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National Security Study
Directive NumberU.S. POLICY TOWARD THE AMERICAS AFTER THE FALKLANDS*Introduction

The conflict in the Falklands has serious implications for a number of issues of concern to the US. Among them are US political and military interests and objectives in Latin America, NATO's deterrent capability, arms transfer policies, in particular what the US and other supplier nations can (or should) do to limit the availability of high technology systems to developing countries, and the problem of territorial disputes. To address these issues, a series of analytic studies will be undertaken. This National Security Study Directive (NSSD) establishes the guidelines for a review of US policy toward Latin America, in light of the conflict over the Falklands. This undertaking should include a review of US political, economic, military, and intelligence programs. The result should be a series of policy options in each of these areas together with a proposed implementing strategy.

Scope

This NSSD will address as a minimum the following topics:

- US interests in the region together with the priority in which they should be pursued in the wake of the crisis.
- The nature of the damage to US interests brought on by the crisis.
- Assessment of the major threats to our interests in the region from whatever quarter, and those outside of the region.
- Assessment of the threats within the region, e.g., conflict, instability, terrorism.
- Specific US objectives both regionally and bilaterally.
- Political, economic and other means/resources for securing these objectives.
- Overall US strategy inside the hemisphere, to address the problems, including:
 - o political/diplomatic strategy
 - o Security strategy, including security assistance for the Americas

* This NSDD will build upon and embrace policy previously established under NSDD's 17, 21, and 37.

- o intelligence strategy
- o economic/trade strategy
- Priority initiatives, which should be undertaken to support the overall strategy.
- US public/private declaratory policy.
- Review of applicable US laws, e.g., the Security Assistance Act, Arms Transfer, Nuclear Non-proliferation Act, restrictive amendments, etc.

Administration

This study will be conducted by the Interagency Group on Latin American chaired by the Assistant Secretary of State for Inter-American Affairs. It should include representatives from the Departments of Treasury and Defense, the Central Intelligence Agency, the Joint Chiefs of Staff, the International Communications Agency, and the National Security Council staff.

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United States Department of State

*Assistant Secretary of State
for Inter-American Affairs*

June 7, 1982

Please let us have your comments
in writing by noon on Wednesday,
June 9.

A handwritten signature in dark ink, appearing to read 'Tom Enders', with the date '06/07' written to the right of the signature.

Tom Enders

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June 4, 1982

WORKING PAPER

U.S. Policy in Latin America after the Falklands

I. SUMMARY INTRODUCTION

Argentina's first use of force, our support for Britain after mediation failed, and then the outbreak of major hostilities all shocked the hemisphere and its institutions. The purpose of this paper is to assess the impact of these events on U.S. interests in Latin America, and to examine possible courses of action open to us in coming months and years.

This paper assumes that the British will regain full control over the Falklands by defeating the remaining Argentine garrisons, but that neither a formal cease-fire nor effective negotiations will ensue. Argentina will maintain its sovereignty claim and attempt to rearm. Britain apparently intends to garrison and develop the islands, and possibly to encourage their ultimate independence.

The crisis has highlighted three clusters of problems in South America: geopolitical instability, military modernization, and ideological nationalism (underlying trade

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and finance patterns are unlikely to be greatly affected). These problems could lead to substantial Soviet/Cuban gains, some of which could pose new strategic problems for the U.S. Under virtually any scenario, Brazil's role will be critical to the maintenance of overall stability.

The paper concludes that the uncertainties surrounding the crisis provide an opportunity to influence Latin American evaluations and reactions, but that the longer a final solution to the dispute is delayed, the greater the likelihood of long-term developments damaging to U.S. interests.

II. GEOPOLITICAL.

A. Analysis:

The U.S./U.K. response to Argentina's first use of force has upheld a principle vital to international order. The importance of this principle is widely recognized in Latin America, where substantial historic tensions exist among Argentina-Chile-Peru-Bolivia-Ecuador, Colombia-Venezuela-Guyana, and Nicaragua-Colombia-Central America and where the rule of law has traditionally been considered the "equalizer" in governing the asymmetric relationships between

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the "colossus to the north" and our smaller and weaker Latin American and Caribbean neighbors.

At the same time, the duration and intensity of the fighting has weakened (1) the credibility of the U.S. commitment to peace and stability and (2) the integrity of the Inter-American System, which were previously relied upon to guarantee that no armed interstate conflict in this hemisphere could last more than a few days. In addition, U.S. credibility as a regional ally has been called into question by the perception that our priorities lie elsewhere.

The perception that neither the U.S. nor the Inter-American System can be relied on to guarantee the security of hemisphere countries has already accentuated frontier-minded nationalisms and territorial insecurities. Argentina's defeat will help deter others from first use of force, but her neighbors will also want to be better prepared should conflicts develop. Major national security debates are certain to take place in a new atmosphere that will value military preparedness and subregional alliances more highly than reliance on the United States or the Rio Treaty.

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The shock of the South Atlantic crisis and its impact on a hitherto relatively stable hemispheric system will accentuate Latin America's inherent fragmentation. National differentiation will increase despite efforts to strengthen solidarity in dealing with the U.S. and Europe. Hemispheric relations are unlikely to return fully to the "dumbbell" syndrome of the early 70's with the United States at one end and a formally united Latin America at the other. For one thing, there are now too many independent English-speaking Caribbean states. For another, subregional rivalries and domestic instabilities will be strong beneath the surface. In addition, some governments are less parochial and less exclusively preoccupied with inter-American affairs. This will give us continued opportunities to forge bilateral ties; however, it may also create fresh opportunities for the Soviet Union and others outside the "hemisphere family".

The informal Falklands crisis alliance among Argentina, Peru, Venezuela and Panama suggests the possibility of new subregional groupings. Argentina's success in consolidating this entente in the face of the centrifugal pressures of conflicting nationalisms is problematic. Even so, increased anti-U.S. posturing could provide significant comfort

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to radical states like Nicaragua and even Cuba (who have not, however, gained much as yet).

In Argentina, military defeat is likely to lead to sporadic and drawn out hostilities with the U.K. and antagonism toward the U.S. Our materiel supply to the U.K. and our support for the British even after the sinking of the General Belgrano will not be soon forgotten. Some evolution away from the current military government is likely, but, even if a Peronist Government with a military supply relationship with the Soviet Union does not develop, any successor regime will be solidly revanchist. The danger of compensating Argentine actions against Chile will keep Southern Cone tensions high.

Argentina will seek to develop the capacity to build a nuclear device as rapidly as possible, probably before the end of 1985. Denial of external inputs may delay, but will not stop its development. A decision to test a device, however, may hinge on Argentina's assessment of the dangers that Brazil would then feel compelled to develop and test its own weapon.

The Soviet Union's initial opportunity will come through arms sales to Argentina. The USSR subsidized military

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sales to Peru, enabling the Peruvians to buy "Cadillacs for the price of Volkswagens". In addition, Peru's ability to make heavy army and air force purchases from the Soviet Union without visibly losing internal or foreign policy flexibility may lead some to conclude that Soviet political influence -- and the cost in U.S. ties -- can be managed. Argentina's massive grain-induced bilateral trade imbalance with the Soviet Union provides a ready economic incentive to both sides for an arms transfer relationship.

Argentine resistance to a military relationship with the Soviet Union has been weakened by defeat and isolation at a time of desperate need; it would disappear if access to U.S. and European arms continues to be denied, or if the Soviets provide terms as favorable as those given the Peruvians. Soviet interest in gaining a military supply position in Argentina appears substantial: it would consolidate its Peruvian foothold, threaten Chile, and assure access to badly needed grain imports. Although a major Soviet-Argentine arms relationship would not go through Cuba, Cuba could become a key stimulator, initial conduit, and ultimate beneficiary of Soviet-Argentine military ties.

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In this unstable geopolitical environment, Brazil is likely to emerge as the new balance wheel -- perhaps even against its will. The crisis in the South Atlantic is a serious setback to Brazil's efforts to establish a non-adversary relationship with a strong and stable Argentina. Brazilian sensitivity to Argentine domestic political developments and opposition to substantial Soviet inroads in South America could lead Brazil to tilt further toward Argentina in an effort to preempt the USSR.

Brazil is not ready or eager to assume the responsibilities of regional power. Like the United States, Brazil is an "odd man out" in the Spanish-speaking world, and has growing interests in Africa and the Middle East. Brazilian foreign policy is commercially opportunistic and politically very sensitive to South American fears that Brazil could act as a U.S. surrogate. Even without seeking an overt leadership position, however, Brazil's relative economic and military weight, institutional competence, and the absence of territorial disputes with any of its neighbors, give it great potential influence.

In Central America, vested interests in ties to the United States and cultural distance from South America

will limit effective anti-American nationalism. Nonetheless, our ability to deal with Nicaragua has diminished. Regional peace-keeping efforts in Central America will be more difficult to organize, with South American participation less likely. Tensions between Guatemala and Belize (the only place in the hemisphere other than the Falklands where the U.K. stations combat troops) will continue to fester if unresolved. If U.S. assistance wavers, if internal difficulties increase, or if Argentina and Cuba strike a deal, the affinities of some military officers for Argentina could lead to new dictatorships of the left or right, hostile to the United States.

B. Implications for U.S. Interests

The crisis comes after several years in which our South American objectives have been attained with minimalist policies, i.e. a relatively low degree of positive attention or regular engagement, and virtually no official resources. Although the President has a vision of region-wide cooperation that had led us to make efforts to improve ties to South America, including Argentina, our priorities have been focussed on the Caribbean Basin and Mexico.

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The fresh risk of Soviet gains in Argentina and the negative political dynamics for us of major new arms purchases elsewhere in South America (see military, below), suggest that a continued minimalist approach might be insufficient to prevent the gradual development of new strategic challenges in South America or aggravating old ones in Central America. The development of a Soviet naval presence in the South Atlantic may no longer be a speculative contingency.

We have a major interest in making clear in whatever we do that we are not trying to buy friendship. Nor should we behave in a precipitate manner that suggests we can be blackmailed. Most of South America has reached a stage where the resources necessary to fuel development transcend anything we can make available, and can for the most part be made to pay its own way.

For example, our relations with the Andean countries have improved over the last five years despite a marked reduction in our role as a major arms and bilateral aid supplier. The major contributing factors have been political: U.S. support for democracy; an identity of views on the importance of human rights; a growing perception

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of the need for cooperation to combat extremism in the Caribbean and Central America; careful stroking of key leaders in the Andean countries by high-level U.S. officials. A key problem is that the symbolism of continuing U.S. support for Britain against Argentina would imperil many of these gains, particularly in Venezuela and Peru.

C. Options

1. Argentina. Once the British have successfully driven out the Argentines, we could distance ourselves from the U.K's policies on the Falklands and attempt to rebuild relations with Argentina. The first has the greater regional utility at a symbolic level, and could take several forms: publicly encouraging negotiations, conditioning any continued U.S. support in defense of the Falklands, or even making clear that we take Argentine sovereignty claims seriously. With regard to Argentina itself, we could help restore Argentine international creditworthiness and help get its economy back on track, restoring traditional trade patterns with a Western, free market orientation. Resumption of military sales would be probably impossible if Argentina refuses to accept a formal ceasefire, but our longer-term influence with the GOA (and minimizing Soviet influence) argues for such a course if circumstances permit.

2. With Brazil, our goal could be to develop a relationship in which both countries act to contain potential conflicts -- not in concert, but with the full and shared knowledge that stability must be maintained. To overcome Brazilian sensitivities to overly close public association with us will require discretion and patience. In expanding the Brazil relationship, moreover, we should attempt to avoid contributing to Argentine insecurities.

Key steps might include:

- consulting closely and regularly in both Washington and Brasilia -- making clear that we realize that a stable regional balance of power can only be established for the long haul if we work more closely together. What we could each do to maintain the balance between Chile and Argentina might be an important initial topic for exploration.
- initiating regular intelligence exchanges;
- developing a U.S. tie to the Brazilian nuclear program (which to be meaningful would require

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changing U.S. law on nuclear supply) would be an important signal of our acceptance of Brazil's importance and might help deter a final Argentine decision to test a nuclear device;

- cultivating military-to-military contacts and relationships, including naval cooperation and some weapons co-production (see below);
- strengthening cooperation in science and technology; and
- addressing concrete economic problems, particularly "graduation" and sugar.

3. Following through on the CBI is more vital than ever. The CBI is critical to our position in Central America and the Caribbean and provides a point of contact to Venezuela and Colombia. Efforts to bridge the gaps between the Commonwealth Caribbean and Spanish America should be intensified. The U.K. should be pressed to increase its economic assistance and defer new moves to grant independence to Caribbean dependencies or decrease military protection to Belize and other former colonies.

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4. Increase informal consultations as soon as feasible with at least Mexico, Brazil, Peru, Venezuela, Colombia and Chile. These should cover both short and long-term issues, and make clear our openness to Latin American initiatives.

5. Keep the pressure on Cuba without attempting to force a rapid denouement, recognizing that the regional environment is not propitious to U.S. "power plays". One exception might be Namibia. Emphasize Cuban economic failures to hinder development of Argentine-Cuban ties.

6. Be as bilaterally responsive as possible to individual countries, including efforts to prevent past tensions from coloring future relations if conditions permit (Chile, Uruguay, Bolivia). Continued cooperation with the Andean countries might help minimize our losses there. Modest assistance efforts should be sustained in Bolivia, Peru, Ecuador, Paraguay to limit the repercussions of Argentine economic weaknesses. More importantly, economic measures with direct negative consequences to particular countries (e.g., silver sales and Peru) could be avoided or postponed. Economic support (increased swap-line, CCC credits) to help Mexico deal with its growing economic problems would

help keep Mexican foreign policy on a pragmatic course and have positive repercussions in U.S. Hispanic circles.

7. Offer to increase our cooperation in science and technology with the Andean Pact, Argentina, Brazil and Chile. The Falklands crisis has raised concerns about dependence on foreign technologies. Key countries will want to strengthen their indigenous R & D capability. Our cooperation will be welcome in science and technology, where it may not be in other areas. Further, a number of countries, especially Brazil, are ready for productive cooperation to mutual advantage.

8. Finally, careful multilateral diplomacy is vital to complement these various bilateral moves and reduce suspicions that we are trying to "divide and conquer." Sudden grandiose initiatives will be suspect, and U.S. influence in the OAS will be weak so long as U.S. sanctions against Argentina are in place, but we must urgently seek ways to increase communication, soften the effects of Latin solidarity, maintain the essential face-saving characteristics of the OAS, and strengthen constraints on anti-U.S. initiatives. One possibility would be to focus initially on improving cooperation with subregional groupings, like

the Central American Democratic Community, the Andean Pact, the Amazon Basin group, or the Cuenca de la Plata group. Another option might be to encourage initiatives by others on the peaceful settlement of current territorial disputes. Still another possibility might be to plan now for a strong U.S. role at this year's scheduled Special OAS General Assembly on Cooperation for Development.

III. MILITARY.

A. Analysis

Military institutions throughout the hemisphere have powerful new claims to national resources. After years in which their militaries had mainly symbolic external roles, the Falklands have dramatized that effective and credible military forces can be vital.

A major and expensive procurement surge is inevitable. Seven countries -- all in South America -- have significant weapons procurement programs now. They are Argentina, Brazil, Chile, Colombia, Ecuador, Peru, and Venezuela. Irrespective of the additional pressures of arms races, all will increase their emphasis on modern all-weather

systems, improved maintenance, and larger stocks of munitions and precision-guided missiles. Reconditioned U.S. materiel a la the General Belgrano will be phased out. France (and to a lesser extent the FRG, Italy, Spain, and Israel) have the best competitive position, but all suppliers, including the U.S., will be eligible. Soviet opportunities will be substantial. Military industries in Argentina, Brazil, and several other countries will boom. Mexico and Central America have already begun limited modernization programs and will be less affected.

Training and doctrine will remain avenues of influence. Service-to-service contacts with the U.S. and other modern militaries will be highly sought after as a means of "keeping up technically", but will be hedged to reduce opportunities for U.S. influence. South American participation in formal Inter-American military maneuvers like UNITAS will be curtailed, but probably only for a year or two, given their usefulness as a source of operational experience and resources.

B. Implications for U.S. Interests

We are not now legislatively, financially or attitudinally equipped to compete effectively with the Europeans (or Soviets).

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Even more significantly, Latin American drives to acquire modern equipment create a conflictive dynamic with the United States. Congress and much informed opinion in the U.S. is opposed to sales as unnecessary, counterproductive, wasteful, and supportive of militarism.

On the other hand, U.S. unresponsiveness would not result in the denial of modern weaponry. Moreover, in the post-Falklands environment, it would reduce U.S. influence and prestige in matters that many South Americans who are not military will consider vital to their national security. Unless we can remove some of the legislative impediments and compete, we will have little influence over the South American procurement boom, and none on the related rethinking of their security interests and needs.

The key, except for perhaps Peru, should not be the provision of security assistance resources (we have in any case had no grant assistance to South America's key nations since 1968), but the development of a policy that can be defended as respectful, restrained and non-discriminatory.

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C. Options

1. A full review of arms transfer policies, with particular emphasis on modern systems, communications, and technology. We will not be able to regain our position as the region's primary supplier in the face of aggressive West European and Soviet marketing with concessional financing, but with respect to certain systems our technology (e.g., missiles, fighter aircraft) remains attractive. Non-heckoring, non-discriminatory and reasonably forthcoming arms transfer policies would be both a signal of concern for their security and a source of restraining influence.

2. Develop Congressional support for arms transfer policies that would restore U.S. reputation as a reliable supplier. The difficulty of this task cannot be minimized.

3. Increase IMET and upgrade and multilateralize the U.S. Military Schools in Panama. Increase availability of U.S. technical and training films and other material through Milgroups.

4. A modest increase in FMS to South America. New financing will be needed to weaken Peru's military

ties to the Soviet Union and to encourage restraint elsewhere based on shared security and arms control commitments.

5. Certify Chilean eligibility for military purchases as soon as practicable. Only lifting the certification requirement will enable us to fine tune military relationships to maintain the Chilean deterrent to Argentina.

6. Develop a policy toward Argentine Rearmament.
(A) Reexamine Argentina certification. Lifting the certification may prove difficult in Congress and mean little in terms of actual sales, but could be symbolically important to slow a turn to the USSR. (B) Alternatively or in addition, encourage Brazil and Western European suppliers, particularly the FRG, Italy, Spain, and France, to preempt Soviet arms sales to Argentina.

7. Reduce delays in policy/bureaucratic/Congressional review processes (Venezuela formally requested a letter of offer for F-16's in July 1981, we provided one in February 1982).

8. Encourage U.S. arms industry to produce for export, perhaps by ordering for U.S. military stocks materiel

which could then be sold to friendly countries. (We could have sold the A-37 to four or five Latin countries if the Cessna production line were still open.)

9. Actively pursue co-production arrangements with Brazil, and perhaps symbolically on some weapons with the Andean Pact. Latin America will be looking increasingly to Latin suppliers as one of the results of Post-Falklands xenophobia. Co-production would take some years to develop, but would enable us to short-circuit some of the cost, leadtime, and bureaucratic delays that plague U.S. sales. And it would give us a concrete subject for policy discussions and subsequent cooperation with Brazil. Only a major, high-level effort will get this off the ground. (A major sticking point will be U.S. control over re-export of U.S. components to, e.g., Iraq.)

IV. IDEOLOGY.

A. Analysis

The conflict has activated that most potent of poisons, the Latin American sense of inferiority and irrelevance to our global concerns. Argentina's key psychological

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weapon is the common belief that we do not take Latin Americans seriously.

North-South rhetoric is the logical emotional substitute to the shattered "Western Hemisphere Ideal". The argument that the United States and the United Kingdom acted as racist industrialized powers cooperating to keep developing countries in their place has a powerful gut appeal. North-South concepts are consonant with such Falklands-supported "lessons" as anti-colonialism, anti-imperialism, and solidarity among the dispossessed, etc., etc. Argentina's weaknesses are reminders of the vulnerabilities created by "underdevelopment", hence the vital importance of access to high technology, South-South alliances, etc. etc.

These emotional-ideological currents are likely to give a shot in the arm to nationalist-populist movements, like Peronismo and Aprismo, and particularly their military and leftist variants. The Socialist International and other European-dominated organizations, however, will lose influence to Latin American movements, like the Mexican-sponsored COPPAL.

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Chile, Colombia, and economic elites generally will successfully resist pressures for more statist and nationalist economic policies, but the rhetorical battle will be uphill. Brazil's concerns that the United States is insensitive to both its development needs and its global weight will lead it to adopt an ambiguous position.

The access and influence in Latin America of Anglo-American human rights movements have been damaged by the new visibility of the cultural ethnocentrism of many of their positions. However, Argentina has obviously been hurt by international perceptions that its government is a murderous dictatorship. Brazil's quiet abertura looks like a good strategy.

B. Implications for U.S. Interests

Our ideology has been damaged. Whether defined as the "Western Hemisphere Ideal", "Pan-Americanism" or the broader "Western Civilization", the ability of the oratorical and emotional symbolism we use to elicit spontaneous cooperation has been reduced. In several countries, some of our friends are looking for protective coloration that makes them less helpful to us.

C. Options

1. In general communications, we should stand by our opposition to the first use of force, deny that we made a choice between Europe and Latin America, and back that up with actions that demonstrate commitment to Latin America. As the hysteria subsides, our principled support for the rule of law will become better understood. In the heightened North-South, anti-colonialist atmosphere, the favorable contrast between the U.S. approach to the Canal Zone and that of the U.K. to the Falklands should be exploited to the maximum.

2. Encourage new symbolic ties.

A. Establish a Presidential Commission on U.S. interests and policies in South America to develop a stronger U.S. consensus and to symbolize to Latin America U.S. interest in driving a reliable new bargain for hemisphere relations. The Commission could include members or staff from Congressional, economic, defense, hispanic, and academic constituencies.

B. Use the Commission to staff a summit meeting between the President and South American chiefs

of state, possibly in conjunction with the 200th anniversary of Bolivar's birth July 24, 1983.

3. Strengthen ties to key political movements.

In Venezuela, for example, the Christian Democrats and the Social Democrats both have international contacts that will give their views additional impact. Any appearance of a U.S. tilt between them would be highly counterproductive.

4. Promote discriminating and substantive exchange programs between U.S. and Latin American Chambers of Commerce, think tanks, universities and other national institutions particularly in technical fields. One objective would be to recover some of the ties between technocrats lost with the termination of AID training programs in South American in the 1970s. Other exchanges should have the objective to broaden Latin American awareness of our global concerns.

5. Move forward in a low-key fashion on the Secretary's St. Lucia proposal to create a institute for democracy. Though originally proposed as an OAS activity, and perhaps today most practicable within the Central American

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Democratic Community, the Andean Pact, or some other sub-regional basis, the project may be received best if presented as part of a global initiative.

V. CONCLUSION

The observation has been made that this paper is insensitive to "trade-offs" among our policies. This is true as regards the priority to be assigned to Latin America in comparison to other parts of the world. Indeed, that is a topic to be analyzed functionally as well as geographically, for Latin America may soon play an increasing part on such matters as nuclear proliferation, the Soviet strategic reach, etc. But it is less true as regards the policies recommended or implied for Argentina, Brazil, and Chile, for example. In part, that is because Brazil's new balancing role leads it to seek situations in which both Argentina and Chile are strong and stable. Of equal and perhaps greater importance, the U.S. ability to restrain instability and preempt Soviet gains may depend on our ability to engage each of the different South American countries to some extent while retaining the sensitivity to not tip the balance. Our minimalist approach to date has eroded that ability.

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