable. Such arrangements provide immediate relief, but may only postpone the moment of crisis for a short time. A lasting solution must go to the heart of the Latin American debt

problem: the attempt to finance long-term development projects by short-term liabilities.

### **3. Private direct investment should be increased.**

A balanced strategy of long-term development should look toward increased private direct investment from abroad on terms mutually suitable to the most countries and to the investors. Some debtor countries may even deem it desirable to substitute long-term foreign direct investment for their present foreign debts.

During the late 1960s, it became fashionable in several Latin American countries to encourage external debt as a substitute for private foreign equity investment. Events of the last ten years are bringing about a reconsideration of that policy. While interest payments on a debt must be paid whether business is good or bad, profit remittances to foreign stockholders are free to fluctuate with the overall performance and foreign exchange capability of the local economy. In the words of Prime Minister Fernando Schwalb of Peru, "Present difficulties would have been overcome with more partners and fewer creditors." At the same time, people in the United States should not forget that the troubled history of private foreign investment in Latin America continues to influence present-day attitudes in the region. Preaching from the North on this question is ineffective.

Some potential U.S. investors have been given pause by the views of Latin American countries concerning the legal status of foreign investors. Most Latin American governments subscribe to the Calvo Doctrine which upholds the supremacy of the host country's jurisdiction in disputes between foreign investors and host governments. Experience shows that this doctrine is not incompatible with equitable and mutually beneficial treatment of private foreign investors by those governments that consider it in their national interest to encourage such investment. In any case, it is in the long-term interest of both sides that decisions on private foreign investment be made voluntarily, on the merits of each individual case as a business proposition, rather than as a result of political pressure.

### **4. Protectionism must be resisted—in the Hemisphere and worldwide.**

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.

As we noted above, the United States in recent years has had

a creditable record in this respect, notably in its openness to Latin American exports under the Generalized System of Preferences. Unfortunately, the same cannot be said of the industrialized countries as a group.

Much of the difficulty is centered in the proceedings of the General Agreement of Tariffs and Trade (GATT). In too many cases, Latin American countries have had to answer to GATT rules for their protectionist policies, while those of industrialized countries have gone unchallenged. Increasingly, Latin American exports to the industrial North are hindered by restrictions imposed by industrial countries which circumvent existing GATT obligations. GATT rules which might discourage such restrictions, such as those calling for full disclosure, effective escape-clause procedures, and equitable response to complaints have yet to be implemented or even, in some cases, to be written.

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, and remain so even after the Tokyo Round of negotiations. 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 the exception rather than the rule and must be constantly reinforced by actions, not just by rhetoric.

In addition, Latin American countries should pay special attention to the promotion of trade among themselves. By the end of the 1970s this intra-regional trade represented 16 percent of their exports—a rise from only 8 percent in the early 1960s. If preferential policies are resorted to in the first instance to encourage trade within the region, these should be phased out over time in keeping with a policy of general liberalization.

## **5. To stabilize commodity export earnings, the IMF "facility" should be expanded.**

For many Latin American countries, the export of primary commodities remains the most important source of foreign ex-

change earnings. They thus retain a critical interest in further efforts to reduce wide swings in earnings from commodity exports—all the more so in view of the likely future limits of private external finance.

The appropriate mechanism for commodity export earnings stabilization is the IMF's compensatory export loan facility. An expanded role and larger resources for this facility would enable it to assist affected exporters at an earlier stage and shield them from the effects of drastic fluctuations in foreign exchange income. Such fluctuations tend to reduce the affected countries' investment in the production of raw materials, and exaggerate short-term disequilibria in their economies. A sound hemispheric economic strategy must include effective ways to minimize this problem.

## 6. The Caribbean Basin Initiative should be approved.

The United States has demonstrated its commitment to its Caribbean neighbors by proposing to admit the majority of their exports free of tariff as a way of assisting the economic development of the countries of the Caribbean Basin. We endorse this proposal and recommend Congressional approval. We believe, however, that discrimination against any country in Central America and the Caribbean which maintains diplomatic relations with the United States should be eliminated from the Initiative.

For all the small countries of the Caribbean and Central America, trade is the most effective and lasting vehicle for accelerating economic growth, and trade with the United States is particularly important since it is so close and large a market. The proposed preferences can thus yield substantial, and increasing, advantage for them—yet, because of their small size, the effect on competing U.S. producers or on other potential exporters will be slight.

It should also be remembered in this context that trade in goods is an alternative to the "trade in people" represented by international migration. The urgent need of the Caribbean countries for more rapid development has been most vividly shown by the recent high rates of emigration from that region to the United States. From every point of view, this migration is a less desirable solution to the problem of underdevelopment than the trade in goods contemplated under the Caribbean Basin proposal.

It is important to note also that a substantial amount of credit is extended by other Latin American countries to the

economies of this sub-region, and by one country of the Basin to another. Examples of this are the special credit facilities granted under the San José Accord and the clearing arrangements among members of the Caribbean Community. It would be very unfortunate if the immediate debt crisis in the region led to a permanent cancellation of these credit facilities, for that would increase the burden of the poorest countries.

## CONCLUSION

These are bleak times for the economies of the hemisphere. Despite the signs of recovery in the United States, and the emergency measures already taken, further difficulties loom. The fall in oil prices, desirable as it is for the world economy and for the large oil importers in the region, will adversely affect Venezuela, Mexico, Ecuador and Peru. The debt crisis has yet to be overcome; indeed, the new money allocated by the commercial banks to Brazil, Mexico and Argentina may in some cases prove inadequate before year's end.

This reality gives urgency to putting appropriate policies fully in place in order to cope with the present problem, so dominated by financial illiquidity. The United States has responded to the problem with skill and energy in recent months. Its prompt and tangible support has been well received by countries of the hemisphere.

Urgent though the debt problem will remain in the next weeks and months, the far greater economic challenge lies beyond: that of long-term cooperation for the development of the Hemisphere. Great though our diversity is, all our countries are joined by a common need for—and a common capacity to achieve in the months, years and decades ahead—the realization of that vision. Divided or irresolute, we cannot succeed. The costs of failure would be very great.

**CHAPTER II****SOCIAL AND POLITICAL ISSUES**

The Hemisphere's economic problems, reviewed in the preceding chapter, demand urgent attention. They require both emergency measures and longer-term strategies, resolutely implemented.

We are deeply concerned, however, lest governments and multilateral institutions become so preoccupied with immediate economic issues that they ignore the social and political implications of their proposed solutions. Unless concerted attention is devoted to these implications, remedies for the current crisis may turn out to have side effects as serious, in their way, as the ills being addressed. Austerity programs that reinforce inequities and require repression, for instance, would exacerbate fragmentation, polarization, and violence. Equally troubling, a narrow focus on immediate economic issues might cause nations to miss broader opportunities to improve the conditions of life for the peoples of the Hemisphere. Much of Latin America has moved in the last three or four years toward more open and representative politics. That progress will be jeopardized if economic policies are formulated without taking into account their social and political consequences.

Much of Latin America is at a political crossroads. The military regimes that displaced representative democracies in the 1960s and 1970s have lost strength in recent years, their legitimacy and authority weakened by abuses of human rights and by economic reverses. The bases are being laid for a renewal of democracy in much of the Western Hemisphere, founded on a new awareness that democratization requires not just elected politicians taking office but the long-term building of civic and social institutions supportive of open and participatory politics.

If these democratic openings are to take hold, governments and political movements must enlist the participation of the great majority of Latin Americans by responding to their desire for improved conditions of life. Most Latin American countries, building on steady economic growth and sustained urbanization, have made substantial gains in such areas as health and education. Still, World Bank estimates show that one-half of Latin America's rural population and one-quarter of its city dwellers remain in "absolute poverty," meaning that they can-

not afford a minimally adequate diet. At least another one-third of the region's population is poor by most contemporary standards.

The persistent poverty of two-thirds of the people of Latin America is the major cause of the Hemisphere's social unrest. Poverty, inequality, and injustice lead to political protest and polarization. Polarization, in turn, frequently leads to repression, followed by cycles of violent opposition, widespread violations of human rights, and greater social injustice. In order to break this cycle, to increase the opportunities for human fulfillment, and to build more stable societies, sustained commitments to alleviate poverty are urgently needed throughout the Americas. Economic austerity programs which improve current national accounts at the expense of the poorest sectors will undermine the chances of lasting national progress.

#### TRANSITIONS TO DEMOCRACY

Within the past few years, military regimes have given way to elected governments in Bolivia, Ecuador, Honduras and Peru. Last year the Dominican Republic managed its fifth consecutive contested Presidential election. In November, Brazil had a massive turnout for congressional and state elections, that country's most important electoral contest in 20 years; and Uruguay held party elections looking toward the restoration of constitutional democracy. Argentina's military rulers have announced procedures and a date for returning the country to democratic politics. Chile, once South America's most vital democracy, has made little progress as yet toward opening its politics, but increasingly strong demands to do so are being heard.

We recognize the difficulty of broadening and sustaining the trend toward democratization—toward the progressive achievement of social justice in a context of political freedom, broad participation, regular and free elections, and constitutional guarantees. The current economic crisis, and the austerity measures which it demands, compound the difficulty. The need for sacrifices increases the problem of governance at a time when redemocratization in most countries is still fragile.

The fact is, however, that authoritarian regimes which impose harsh discipline on their people lose their legitimacy and ultimately their authority. Today's severe economic crisis can be more effectively managed by governments that enjoy popular understanding and support. Such governments are also more likely to distribute the burden of dealing with the crisis fairly among their population.

Many Latin American countries have in recent years expe-

rienced wrenching internal conflicts and divisions that are not easily forgotten. These divisions can only be overcome through long-term, broad-based national commitments to greater social justice. We believe that the renewal and expansion of democratic procedures offer the best hope that such commitments will become a reality. We further recognize that for democratization to be secure, it must be based on a process of reconciliation and not on the triumph of one portion of the population over another. At the same time, democratization is itself the surest way of protecting human rights.

By its nature, democratization is a national process for which individuals and institutions within each country must be responsible. *Democracy is not an export commodity; it must be nurtured and developed within each nation. We doubt that any government (perhaps least of all that of the most powerful country in the Hemisphere) can contribute much in a very direct way to building democratic political institutions in other countries.* And our doubt grows as the political sensitivity of the institutions which might be assisted increases. We want to see the incipient trend toward democratization prosper, but we fear that efforts from abroad to advance the process could produce adverse effects if they are interventionist.

Accordingly, our recommendations for advancing democracy in the Hemisphere are modest.

**1.** *Governments and other institutions should refrain from activities, covert or open, which undermine the political autonomy or integrity of any other country.* It is considerably easier for foreign agencies to undermine democratic political institutions than to strengthen their development. The principle of non-intervention is vital for safeguarding democratization.

**2.** *Foreign governments, international organizations, and private institutions can contribute indirectly but importantly to democratization through support for equitable economic and social development.* At this moment, their most urgent contribution may be to assist in recovery from the current crisis while being attentive to the social and political implications of their actions. In the longer term, the World Bank, the Inter-American Development Bank, the Agency for International Development, and other development agencies should increase their commitment to alleviate poverty, improve income distribution, and create new jobs. Poverty-focused programs in such fields as basic education, primary health care, low-cost housing, rural cooperatives, and micro-enterprises can yield high economic returns and strengthen the social underpinnings of democracy.

Foundations and private voluntary organizations have long played a valuable people-to-people role in supporting social development. Such organizations, even when funded by governments, should be autonomous, free of governmental control, and insulated from short-term foreign policy pressure. Many of them have gained impressive experience in local self-help approaches to development. There is a need for more systematic ways to share their knowledge among national and international, private and public development agencies.

**3.** Despite our wariness about bilateral programs to promote democracy in other countries, we do believe that *governments can help to create a climate favorable to democratization through the tone and quality of their diplomatic relations*. We expect democratic countries in the Americas generally to maintain warmer, more supportive relations with other democracies, and we favor such discrimination. At the same time, we would counsel against breaking diplomatic relations with authoritarian governments. Distant but correct relations may make their point; ostracism tends to rally nationalist support for a pariah regime and to reinforce rigidity.

**4.** *The countries of the Hemisphere should be ever mindful of the need to ensure that regional institutions, and their relations with one another, are infused with democratic values and procedures.* To the degree that the governments of the Hemisphere conduct their relations with one another on the basis of respect for law, tolerance of political diversity, and hope for the future, they will also help to foster a climate for democracy within each country.

## HUMAN RIGHTS

Human rights violations have plagued the Americas in recent years. Torture, political assassination, "disappearances," and other horrors have been practiced on a wide scale even in nations formerly recognized for their humane politics. These violations warrant unremitting concern by all nations of the Hemisphere.

Virtually everyone in the Americas supports human rights in the abstract. But people differ widely in what they mean by human rights and what measures they think legitimate and effective in ensuring them. They disagree on the relative importance of different kinds of rights—and also on whether, to what extent, and how human rights should be promoted across international borders. They also differ regarding the weight they as-

sign to certain rights when these appear to be in conflict with other objectives, such as economic growth and national security. We believe it is important to recognize and confront these differences, and not to gloss over them.

Three major categories of human rights may be distinguished: (1) rights pertaining to the physical integrity of the person; (2) civil and political rights; and (3) economic and social rights. All these rights are important, but we unanimously affirm the primacy of protecting the physical integrity of the person. No government can legitimately condone—still less be an accomplice to—the murder, torture, or “disappearance” of individuals, or inflict cruel and degrading punishment. Nor should a government commit anyone to prolonged detention without prompt charges and a fair trial. Other rights classified as civil, political, social, and economic—as important as they are—can mean little until and unless governments are committed to and accountable for protecting the integrity of every individual.

To uphold this and other basic rights requires effective institutions. Especially vital are strong judicial systems, independent of the executive power, and internal security forces that protect law-abiding citizens rather than persecute them.

We recognize that the physical protection of innocent persons becomes especially difficult in situations of insurgency or civil war. In such conditions, noncombatants often fall victim either to insurgents’ acts of terrorism or to indiscriminate attack by government forces or death squads. We equally condemn the brutalities of all sides in such conflicts. Terrorism—heedless of the rights of the innocent and provoking new cycles of violence and revenge—can never be justified as a means for advancing any social or political cause. By the same token, although governments may sometimes have to take emergency measures against terrorism or insurrection, measures that indiscriminately attack the innocent, or violate the physical integrity of individuals without due process, are simply counterterrorism. They are unjust, self-defeating, and destructive of civilized society. *We urge all governments in the Hemisphere to join in assuring that the fundamental physical rights of the person, which have been repeatedly affirmed in international covenants and national laws, be protected in all circumstances. Whoever threatens these most basic human rights, whether government or insurrectionary, subverts the social order.*

We are less in agreement regarding the priority that should be accorded to political and civil rights as compared with economic and social rights. Most of us believe that the right of all citizens to take part in independent political activity, including

freely contested elections, is the necessary basis for economic progress and social justice, and that political systems which guarantee this right are most likely to adopt positive social and economic policies which respond to the demands of their electorates. Some of us, on the other hand, maintain that human beings must satisfy their basic material and social needs before they can effectively participate in the civil and political arena. We all agree that human rights of either kind cannot be truly assured without the other and, therefore, that a comprehensive approach is required; but we also know this formulation may obscure the choices and trade-offs that must be made in concrete situations.

In general, if forced to choose, most of us would give priority to strengthening democratic procedures and extending them to all the people. Others would place greater stress on social and economic reforms, even at the price of delaying the achievement of political democracy. Given the widespread poverty and deep inequality in Latin America, this latter perspective is understandable. Nevertheless, most of us fear that postponement of civil and political rights, including the rights of free expression, would only serve to encourage tyranny and further injustice.

In each nation of the Hemisphere, the protection and advancement of human rights is primarily the domestic responsibility of the national government. But it is also a legitimate international concern. It should be reflected in the foreign policies of governments and in the programs of international organizations. *Carefully considered multilateral action to protect fundamental human rights is not intervention but an international obligation.*

To be sure, not all international action in support of human rights is equally proper or effective. Direct unilateral intervention of any government in the domestic affairs of others, even on behalf of human rights, can have unfortunate consequences. Moreover, governments undoubtedly breed cynicism when they alter their international human rights policies to serve other national interests, or apply these policies inconsistently as between different countries.

But silence and inaction in the face of clear abuses are inexcusable.

Situations often arise where single foreign governments, acting bilaterally, can best exert external influence to protect victims of human rights violations. We urge concerned governments not to shirk such opportunities; to pursue policies of consistent support for human rights within the norms of international law; and to refrain from policies which reward human

rights violators. All diplomatic means should be used to protect the basic right of the physical integrity of the person. *In particular, we oppose providing economic and military assistance to governments that systematically engage in gross violations of fundamental human rights.*

We believe that the best way to assure strengthened concern for human rights is to internationalize efforts to protect them. All countries of the Hemisphere should be encouraged to sign and ratify the Inter-American Convention on Human Rights in order to make it a universal basis for a multilateral approach. In addition, proposals to strengthen the Convention should be considered.

*We further urge increased support for the Inter-American Commission on Human Rights.* To this end, we recommend the following:

—Particularly effective Commission members should be re-appointed whenever possible in order to strengthen the Commission's autonomy and independence.

—To reinforce the Commission's autonomy, individuals actively employed in the diplomatic service of OAS member states should be precluded from membership in the Commission.

—Procedures should be developed to allow non-governmental organizations, as well as individuals distinguished by their service to human rights, to nominate candidates for membership on the Commission.

—The budget and staff of the Commission should be increased and the quality of the staff should continue to be upgraded.

—The Commission and member governments of the OAS should work together to deal more speedily with urgent situations such as "disappearances" or the taking of hostages.

—All governments in the Hemisphere should be encouraged simultaneously to issue an open and permanent invitation to the Commission to investigate at its discretion alleged violations of human rights within their jurisdictions.

—The Commission should produce an annual report on the state of human rights in every country of the Hemisphere.

—The governments of the Hemisphere, professional associations, trade unions, human rights organizations, religious groups, the news media, and other concerned organizations and individuals should give more attention to the work and findings of the Commission. In many cases, the most effective means to combat violations of human rights may be publicity.

Other regional institutions concerned with human rights also deserve expanded support. We hope the recently created

Inter-American Institute on Human Rights in Costa Rica will be adequately funded and staffed to do research on the means of advancing human rights. We also endorse the work of the Inter-American Court of Human Rights, and urge governments whose constitutions permit them to do so to accept the Court's jurisdiction.

Many non-governmental organizations work to promote and protect human rights in the Hemisphere. Not all these groups have equal merit. Some have contributed to an escalation of invective and a deepening of distrust, or have diminished their own credibility by becoming political partisans. Others, however, make careful, balanced efforts—often at great personal risk—to prevent violations of human rights and to document them when they occur. We strongly endorse their work. The governments of the Hemisphere should help protect these organizations, their members and employees. The Inter-American Commission on Human Rights should be encouraged to work closely with them, and should be funded to make grants in support of non-governmental organizations that demonstrate objectivity and professionalism in their commitment to human rights.

## MIGRATION

The flow of large numbers of people across international boundaries has always been a major fact of life in the Americas. Most of the American republics are largely nations of immigrants.

The great bulk of this migration is still, as in the past, economically motivated. It responds both to the "push" of unemployment, declining agriculture and other economic adversities in the poorer countries, and to the "pull" of employment opportunities, higher wage rates, and social services in the richer countries in recent years. Economic migrants have moved in large numbers, not only to the United States but also to Venezuela (especially from Colombia), to Argentina (especially from Bolivia), to Brazil (from other countries of the Southern Cone), to the Dominican Republic (especially from Haiti), and within Central America. This migration may be temporary or permanent (many seasonal workers go home when their jobs are done)—legal or illegal, regulated or unregulated. But it is virtually certain to continue, for it responds to underlying economic realities.

Politically motivated migration—the flight of refugees from persecution, repression, or violence—involves smaller numbers but has been on the rise. Many Chileans, Argentines, Uruguay-

ans, Bolivians, and Brazilians fled their countries in the 1960s and early 1970s. Almost one million Cubans have left that island since Fidel Castro took over in 1959, the latest wave in the Mariel boat lift in 1980. More recently, refugees from war and political turmoil in El Salvador, Nicaragua, Honduras, and Guatemala have been leaving for neighboring countries and for the United States.

For all the countries involved, these movements of people have brought many benefits and many problems. There is need throughout the Hemisphere for a better understanding of migration's effects, both good and bad—and for cooperative efforts to regulate it, and to reduce the pressure for it, in ways that will equitably serve the interests of all.

Migration policy presents a fundamental tension between the principles of national sovereignty and interdependence. Although receiving nations have an undeniable sovereign right—and often a practical need—to regulate immigration, strong practical as well as ethical arguments can be raised against unilateral efforts merely to block migratory tides that are impelled by human necessity. By the same token, sending countries, as a matter of both self-interest and international comity, have a responsibility to alleviate the conditions that cause people to emigrate.

*We believe that economic migration should be dealt with primarily at its point of origin.* It is important to encourage economic policies in the sending countries which will contribute to sustained, balanced, and equitable development. Formulas of economic growth that ignore problems of unemployment, income concentration, and lack of access to basic social services and benefits will accelerate, not curb, emigration. Through autonomous action—aided in some cases by bilateral and multilateral arrangements—governments should strive for full national employment, the satisfaction of basic human needs, and the development of appropriate job-creating technology. Most Latin American governments have made considerable progress in devising population policies and family planning programs over recent years; these efforts too should continue and increase. Regional development projects designed to move job-seekers to areas of growing employment in their own countries, should also be encouraged. Such measures, by confronting the underlying causes of "economic migration," would help reduce the drain of human resources from the sending countries and relieve the economic, social and political dilemmas which massive—and partly illegal—migration has created in the receiving countries.

Politically motivated migration raises a different set of problems. People fleeing violence and repression generally seek temporary residence in neighboring countries, and are often eager to return to their homelands when the violence ends and conditions become tolerable. Thus, in these cases, we believe that major efforts on behalf of political refugees should not be directed primarily toward permanent resettlement, but rather toward temporary help. Countries should, to the degree possible, accept such temporary refugees, and should also provide food, health care, and medical supplies to private voluntary groups and international organizations engaged in refugee relief.

Ultimately, the surest way to abate the migratory flows within the Hemisphere is to pursue the twin goals discussed earlier in this report: stable political democracy with tolerance for peaceful dissent, and economic and social development with particular stress on creating a better life for the poor. It is equally important, however, for governments and international agencies to take steps to deal with migration problems in the near term. To this end, we make the following recommendations:

1. Governments in the Hemisphere should be encouraged to accept regulated immigration.
2. Governments should ensure the basic human rights of all persons, including refugees and immigrants, within their national boundaries.
3. Governments should make such bilateral or sub-regional agreements as are necessary to regulate the temporary movement of workers across national boundaries.
4. International development agencies, including the Inter-American Development Bank and the World Bank, should find ways to relieve the problems created by the "brain drain"—the movement of people with scarce skills and training from poorer to richer countries in the Hemisphere.
5. Governments should refrain from using migration as an instrument of foreign policy. In particular, no government should promote an exodus of its citizens that will contravene the laws of receiving countries.
6. Governments should accept as political refugees those people leaving their home countries because of a well-founded fear of persecution. Providing a haven for refugees should be considered a humanitarian act and not regarded as an act of hostility between nations.
7. The Organization of American States should establish an office comparable to that of the United Nations High Com-

missioner for Refugees to focus sustained attention on the growing problems of political refugees and to facilitate coordinated refugee activities among governments in the region.

## CULTURAL AND EDUCATIONAL EXCHANGE

The mutual misperceptions and distrust illustrated by the Malvinas/Falklands tragedy dramatically reveal the need to improve inter-American communication. At a time when the interdependence of the United States and Latin America is increasing, the capacity of people throughout the Americas to hear and understand each other may be declining. Media coverage of Latin America in the United States, although it has increased somewhat lately because of the South Atlantic war and the violence in Central America, is less than it was 20 years ago. Many U.S. university centers for the study of Latin America have suffered budget cuts. Worse may be ahead, for the current U.S. budget proposal calls for eliminating financial support for all international area studies centers and fellowships for international studies. International programs for educational and cultural exchange have been reduced in the United States and in Latin American countries. Foundation, corporate, and public funding for international studies has decreased.

These reductions are false economies. No money yields higher returns than that which is invested in human talent. Nor is there any substitute for studying and learning about each other as a means of improving United States–Latin American relations. *Programs of hemispheric educational, scientific, cultural, and artistic exchange should be strongly reinforced.*

Specifically, therefore, we recommend as follows:

1. Programs to promote educational and cultural exchange—especially the Fulbright Program and the Hubert Humphrey North-South Fellowship Program—should be reaffirmed and expanded, and Latin American nations should consider launching similar programs.

2. Programs that help U.S. graduate students to work in Latin America, and Latin American students to work in the United States, should be extended, and governments and private institutions at the national level should consider supporting some of the local exchange costs of such programs.

3. Centers for the study of Latin America and the Caribbean in the United States, and centers in Latin America and the Caribbean for the study of the United States, and also of other

Latin American countries, should be encouraged and supported by public and private sources.

4. Measures that restrict the free international exchange of *bona fide* scholars and scholarly information—including particularly obstructions to travel by intellectuals—should be ended in every country of the Hemisphere.

5. Expanded support should be provided by the Inter-American Development Bank, the World Bank and other institutions for Latin American research centers in the natural and social sciences and for institutions devoted to the development of technology appropriate to local resources and priorities.

6. Further support should be provided to initiatives, such as the Inter-American Dialogue, that foster the open exchange of ideas among people of different perspectives throughout the Hemisphere.

## CHAPTER III

# SECURITY AND PEACEKEEPING ISSUES

Security is at the heart of international relations and near the top of the inter-American agenda. Complex questions abound, touching on problems of sovereignty and, at times, of national survival. It is, therefore, not surprising that the discussions of security within our Dialogue generated some disagreements, and that differences persisted after considerable deliberation.

On two important points, however, we all agreed: First, *the basic roots of insecurity—and the basic problems of security—in this Hemisphere are primarily economic, social, and political, not military. Second, the sources of insecurity are mainly internal to each nation, and that external influences are secondary.*

*It is our firm conviction that even where there is a military dimension to conflict, as in Central America, the solutions ultimately lie in economic and social development and political dialogue, not in weapons or military advisers. Even when external support for insurrection clearly is present, as in El Salvador, the underlying problems remain domestic.*

We emphasize our accord on these two points, and on the importance of the economic, social, and political issues dealt with in previous chapters of this report. To focus on security concerns without devoting requisite attention to the underlying issues is to misunderstand the dimensions of the problem and to miss the mark.

### PERSPECTIVES ON SECURITY

Security imperatives are always sensitive. What one country regards as vital for its defense may be viewed as threatening by its neighbor. What one nation regards as legitimate protection of the interests of its citizens abroad may be viewed by the affected country as intervention in its domestic affairs, and as a threat to its security.

These problems, inherent in all international relations, are compounded in the Western Hemisphere by the differences in perspective between the United States and the diverse countries of Latin America and the Caribbean. When Latin Americans think of security, most of them think of the internal challenges

of national unity and development, of border issues with neighboring states, and, in some cases, of the possibility of intervention by the United States. In the United States, the focus on security is external, global, and strategic. Because of its worldwide interests and role, the United States generally seeks to assure political stability abroad, sometimes by supporting the *status quo* under sharp internal or regional challenge. Many Latin Americans feel that profound change is inevitable in their region, and that an emphasis on immediate stability is therefore misguided.

In our extensive discussions, we analyzed the nature of security interests for the United States and for Latin American nations, and explored whether and how they are compatible.

We identified three levels of security concern. The most basic is to limit those forms of Soviet and Cuban influence that pose a real danger of turning the countries of the region into instruments of hostile extra-hemispheric purpose. This means limiting the deployment of Soviet and Cuban military forces and facilities in the region, and preventing their acquisition of physical facilities that could be used to project significant hostile power against countries of this Hemisphere. Any regional security policy must squarely address this fundamental and shared concern.

At a second level, many in the United States and some in Latin America believe that any Marxist-oriented movement—even if not significantly supported by the Soviet Union or Cuba—poses a security threat because it may later offer a foothold for hostile influence. Some also fear that successful insurrections will have a ripple or “domino” effect in neighboring countries, and should therefore be countered.

The third aspect of security is more elusive, for it contains a strong psychological component. Some events, especially those that enhance the autonomy of a Latin American state, may be perceived, especially in the United States, as losses in global prestige, in the world-wide competition with the Soviet Union for influence, or in self-esteem—even though they do not affect specific U.S. interests. Although many Latin Americans believe that a diminished U.S. role in the Hemisphere need not pose a security threat or may actually enhance their own security, there is a tendency in some circles in the United States to see any loss of such influence as diminishing U.S. security.

From the Latin American perspective as we noted above, security mainly involves achieving national integration and also preventing foreign interference—whether from outside the Americas or from one of this Hemisphere’s nations, including

Cuba and the United States. Internal reforms or revolutionary changes that a Latin American nation or movement may regard as necessary sometimes clash with second- or third-level security concerns in the United States. Foreign policy initiatives that Latin American nations take in pursuit of their interests may also contradict concepts of security held by some in the United States. For example, development of cultural, diplomatic, and economic exchanges between countries of Latin America and the Soviet Union are sometimes deemed a reason for concern in the United States but are broadly supported in Latin America. Recurrent tension and misunderstanding over such matters are likely to continue.

The prevailing Latin American and North American concepts of security, although different at times, are, we believe, reconcilable. Both North Americans and Latin Americans stress self-determination and non-intervention as norms. Both understand that social and economic progress is vital for achieving political stability and protecting national and international security. The differences that arise are primarily matters of emphasis and of the assessment of risks.

*We all favor keeping Latin America and the Caribbean out of the East-West conflict to the greatest extent possible. It does not serve that purpose for the United States to oppose changes in the region simply because they diminish U.S. influence and hence are perceived as advantageous to Cuba and the Soviet Union, unless they are clearly related to basic security concerns. We believe that the United States can better achieve its long-term interest in regional stability, one shared by Latin Americans, by exercising measured restraint in the projection of its own power.*

The inherent tension between Latin America's urge for autonomy and the U.S. concern for preserving influence can be reconciled. What is required is recognition in the United States that some relative loss of U.S. influence is to be expected in a rapidly changing world, and that the risks of intervention considerably outweigh those of a more restrained role.

## CENTRAL AMERICA

All these general considerations affect our view of the Central American crisis. The human cost of the conflicts in Central America is staggering, and increases every week. One hundred thousand people have been killed by the fighting during the last five years, and a million have been displaced. Economic damage and disruption is massive, and will take many years to repair. Polarization continues to worsen, and foreign intervention esca-

lates. This tragedy must end.

We offer no detailed blueprint for resolving Central America's problems; such a task would be too ambitious for a group such as ours. We do, however, offer a general framework for consideration by all parties, hoping that we can help to stimulate fresh thinking.

*To deal with the hostilities in Central America, we favor dialogue: between the governments in El Salvador, Nicaragua, and Guatemala and the respective opposition movements in those countries; between Nicaragua and each of its neighbors; between Cuba and all the countries of Central America; and between the United States and Cuba, and the United States and Nicaragua, respectively; as well as between the United States and the Soviet Union.*

The single aim of all these discussions would be to explore whether the vital interests of each of the parties can be safeguarded without continuing war in Central America—whether the elements of a settlement that satisfies the interests of each party can be fashioned. The discussions need not be publicized in their initial stages. Quiet contacts may be more fruitful as a way of building reciprocal assurances. They would be based on the principles of national sovereignty, self-determination, and non-intervention, a tradition of values avowed by all the parties.

Our approach is based on two major premises. One, as indicated above, is that most citizens and governments throughout the Hemisphere oppose an expansion of Soviet and Cuban military presence in the Americas. Even revolutionary movements now seeking power in Central America should have little desire to convert their countries into Soviet or Cuban bases. We believe they may be less tempted to do so if they feel secure from subversion or harassment. They recognize how precarious their position would be should they achieve power, and that they would incur additional U.S. hostility by inviting a Soviet or Cuban military presence.

The second premise is that the United States could do much to foster a climate of security in the region by making unequivocally clear its commitment to respect national sovereignty. If reciprocal and mutual security is to be fashioned in a region that has often experienced overt and covert U.S. intervention, it would be useful to provide unmistakable assurances that the United States will refrain from reverting to these practices.

*Procedurally, we strongly endorse the initiative taken by Colombia, Mexico, Panama, and Venezuela in the recent Contadora Declaration, offering their good offices in seeking peaceful solutions to Central America's problems. We call on the presidents of*

these countries to go a step further and involve themselves directly in regional negotiations. These countries are well positioned to play such a role, for they enjoy good relations with the countries of Central America and with the United States, and most of them have relations with Cuba. They have an urgent interest in ending Central America's tragedy, and they have the confidence of the relevant actors. *The United States should make it clear that it favors and encourages an active role by the Contadora group in seeking an end to the Central American conflict, and that it stands ready to join the discussions as may be appropriate.*

*Beyond this, many of us believe that the U.S.-Soviet understandings of 1962, 1970, and 1979 with respect to Cuba might provide the basis for a wider accord that could enhance the collective security of the entire region.* The heart of the original understanding was that each side would cease actions regarded as aggressive and threatening by the other. The Soviet Union removed strategic facilities from Cuba and pledged not to reintroduce them, and the United States pledged to end threats to invade or efforts to subvert the Cuban government. As amended in subsequent years, the understandings have been extended to assure that the Soviet Union would not use Cuba as a strategic naval base, that Soviet forces in Cuba would have only a training and not a combat function, and that those forces would not be expanded. For over 20 years, these accords have contributed to protecting major political and security interests of both the United States and the Soviet Union. The agreement has also served Cuba's interest although it has never been a party to the understandings.

*The basic principle of the U.S.-Soviet understandings on Cuba could be extended to Central America and the rest of the Caribbean.* The Soviet Union and Cuba could pledge not to deploy strategic or conventional combat forces to any part of the Caribbean and Central America, nor to change the character of military personnel either may have in Nicaragua or Grenada from a training to a combat function. They could also pledge not to install facilities or engage in activities that would pose a threat to other states of the Americas. The United States, the Soviet Union, Cuba, and all other governments of the region could further pledge not to intervene or interfere in the internal affairs of other nations of the area, provided others also fulfill their commitments. They could pledge not to supply assistance to revolutionary or counter-revolutionary movements that might seek to overthrow governments; to terminate any such aid currently being given; and not to allow their territories to be used for subverting other governments. States would be asked to give such

commitments as a condition of receiving reciprocal assurances from other states. Revolutionary movements seeking power in the region would be encouraged to recognize these understandings, to behave accordingly, and at a minimum, to express their own determination not to accept foreign forces or bases should they gain or share power.

Such understandings need not be the result of formal negotiations or multilateral agreements. Individual parties could indicate their willingness to behave in certain ways provided that other parties abided by similar commitments. The commitments would be contingent and revocable if any party failed to adhere to its pledges. Appropriate procedures would have to be established to monitor continued adherence. Although that is no small requirement, it need not be impossible to achieve.

This approach would not meet the maximum aims of any party, but, if it worked, it would serve the interests of all. For Latin America as a whole, it would reinforce the tradition of self-determination and non-intervention. For the United States, it would help meet the central security goal of limiting the most threatening forms of Soviet and Cuban activity, including both strategic and conventional military presences. Cuba, Nicaragua, and Grenada would gain some assurance that they would not be the objects of external destabilization efforts, provided they refrained from similar activities with regard to their neighbors. For Cuba, a passive bystander to the earlier U.S.-Soviet understandings, there would be the additional advantage of being an active participant, thus achieving recognition of its international standing in the Hemisphere.

None of us is sure that these discussions will succeed, but we are sure how grave the perils and costs would be of letting the Central American conflicts continue unabated. We have no illusions about the prospects for solving El Salvador's struggle through elections in which the insurgents do not participate. Constructing a viable political center in El Salvador in the midst of civil war is virtually impossible. Attempts to resolve the conflict there militarily are unlikely to be conclusive without U.S. intervention on a scale much greater than political circumstances will permit. If decisive U.S. intervention is ruled out, the likeliest result of present trends in El Salvador will simply be to prolong the bloodshed without respite. Continued fighting in El Salvador, continuing counterrevolutionary activities in Nicaragua, escalating violence in Guatemala: all are likely to feed each other and even raise the spectre of wider regional conflict.

*We believe, therefore, that negotiations should be tried. In El*

*Salvador, negotiations could begin at once to prepare for free, internationally supervised elections on the basis of security guarantees for all parties and participants. In the region as a whole, a major effort should be undertaken to find a way for settling the conflicts on a basis that recognizes the vital interests of each party.*

We know that some will object to our recommendation because it would not assure a change in the level of Cuban and Soviet presence already achieved in the region. By U.S. estimates, there are some ten to thirteen thousand Soviet and Eastern European personnel in Cuba, including a three-thousand-man Soviet brigade. In Nicaragua, there are said to be about two thousand Cuban, Soviet and Eastern European military and security advisers, and the Cuban presence in Grenada reportedly numbers above three hundred. We share others' concern about these developments; our aim is precisely to contain and reverse this trend.

Some doubt that firm assurances could be given against the extension of Cuban and Soviet facilities, but think that this is not the main problem in any case. They focus on the possibility that revolutionary regimes in Central America and the Caribbean might exert a "domino" effect on their neighbors, perhaps eventually putting at risk security interests of the United States and other nations. We believe, however, that sharp external confrontation with revolutionary regimes is more likely eventually to breed intensified nationalist and revolutionary sentiment than the more restrained approach we recommend. Threats should be evaluated in the light of the magnitude of the risk and of the likelihood of its occurrence; policies that magnify a danger out of proportion can themselves become part of the problem.

None of this is to deny that political changes in countries of Latin America may disappoint, irritate, or disturb other countries of the Hemisphere, including the United States. No nation need hide its preferences; false honeymoons between established powers (including the United States) and revolutionary movements really do neither any good. The aim should not be to curry favor with revolutionary movements or regimes, but rather to assure that they will respect the legitimate security interests of others.

## CARIBBEAN BASIN INITIATIVE

A comprehensive approach to the troubling problems discussed here requires more than dialogue and accords: it requires a positive, long-term strategy to deal with the region's underlying

problems.

As we made clear in Chapter I, we strongly favor the general concept of the Caribbean Basin Initiative (CBI) as a creative step toward such a strategy. The proposed granting of one-way trade preferences by the United States to the small countries of its border region would be an especially important advance. The failure of the U.S. Congress to pass the CBI in 1982 was a significant setback to hemispheric security, and we urge its prompt approval.

Some of us, however, have serious misgivings about the precise form of CBI. It provides, in this view, too little additional economic assistance and restricts unnecessarily the Caribbean and Central American exports that would be given preference. The proposed aid is heavily concentrated on a few recipients and on forms of assistance that might increase rather than diminish the militarization of the region. The CBI also excludes several countries, and thus works against greater integration of the region. Most of us would prefer to have the CBI approved in its existing form than not to have it at all. At the same time, we commend as models the more comprehensive and non-discriminatory programs Mexico, Venezuela and other Latin American states have established for Central America and the Caribbean.

## INTERSTATE CONFLICT

Armed conflict among Latin American states, or between them and states outside the hemisphere, has become a salient problem in inter-American affairs. The South Atlantic war of 1982, coming on the heels of the border conflict between Peru and Ecuador in 1981, suggests a disturbing trend toward more such conflicts.

For several issues that could lead to such conflict—such as the Beagle Channel dispute between Argentina and Chile, and the Peru-Ecuador dispute—there is at least some active mediating effort. But in other cases there is no current attempt at mediation or other means of peaceful settlement. The *Malvinas/Falklands dispute is the sharpest case in point. Starting serious talks about measures to reduce tension over this issue should be a high priority for the international community.*

The Belize-Guatemala and Venezuela-Guyana disputes highlight a unique diplomatic problem that should not be allowed to continue. Neither can be dealt with in the framework of the Organization of American States because both Belize and Guyana are excluded from OAS membership by the provision of

the OAS Charter barring states that have boundary or territorial disputes with members of the Organization. That provision is damaging to hemispheric security; it should be repealed. In the interim, the continued exclusion of these nations underlines the need for a mediatory role by the United Nations, to which all disputants belong, or by other countries acting alone or in small groups.

The first responsibility for settling international disputes obviously lies with the parties themselves. In some cases they may be able to negotiate directly. Often private groups or citizens from the disputing states can play a role by discussing the issues unofficially and beginning to build a climate and a basis for negotiation.

International organizations and procedures are, at best, tools to enable those that use them to achieve specific goals. The Hemisphere has a long and constructive tradition—further discussed in Chapter IV—in the use of international institutions to enhance individual and collective security. Partly as a result, the Americas have been troubled with much less interstate conflict than other parts of the world.

The Organization of American States has through the years played a constructive role in many conflicts, most notably in Central America and particularly during the war between El Salvador and Honduras in 1969. Its role is now complicated in Central America, however, by the increasingly ideological nature of current conflicts.

In the aftermath of the South Atlantic war, estimates of the capacity of the OAS to resolve international conflicts are generally low. Even if the OAS has only limited effectiveness, however, any contribution to conflict resolution serves hemispheric security. If but one war is avoided or contained, that alone justifies the existence of the Organization. We believe that the OAS can play a practical role in promoting conflict resolution and in opposing aggression. The strengthening of its ability to perform this function, especially by strengthening the office of Secretary-General as recommended in Chapter IV, could substantially contribute to security and peace in the Hemisphere.

Individual governments, or small groups of governments, can sometimes serve effectively as intermediaries when disputes arise. There is a long tradition and considerable experience in Latin America, independent of the United States, in this pattern of peace-making diplomacy. Constructive efforts to ease Hemispheric disputes are also possible at times in the United Nations, provided due attention is paid to the wishes of the nations that have the primary responsibility. At the height of the South

Atlantic war, the United Nations Secretary-General played a constructive and potentially useful role. That the forces of war proved stronger than diplomacy should not lead countries of the Hemisphere to dismiss the use of his good offices during future conflicts, especially as he explores ways of making his position more effective. In particular, the Secretary General might contemplate an active role in those conflicts currently outside mediating efforts and outside the scope of the OAS, such as those between Belize and Guatemala, and Venezuela and Guyana.

In similar fashion, the Pope's intervention helped pull Chile and Argentina back from the brink of war over the Beagle Channel; and Argentina, Brazil, Chile and the United States were effective in bringing the 1981 conflict between Ecuador and Peru to a quick end. These examples illustrate two points: the utility of a variety of mediating mechanisms, and the likelihood that the United States will be most effective acting in a secondary role—as it was in helping arrange for Papal mediation of the Beagle Channel issue—rather than when it is out in front.

Cuba is part of the Hemisphere, with security concerns that need to be recognized even as Cuba is forcefully urged to respect the sovereignty of other nations of the hemisphere. The governments of the Hemisphere, including Cuba, should reconsider the appropriate place of Cuba in the institutions that serve the Americas. Collective security might be served by attempts to engage Cuba, on the basis of mutual respect, in common peaceful endeavors.

Special means may be required to achieve this. Cuba was suspended from the OAS long ago and is unlikely to rejoin. It does, however, participate in other international organizations, such as the UN and its regional agencies; in specialized agencies of the inter-American system such as the Pan American Health Organization; and in exclusively Latin American institutions such as the Sistema Económico Latino-Americano (SELA). Bilateral discussions with Cuba can also be useful: past cooperation between the United States and Cuba over hurricane tracking or drug trafficking, for example, suggest that even severe tension need not rule out all forms of cooperation.

We recommend two other principles to guide the resolution of conflicts between states. One, which has proven useful in other regions, is that of freezing boundaries where they are. This general principle may be especially practicable for Latin America, where it served to contain warfare in the decades after Independence. No boundary in the Hemisphere has been changed by force in the past four decades. The wars of 1981 and 1982 did not do so.

Of course, this principle would require states to forego what they regard as legitimate territorial claims. We thus recommend a second principle: that of separating territorial claims from issues of resource exploitation. For example, a state that is asked to drop its territorial claim might be compensated by receiving a larger share of its neighbor's 200-mile maritime economic zone than it otherwise would. Or different "boundaries" might be established for different purposes: Uruguay and Argentina, for example, settled their dispute over the La Plata river almost two decades ago by agreeing to one boundary for navigation and another for political and administrative purposes. For conflicts that do not involve ocean areas, such as those between Bolivia and its neighbors and between Peru and Ecuador, it may be possible to fashion creative compensations.

In still other cases, joint exploitation of marine resources may be useful to resolve conflicts. This, reportedly, is a feature of the Papal recommendations for the Beagle Channel. The same principle may be particularly appropriate for the Caribbean, where extension of 200-mile maritime zones has created a maze of overlapping claims which many of the states lack the resources or technical expertise to exploit or even police. Joint regimes—which would harmonize with a tradition of integration between political units region—could reduce costs, and might make it easier for outside countries and agencies to render technical assistance.

## NUCLEAR NON-PROLIFERATION

The issue of nuclear proliferation is not immediately pressing but does merit concern. For the near future, only Argentina—which could soon have an entire nuclear fuel cycle, developed domestically outside international safeguards—and Brazil will have any ability to contemplate nuclear weapons. The recent agreements for collaboration in nuclear energy between Argentina and Brazil enhance their security as well as their economic interests. Most countries of Latin America, including Cuba, accept international safeguards designed and supervised by the International Atomic Energy Agency (IAEA), and we encourage the government of Argentina to place all its nuclear facilities under international safeguards. This would be another manifestation of its commitment not to increase uncertainty, hence concern, among its neighbors.

Other steps to diminish uncertainty should be taken. The Treaty of Tlatelolco, designed by Latin Americans to establish a Latin American Nuclear-Free Zone requires few additional steps

in order to be fully in effect throughout the zone: Argentina has signed but not ratified it, Cuba has yet to sign or ratify, and France has ratified Protocol II but not Protocol I. All these countries should take the necessary steps.\*

Coordination and exchange of information should be enhanced among regional and international organizations that deal with nuclear issues, including the International Atomic Energy Agency, the Inter-American Council on Education, Science and Culture (CIECC), the Inter-American Nuclear Energy Commission (IANEC), and the Agency for the Prohibition of Nuclear Weapons in Latin America (OPANAL).

## CONVENTIONAL ARMS CONTROL

Latin America remains relatively lightly armed by comparison with other regions. In the aftermath of the South Atlantic war, however, there are some troubling signs that arms races are intensifying. Efforts should be undertaken to curb or reverse this trend.

Many of our recommendations would have arms control effects. One key purpose of the approach we favor toward Central America would be to curb the flow of arms into the region. Measures to reduce the risks of nuclear proliferation would also serve the goal of arms control. Since military build-ups often follow outbreaks of bilateral conflict, efforts to resolve those conflicts would also limit incentives to acquire weaponry.

More specific steps to restrain military build-ups are desirable. It may be possible to agree not to introduce certain categories of weapons and not take actions that would destabilize existing balances. Latin American states and suppliers of weapons should be encouraged to discuss their respective policies on arms transfers and to identify areas of possible restraint. This would be a kind of Tlatelolco process for conventional weaponry. There is no gainsaying the difficulties. The number of suppliers has increased, and some countries of the region, such as Argentina and Brazil, are now both suppliers and recipients. But the effort is worth making.

At a minimum, these discussions—as well as the possibility of a reporting system centered in the OAS as recommended in Chapter IV—would increase the “transparency” of military activities in Latin America, now often shrouded in secrecy and

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\*Protocol I pledges the four outside powers which control territories in the zone to apply the provisions of the treaty to those territories. Protocol II commits the nuclear-weapon powers to respect the zone, and not use, or threaten to use, nuclear weapons against parties to the treaty.

mistrust. More information about the military activities of neighbors could provide reassurance and reduce the risk of conflict by misunderstanding. A number of confidence building measures, formal or informal, might result from these discussions: advance notification of maneuvers, invitations of observers to those maneuvers, and so on. There is no reason for the nations of Latin America to do less than has been possible for NATO and the Warsaw Pact in the heart of heavily-armed Europe, or for the United States and the Soviet Union. Indeed, there is good reason to do as much, or more.

In conclusion, we return to an emphasis on the broader context of hemispheric security. *It is no exaggeration to observe that the region's security has probably been advanced more in recent years by the Panama Canal Treaties than by any other single development.* The Treaties enhanced the spirit of cooperation between the two halves of America, and reinforced the stakes held in common, by enabling Latin Americans to take responsibility commensurate with their stakes. That is the essence of our approach. We do not deny the differences in interest and perspective between the United States and the nations of Latin America. But we emphasize the important interests that are shared, and we urge mutual respect for vital security concerns.

## CHAPTER IV

# TASKS FOR INTER-AMERICAN INSTITUTIONS

In any community, small or great, common needs, when they endure over time, give rise to common institutions. The nations of the Western Hemisphere have been developing for an entire century an elaborate structure of regional and subregional organizations.

It should be no surprise that the strains and growing pains that now trouble the nations of the Hemisphere should be reflected in their institutions. Agencies of the Hemisphere are bound to seem inadequate, even powerless, when their sovereign members differ sharply on important political questions. Moreover, at the nonpolitical level, institutions tend to lag behind the stream of change in economic, social and technological realities. For such reasons, among others, there has recently been more than the usual amount of soul-searching, even pessimism, about the role of the hemispheric institutions centered in the Organization of American States. As noted in Chapter III, the South Atlantic crisis intensified this concern.

Constructive soul-searching is appropriate—indeed, essential—but pessimism is unwarranted. *Despite their manifest weaknesses, the Hemisphere's institutions have by and large served their members fairly well.* In promoting the peaceful settlement of conflict, the OAS has proved its value many times, through its formal procedures, its availability as a center of consultation and corridor diplomacy among members, and the diplomatic services of its Secretary General. In fostering cooperation on scientific, cultural, and other nonpolitical matters, the specialized agencies of the OAS—such as the Pan American Health Organization and the Inter-American Institute of Agricultural Sciences—have done work of real importance, valued especially by the smaller and less advantaged member states. Chapter II emphasizes the important work of the Inter-American Human Rights Commission. All these institutions have served common purposes and have the potential to do still greater service in the future.

Nor should we forget the enduring value of the Hemi-

sphere's basic legal instrument, the Charter of the OAS. That solemn compact, written in 1948, is at the heart of the "Inter-American System." It gives formal and authoritative expression to the common ideals of the American Republics. The purposes set forth in its Preamble and in Article 1—"to offer man a land of liberty, and a favorable environment for the development of his personality and the realization of his just aspirations," and "to achieve an order of peace and justice, to promote their solidarity, to strengthen their collaboration, and to defend their sovereignty, their territorial integrity and their independence"—still have the power to inspire. Many of the institutional mechanisms which the Charter established are still viable. What is needed now is to give renewed life to those high purposes, and to modernize and make better use of the mechanisms.

### THE INTER-AMERICAN SYSTEM: STRAINS AND SOLUTIONS

Our belief that existing inter-American institutions can serve the changing functions and needs of the Hemisphere is attested by numerous recommendations involving these institutions in earlier chapters.

Yet the strains and inadequacies that now afflict the Inter-American System are real and must not be brushed aside. To ignore them would only speed the deterioration of regional institutions and the already noticeable tendency of members to bypass them. Such a trend, long continued, would cause the institutions to atrophy and ultimately die—only, perhaps, to be recreated after new, costly, and avoidable crises have caused the members to relearn the lesson of their interdependence.

There is a better course. The Inter-American System belongs to its member states. It is their responsibility, and their manifest interest, to keep its institutions in repair. To do so, the first step is to understand the System's weaknesses and the strains that now afflict it. Three distinct causes of weakness can be identified:

—*Bureaucratic inefficiency* is perhaps the most familiar complaint against the OAS and its many agencies, as indeed it is against most large institutions everywhere.

—*Redundancy and irrelevance* have been increasingly charged against the institutions of the region, especially by the larger members which have developed increasing links with the world economy and, correspondingly, with global institutions. There is also a trend away from hemispheric institutions toward sub-regional or special-interest groupings as problems arise

that are of less than hemispheric scope. Both of these tendencies may be sensible in particular cases, but their cumulative impact on hemispheric institutions is a cause for concern.

—Finally, *the inequality of power*, which has been a built-in reality of the system from the beginning, is—perhaps paradoxically—a source of greater psychological strain precisely in a period when power relationships in the Hemisphere appear to be gradually changing. Washington, long accustomed to a dominant role, has been almost reflexively reluctant to commit itself to arrangements it cannot control. Nowadays, it worries at signs that its ability to sway the decisions of the OAS is not what it used to be—and attempts from time to time to reassert its old authority in ways that aspiring powers resent. Conversely, Latin Americans—especially those whose size and rapid development has won them increasing status and influence in the world community as well as in the Hemisphere—are increasingly wary of what may look like U.S. attempts to regain lost positions of dominance; they sometimes view the OAS as an instrument of such purposes, and avoid and bypass it in consequence.

These weaknesses and limitations of the Inter-American System are partly inherent and will never be entirely overcome. But it is certainly possible to control and counteract them so that they do not drain the institutional structure of its vitality.

—The OAS bureaucracy has, in fact, been considerably streamlined in the past few years. There is every reason, especially in today's conditions of financial stringency, to pursue the effort and develop systematic ways of discontinuing programs and offices whose services no longer justify their cost.

—The de-regionalizing of operational programs, notably in the economic sphere—that is, their movement out of the orbit of the OAS into global institutions on the one hand or subregional ones on the other—may in fact be functionally correct in many cases. The decision will generally depend on the geographic patterns of the interests involved in each case. This does not mean, however, that the OAS has no mission to perform in economic affairs. We shall return to this point below.

—As for the members' responses to realities of power, there is no magic way to do away with this difficulty. But it can be mitigated to the extent that representatives of all members, whatever their countries' size and power, manage to respond to one another less out of sensitive pride and more out of pragmatism and mutual respect. The realistic foundation for these more constructive attitudes is nothing less than the sum of shared needs, interests and ideals that unite all nations of the Hemisphere, large and small alike, and have enabled them repeatedly

to contain their differences.

In this connection, there is reason to show special regard for the smaller and less advantaged nations of the hemispheric community, whose numbers have recently been swelled by the spreading independence movement in the Caribbean. It is they who are most inclined to use the OAS, as well as subregional organizations, as a means of pooling their influence and compensating for their individual weaknesses. That these small nations should prosper, and should have reason to value their membership in the inter-American community and its institutions, is of vital importance not only to them but to the community as a whole. This consideration alone would amply justify vigorous support of the OAS by all members of the community, both great and small.

With these considerations in mind, we turn to specific recommendations concerning hemispheric institutions in their two main clusters: political and security, and economic and social.

#### POLITICAL AND SECURITY MATTERS

The preservation of peace and security in the hemisphere entail a wide range of activities, the most important of which can be considered in two categories: peaceful settlement of disputes, and the management or control of armaments, both conventional and nuclear. Under these headings we recommend as follows:

*1. The peacemaking functions of the OAS should be strengthened, particularly in ways that enable the organization to anticipate trouble rather than merely respond to crises.* Although governments cannot be compelled to use the OAS or any other peace mechanism, it is essential that an adequate mechanism be in place. Given the disputes which already loom in the region, there can be no more urgent requirement in the field of regional organization than this.

*2. For the same reason we further recommend that the functions and authority of the Secretary-General of the OAS be increased to make them similar to those of the Secretary-General of the UN.* He should be in a position to conduct active monitoring of areas of tension, and should have power to call the attention of member governments, and of the OAS Council, to situations which he considers potentially threatening to peace in the Hemisphere. And he should be given powers of initiative in dispute settlement, comparable to those of the UN Secretary-General, subject to decisions of the Meeting of Consultation that is to be convened when a dispute arises. Such an increase in his powers

would serve to encourage member states to resolve existing territorial or other disputes before they reach crisis proportions.

*3. Member governments should take full advantage of the opportunities which the OAS affords for consultation on political and security matters.* Bearing in mind the ability of the OAS Council to act on a moment's notice as a Provisional Organization of Consultation, all members should designate high-level representatives to that body.

*4. Peacemaking in the Hemisphere should not be inflexibly tied to the OAS but as suggested in Chapter III, should make flexible use of other mechanisms including the intermediary service of individual governments or groups of governments, and of the United Nations.*

*5. All states of the Hemisphere should be members of the OAS.* Canada should give renewed consideration to joining. Moreover, the exclusion of Guyana and Belize from membership on the ground that they have unresolved territorial disputes with present OAS members cannot be justified. We further believe that the Organization should remain open to states of all political ideologies. The test of membership and participation should be solely that of conformity with the principles of the OAS Charter, including respect for the sovereignty and territorial integrity of other states.

*6. As a further step to discourage future arms races in the region, and to allay suspicions by member states concerning each other's military armament plans, consideration should be given to a system of public reporting to the Council or the Secretariat of the OAS data on military expenditures, acquisition of weapons systems, and force dispositions and maneuvers.*

## ECONOMIC AND SOCIAL MATTERS

In the treatment of economic issues in Chapter I, a number of recommendations on institutional aspects were made, notably for strengthening and replenishing the main international financial institutions, including the Inter-American Development Bank (IDB). Here we concentrate on an organizational problem that is central to the OAS itself: namely, the role of the Inter-American Economic and Social Council (CIES). Unlike its sister council, the very useful and effective Inter-American Council on Education, Science and Culture (CIECC), the CIES has not fared well in recent years. With the dissolution of the Alliance for Progress, the general reduction in official aid programs, and the growing globalization of trade and financial issues, other institutions—the IDB, the World Bank, the IMF, GATT, and the Mul-

tilateral Trade Negotiations—have progressively superseded CIES as instruments in development and trade policy. At the same time, more and more Latin American countries have diversified their international economic relationships beyond the Hemisphere, or, moving in the opposite direction, evolved sub-regional arrangements. Thus CIES has been allowed to deteriorate to a point where senior finance and economic officials of the region see it as a distraction rather than as a policy instrument.

In our view, the solution to this situation lies not in abolishing CIES, still less in taking the OAS entirely out of economic affairs, but in redefining the CIES function. *We recommend that the Inter-American Council on Economic and Social Affairs be relieved of its programmatic responsibilities and be used henceforth as the main inter-American agency for coordinating and catalyzing the members' regional economic policies and programs, and for the continuing exchange of information about them.* Its activity in this regard might usefully be concentrated in the first instance on the bewildering maze of technical assistance programs flowing to countries throughout the region from governments, private organizations, and regional or international bodies—the coordination of which at present is conducted solely, and inadequately, by the recipient governments. To enable CIES to play this role, member states should appoint economic officials to represent them on the Council.

*Finally, and most important, we urge that senior economic policymakers from all governments of the Hemisphere, including the United States, gather at least once a year in closed meetings for an informal exchange of ideas on problems of common concern.* Such meetings would be comparable to those of central bankers at meetings of the IDB, and would provide a means of frank exchange and mutual education among the top officials concerned with economic planning, finance, and development. Such meetings could be arranged through the CIES, in connection with the annual meeting of the IDB Board of Governors, or separately. It is vitally important, in this turbulent period, for the governments of all nations in the Hemisphere to consult and exchange perspectives.

## **INDIVIDUAL COMMENTS**

*Under the section "Maturities of existing debt should be extended," on page 23, with reference to the second sentence in the second paragraph, the following comment was made:*

I strongly believe that the Latin American countries with debt problems are facing liquidity crises, not solvency crises. The liquidity problems can be resolved provided:

- a. The debtor nations undertake the structural adjustments that will permit them to return to satisfactory paths of economic growth and to a resumption of their debt service payments.
- b. Commercial banks continue to increase, at appropriate rates, their net credit outstanding to such nations.

It would be a serious error to conclude that the existing debt cannot be repaid and therefore must be written down with "distribution of the cost among the commercial banks, the creditor governments, and the debtor governments."

ROBERT McNAMARA

*Former President, The World Bank*

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It has been an honor for me to have participated in the work of the distinguished group represented by the Inter-American Dialogue. The report of the Dialogue reflects the interplay among various perspectives and schools of thought on the major political, economic, security, and institutional issues confronting the Americas and is the culmination of the invaluable process of exchange of views on these issues which was launched by the Dialogue.

Like any consensus document, the Report cannot report in its entirety the views of any one given individual. In signing the report, among other differences, I make particular note of my support for the Reagan Administration's Caribbean Basin Initiative as a key measure for the stability and prosperity of the region in which we in Puerto Rico have a special immediate interest. Because these efforts, if carried out at the expense of Puerto Rico, would be self-defeating, I do not favor the elimina-

tion of all restrictions on the preferences given to products of Caribbean origin, as called for in Chapter 3 of the Report. I further note that under the heading of economic and financial issues the emphasis of the Report on the role of international financial institutions overshadows the importance of other significant factors which can contribute to the alleviation of Latin America's financial and economic dislocations, and believe that these should be given fuller consideration.

HERNAN PADILLA

*Mayor, San Juan, Puerto Rico*

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Oscar Camilion and Jose Maria Dagnino Pastore object to the reference to Argentina's nuclear program on page 50. They also stress the need for a peaceful solution to the Malvinas issue.

OSCAR CAMILION

*Former Foreign Minister, Argentina*

JOSE MARIA DAGNINO PASTORE

*Former Finance Minister, Argentina*

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The Western Hemisphere is enriched by the presence within it of a second industrialized democracy, one whose attitudes, experiences, and policies are not always identical with those of the United States. Canada has a mixed economy of public and private sector activities, a non-republican form of government, and a bilingual character. Its special relationship with the seven commonwealth countries in the Caribbean Basin and its long-standing refusal to sever diplomatic and economic relationships with Cuba are both evidence of the particular points of view and alternative courses of action that it can bring to bear upon hemispheric issues.

Canada's role in the hemisphere will depend as much upon its neighbors as upon it. Its co-chairmanship of the Cancún conference, its adherence to the UN universal declaration of human rights, and its historic record as a state without territorial ambitions qualify it, however, to be a distinctive actor of increasing significance.

IVAN HEAD

*President, International Development Research Centre, Canada*

## **SUMMARY OF PRINCIPAL RECOMMENDATIONS**

### **On the Liquidity Crisis in Latin America:**

The International Monetary Fund and other international financial agencies should be given larger resources and a greater role in lending to Latin America, and should improve their cooperation with each other and with major central banks in this work. They, and the governments of capital-exporting countries, should encourage commercial banks to continue and even increase their own lending to the region, but on more prudent conditions than before. Borrowing governments should improve their financial management but should not neglect the needs of the poor.

### **On Long-Term Economic Development:**

Recovery from the world recession is a basic requirement, especially for Latin American exports. Within the Hemisphere, the World Bank, Inter-American Development Bank and other official multilateral institutions should carry a larger share of the capital flows to the region. Average loan maturities should be lengthened and more aid should go to the region's poorer countries. Some existing short- and medium-term loans in support of long-term projects should be converted to long-term debts. There should be more private direct investment in the region and an alternative to loans. The U.S. and Latin America should cooperate to resist trade protectionism world-wide. The IMF should expand its lending program to stabilize Latin American commodity export income. The Reagan administration's Caribbean Basin Initiative should be promptly approved.

### **On Promoting Political Democracy:**

Democracy is not an export commodity. Governments should avoid undermining each other's political autonomy or integrity; support equitable development with stress on alleviating poverty; maintain more cordial diplomatic relations with democracies than with authoritarian regimes; and in their mutual relations and regional institutions, reflect democratic values such as respect for law and tolerance for diversity.

**On Human Rights:**

Although mainly a domestic responsibility, human rights abuses are also a proper international concern. Priorities should go to protecting the physical integrity of the person against murder, torture, "disappearance" or cruel and degrading punishment. In civil conflict, neither insurgent terrorism nor government counterterrorism against the innocent can be condoned. Unilateral intervention against human rights abuses is improper, but governments that systematically violate human rights should receive no aid. All Hemisphere governments should join the Inter-American Convention on Human Rights and regional institutions and voluntary groups concerned with human rights should be strengthened.

**On Migration:**

Mass migration of the poor should be dealt with mainly in the "sending" countries by development policies that stress human needs, create jobs, and promote family planning. Most political refugees need temporary shelter and relief until conditions improve at home. Near term steps are needed to regulate the flow of migrants, protect their human rights, and relieve the "brain drain." A new office for refugees should be set up in the OAS.

**On Cultural and Education Exchange:**

U.S. exchange programs in the Hemisphere should be expanded, and Latin American countries should consider creating similar programs. Curbs on the travel of intellectuals should end. U.S. and Latin American centers for study of other countries and areas in the Hemisphere should be encouraged. Multilateral development agencies should increase support for Latin American science and technology research institutes.

**On Security and Peacekeeping:**

To end the hostilities in Central America, dialogue should begin among the governments of Central America and their opposition movements; between Nicaragua and each of its neighbors; between Cuba and all the countries of Central America; and between the United States and Cuba, and the United States and Nicaragua, respectively; as well as between the United States and the Soviet Union; Colombia, Mexico, Panama and Venezuela, already active on this matter, should be encouraged to take the initiative in fostering dialogue.

In these discussions , sovereignty, self-determination and

non-intervention should be the guiding principles. Existing U.S.-Soviet understandings on mutual restraint regarding Cuba could be a model for a wider understanding in which Cuba and other states of the region would join, setting ground rules and monitoring procedures for self-restraint throughout the region. In El Salvador, negotiations, which could begin at once, should aim at free, internationally supervised elections. New talks to resolve the Malvinas/Falklands dispute should have high priority. Cuba's place in the hemisphere's institutions should be reconsidered. To help solve disputes within the region, mainly territorial, governments should consider a general freeze of existing boundaries while allowing for negotiated solutions of resource exploitation issues in the disputed areas. To further guard against nuclear-weapons proliferation in the region, Argentina should place all its nuclear facilities under full international safeguards; Argentina, Cuba, and France should complete action on the Treaty of Tlatelolco establishing a regional nuclear-free zone, and regional agencies concerned with nuclear affairs in the region should increase their cooperation. To restrain competition in conventional arms in the region, governments should consider measures of mutual restraint in arms transfers and steps to increase the "transparency" of their hitherto secret military activities.

### **On Regional Institutions:**

The peacemaking functions of the Organization of American States, especially of the office of Secretary-General, should be strengthened. All states of the Hemisphere should belong to the OAS, and should increase their use of it for high-level consultation on political and security matters. Public reporting to the OAS on military activities of member states should be considered. In the economic field, the Inter-American Council on Economic and Social Affairs should be changed from a programmatic to a coordinating body, and senior economic policy officials of the Hemisphere should meet regularly for informal consultation.



## INTER-AMERICAN DIALOGUE

### OPENING REMARKS AT OCTOBER 15, 1982 SESSION

*by the Honorable Sol M. Linowitz*

We are met at a fateful time. Every day seems to bring more distressing news: wars, assassinations and near-misses, coups and civil strife, repression, massacres, depression, and defaults.

Age-old problems—such as poverty, hunger, disease, racial strife—continue to haunt the globe. Dangers new in our own era also threaten: resource shortages, oil spills, air pollution, economic disruptions, and the awful spectre of thermonuclear destruction. The institutional framework that so many of us worked together to build after the tragedies of World War II is in acute disrepair. The United Nations and the Organization of American States, the international financial institutions, the open international trading system, the International Labor Organization—all are demoralized, often unable to deal successfully with mounting pressures.

Many people are deeply troubled about our international difficulties. As one who has devoted many years to work on international problems, I share this concern. In all the years since World War II, I do not remember any time at which so many problems seemed to be pressing in upon us at once, so relentlessly.

During the past few years I have spent considerable time working on the problems and opportunities in the Middle East, and I just returned from there a few days ago. Events in the Middle East have been unfolding at a dizzying pace. It will require sustained statesmanship and vision on all sides to concentrate on the essential principles and aims that might someday bring peace and stability to that troubled region. The obstacles are great, but at least it is clear that the dangers and opportunities are being recognized and that a real effort is being made by our government and by others to deal with the major questions. Attention is being paid.

I am struck by this fact in reflecting on the sharp contrast between the sustained and high-level attention the United States Government and the North American public have been paying to the Middle East for the past few years, and the sporadic and half-hearted concern we have been showing toward relations with our closest neighbors in Latin America and the Caribbean. In the United States we tend to focus on the countries of the Western Hemisphere only in moments of crisis, and even then not in depth. To be sure, the region has recently been popping in and out of the headlines: civil strife in Central America, outright war in the South Atlantic; financial upheavals in Mexico, Brazil, Chile, Ar-

gentina, and elsewhere; dramatic flows of migrants from Mexico, Haiti, Cuba, and other countries. But very few in our country pay continuous, systematic, and sympathetic attention to Latin America and the Caribbean. We tend to take Latin America for granted, or to use the region to score points and teach lessons, but not to build constructive relations.

The results of this stance are obvious, and harmful. The almost complete breakdown of U.S. relations with Argentina earlier this year, and the strains affecting U.S. relations with several other nations in the Americas, reflect a lack of communication and empathy that is rooted in neglect, or, at times, in paternalism. Objective differences of interest and perspective between Latin America and the United States are magnified and multiplied by inadequate policy.

We seem to ignore the fact that constructive relations with Latin America are as important for the United States as they are for Latin America; and that what happens in Latin America significantly affects the security, welfare, culture, and politics of the United States. By the same token, of course, the United States powerfully influences the fate of Latin America.

We are closely linked in all sorts of ways. Today's financial crises dramatically illustrate that point. So do migration, trade in commodities and manufactured products, energy, interest rates, and cultural interpenetration. And I have the impression that Latin Americans, who have always been acutely aware of this country's influence, now are concerned anew about how to work together to address common problems and to avoid unnecessary conflicts.

I have been thinking in recent weeks about how those of us who share these concerns could help change the troubling pattern of U.S.-Latin American relations, a pattern aggravated in the past few months. I have talked with a number of people whose concern for inter-American relations I have come to appreciate over the years. I have found that they share a sense that this is the right time—indeed it is urgent—to talk with one another freely and frankly about how to build a better set of hemispheric relationships; that we need to reverse the drift and deterioration in inter-American relations, and in communication between North and South. Men and women of both parties in the United States and from many tendencies in Latin America, people from different professional perspectives, and from different generations—indeed, everyone I have consulted—think it would be very useful for knowledgeable and concerned citizens to exchange ideas on how inter-American relations have reached their present stage, on what the central issues are today, and on how these issues should be approached. That is why we are here.

We are all pleased that Galo Plaza, the former president of Ecuador and former Secretary General of the Organization of American States and one of the hemisphere's most distinguished leaders, has joined as co-chairman in convening this group. Working closely with the Woodrow Wilson International Center for Scholars—a recognized forum for the free exchange of ideas on Latin American issues—we have invited a number of opinion leaders of diverse perspectives from all over the hemisphere to join us in examining the issues.

The response to our call has been gratifying: some of the busiest people in this country and all over Latin America and the Caribbean are making the time to join our deliberations. Among those who have done so are 24 persons from 15 countries of Latin America and the Caribbean, one Canadian, and 23 from the United States. The fact that so many of the foremost leaders of the Americas have joined the Dialogue indicates that it is both significant and timely.

A group as remarkably diverse as ours may not agree on answers to the hemisphere's problems, especially in our brief time working together. I do believe, however, that we can probably clarify what the right questions are, and how different people think about them; and that, in itself, may greatly improve understanding and inter-American relations.

When I was chairman of the Commission on United States-Latin American Relations in the mid-1970s, I was repeatedly struck by how much inter-American affairs had changed since the time I had served as Ambassador to the Organization of American States less than a decade earlier. Latin America had changed remarkably in the 1960s and '70s, and so had the United States itself and the broader world context. Old axioms and assumptions no longer applied, the key issues on the inter-American agenda had shifted, and new ways of thinking were evolving. All of us involved in that Commission's work came to the conclusion that a different approach was needed by the United States if inter-American relations were really to improve.

As we begin these discussions, I cannot but reflect on how much has changed again in this dynamic hemisphere in the few years since our Commission's Reports in 1974 and 1976.

In the mid-1970s, we thought that revising the Panama Canal treaties was the most urgent issue in U.S.-Latin American relations. Today that problem is largely behind us, but, as we know all too well, inter-American tensions are high again.

In the mid-1970s, we took note of Latin America's dynamic economic growth and thought that the economic difficulties then being experienced reflected mainly the immediate consequences of the dramatic increase in oil prices. Today we are meeting at a time of world economic downturn and acute economic crisis in much of the region, with overwhelming debts and high unemployment. We are forced to realize that the problems are deep, and that creative approaches are needed to revitalize the economies of the hemisphere, and to make our societies more productive and more equitable.

In the mid-1970's, territorial conflicts did not occupy a central place in our discussions. Today these questions are hard to avoid, and they, in turn, raise other issues: arms races, peace keeping capabilities, and the like.

In the mid-1970s, we were profoundly disturbed by what our Commission called "a plague of repression" sweeping the Americas. Today we are all aware of the deep stirrings for a return of democratic institutions in many countries, and of the struggle in many nations to achieve progress toward fuller respect for fundamental human rights.

In the 1970s, we concentrated very little of our attention on Central

America. When we thought of the region at all, we assumed it was a relatively tranquil corner of the hemisphere. We simply did not look forward with enough understanding to anticipate the fierce struggles now being fought in that region.

And in the 1970s we were aware of the decreasing power of the "Western Hemisphere idea" and of the hemispheric "special relationship," but we did not imagine that the United States and major Latin American countries could actually line up on opposite sides of a war.

My main point is simple: inter-American relations require a new look, free of preconceptions. We have a chance, working together, to look into the future, not to focus on today's headlines—or yesterday's—but to think hard and carefully about the kind of tomorrow we want in the Americas, and how to achieve it.

*From North America*

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