

March 28, 1978

(Revised From December 2, 1977)

THE DETERIORATION OF U. S. - LATIN AMERICAN RELATIONS

INTRODUCTION

President Carter has hailed the new Panama Canal treaties as "the foundation for a new cooperative era in our relations with all of Latin America." However, such a narrow perspective of the nature of U.S.-Latin American relations seriously distorts the broad range of problems separating the United States from most of her neighbors to the south. Having alienated many of the traditional allies of the United States in the hemisphere with policies on human rights, arms sales, military and economic assistance, and nuclear energy, the willingness to deal generously with the military ruler of Panama only reveals a curious contradiction in regional actions. The following analysis examines the nature of the present U.S. policy, the causes of deterioration of relations with many of the major countries in the area, and the role of the Panama Canal issue in Latin America.

PANAMA AND U.S.-LATIN AMERICAN RELATIONS

Throughout the initial discussion of the Panama Canal treaties, administration spokesmen and numerous other Congressmen and witnesses at hearings have alluded to the role of the treaties in the improvement of U.S.-Latin American relations. Secretary of State Cyrus Vance testified that the treaties will remove "a major source of anti-American feeling throughout Latin America." Somewhat more ominously, Ambassador Linowitz proclaimed

that "Expectations have been raised so high (in Latin America) that the failure to get the treaties ratified could bring a whole range of consequences, including violence." The nearly unprecedented gathering of 19 Latin American chiefs of state in Washington for the treaty signing ceremonies ostensibly confirmed these assessments.

Thus far, however, the enthusiastic support for the treaties by the Carter Administration has failed to stem the continued deterioration of relations with many major countries in Latin America. In the first month following the initialling of the treaties, the two largest countries in South America have both further severed their previously close ties with the United States. Argentina withdrew from the joint U.S.-Latin American naval maneuvers in late September. About the same time Brazil canceled her remaining four military agreements with the United States. As John Crimmins, the American Ambassador to Brasilia, noted, these actions end "all formal structure of military cooperation between the two countries."

The actions of Brazil and Argentina more accurately reflect the state of America's hemispheric problems than the conflict over the Panama Canal. U.S.-Panamanian relations are now, as they always have been, at the periphery of Latin American concerns, with only General Torrijos's geographic and ideological neighbors taking much interest in the eventual outcome of the treaty negotiations.

In his major attempts to gain overt Latin American support for his position in negotiations with the United States, General Torrijos invited the leaders of twenty nations in the region to come to Bogota, Colombia, in August, 1977. This attempt to demonstrate Latin American solidarity with Panama failed miserably as only five heads of state attended, and two of these, from Colombia and Costa Rica, obtain the special privilege of free transit through the Canal under Article VI of the Neutrality Treaty.

A more accurate barometer of Latin American attitudes over the Panama Canal appears in the debate in the Organization of American States meeting in Grenada in June, 1977. At this meeting a resolution was debated and eventually passed concerning "Increases in Panama Canal Tolls (AG/Res. 284; VII-0/77)." This resolution stated that the "Panama Canal is of vital importance for the development of world and regional trade, especially for trade between the countries of the South Pacific." The resolution further indicated that the Special Committee for Consultation and Negotiations (CECON) meeting in Buenos Aires in May, 1977, recommended "that Panama Canal tolls not be increased." The resolution proceeds to condemn modest increases in tolls made by the Panama Canal Company in 1974 and 1976.

But much more broadly than this, the resolving clause reaffirms "the principle that the Panama Canal tolls should exclusively reflect the actual operating costs." Moreover, the resolution emphasizes "the importance of the CECON mechanism for prior consultation in considering at an appropriate time any steps or recommendations that may affect costs to users of the Panama Canal."

The Panamanian government representative at this meeting dissented from the general thrust of the resolution and "requested, in this Assembly, that its (Panama's) non-participation in the discussion on this resolution be placed on the record." They specifically denied any role in the raising of the tolls or the advisory authority of CECON. The resolution then passed by a unanimous vote of 17-0 with three abstentions, including Panama. The vote and the discussion clearly indicate that nearly all Latin American nations oppose one of the most fundamental aspects of the new treaties with Panama that will provide the Torrijos government with upwards of \$60 million a year out of canal revenues. If tolls do rise by the estimated 35% to 40% in order to cover the new payments to the Panamanian government, this could clearly cause tremendous friction to develop between the principal users of the canal in Latin America and the Panamanian toll collectors.

Thus, the apparent unity of Latin American nations on the Panama Canal issue is clearly more anti-United States than pro-Panamanian. The leaders of almost all nations in Latin America undoubtedly visited Washington in September, 1977, in order to deal directly with President Carter on issues of vital importance to themselves, rather than to support the creation of a Panamanian monopoly over inter-oceanic travel. A consensus of anti-U.S. sentiment has developed, particularly during the past year, as traditional Marxist objections to alleged capitalistic imperialism in the region have been joined by nationalistic conservative governments bristling under criticism concerning human rights and the acquisition of military equipment. While the Carter Administration has effectively appealed to some of the leftist regimes in the hemisphere, relations with the major countries of the region have plunged to their worst condition in over a decade.

THE NEW U.S. POLICY IN LATIN AMERICA

Through various policy initiatives as well as major speeches and visits of dignitaries, a new United States policy has emerged in Latin America in the past year. Both of the general objectives of President Carter's foreign policy of promoting human rights and limiting the sales of arms have been implemented much more directly in Latin America than any other region of the world. The emphasis on human rights has coincided with increased American

support for those nations in Latin America regarded as liberal democratic in political structure.

Supplementing these general principles and the Panama Canal actions have been other policies presumably designed to create greater solidarity in the hemisphere. President Carter has promoted the creation of a nuclear free zone in the region by signing the Treaty of Tlateloco. He indicated a willingness to prohibit the deployment of American nuclear weapons in bases in the Panama Canal Zone, Guantanamo Bay in Cuba, and possibly Puerto Rico and the Virgin Islands as well. Also the Administration appears willing to follow the lead provided by a majority of O.A.S. members and move towards the normalization of relations with Cuba. While the O.A.S. has lifted its trade embargo with Cuba, the U.S. embargo remains in place; however, interest sections have been established by each country in Washington and Havana so that more direct communication can take place. But in mid-November, 1977, a report of increased Cuban deployment of forces in Africa apparently curtailed any further movement in the normalization process.

The principal initiatives by the Carter Administration have in general been directed towards the more liberal governments in Latin America. This was reflected early in 1977 with State Department support for restrictions on countries charged with violations of human rights. The President emphasized this same point by promising to seek approval by the Senate of the American Convention on Human Rights signed by ten governments in Costa Rica in 1969. So far, however, only Colombia and Costa Rica have formally ratified it in Latin America. In his speech before O.A.S. on Pan American Day, the President pointed out that "our commitment to these values (human rights) will naturally influence our relations with countries of this hemisphere."

The character of the governments in Latin America has figured prominently in the itinerary of American officials. In her trip to the area in May, 1977, Rosalynn Carter pointedly visited what the Administration regards as four democratic nations (Jamaica, Costa Rica, Colombia, and Venezuela), but only three authoritarian ones (Brazil, Ecuador, and Peru). Similarly, Andrew Young's Caribbean trip in August, 1977, avoided the military governments of Central America and included all four democratic countries Mrs. Carter visited. Ambassador Young attempted to identify American interests with those nations in the region who have previously had very cool relations with Washington. He was the first high American government official to visit Guyana which styles itself as a Marxist-Leninist Socialist state and had particularly angered the Ford Administration by providing landing rights to Cuban planes transporting troops and equipment to Angola. At a reception in his honor, Ambassador Young indicated the changed outlook of the United States by saying "It's been a long time since an American administration could come to Guyana and say we really feel at home." Similarly both Ambassador Young

and Mrs. Carter lauded the accomplishment of Michael Manley's socialist government in Jamaica and the Administration successfully increased by \$10 million the amount his government would receive in American security assistance in Fiscal Year 1977. Accompanying Ambassador Young were a group of economic and political experts who plan to propose widening assistance to Haiti, Jamaica, Guyana, the Dominican Republic, and Costa Rica.

Of all the nations in Latin America the two most important for President Carter have been Mexico and Venezuela. President Jose Lopez-Portillo of Mexico was the first foreign leader to visit Washington under the new administration and Carlos Andres Perez of Venezuela has provided strong support for both the human rights and Panama initiatives of the United States. In his visit to Washington in late June, Perez reportedly assured President Carter that Venezuela "has been and always will be a strategic and secure source of energy" for the United States. While some problems have arisen in conjunction with proposed new illegal alien legislation, the United States has supported most requests from Mexico for economic and other assistance. In 1976 the United States supported an I.M.F. program of \$1.2 billion in credits for Mexico to meet international debts. In October the Export Import Bank approved a \$340 million loan to develop a gas pipeline to the U.S. border.

This group of Latin American nations together with Panama and Peru have responded to American support by aligning themselves with the United States on various issues that have appeared before the Organization of American States. These same countries have almost all established diplomatic relations with Cuba. In general they form the residue of what had previously been a much larger group of liberal and socialist nations that once dominated much of Latin America.

The support given for this group of nations by Washington has obscured many of the problems within these countries and even distorted in some instances the nature of their governments. Rather than being liberal democratic regimes similar to the United States, most of them have manifested characteristics condemned in other more conservative nations in the hemisphere. In Mexico, only one political party operates freely and the President exercises enormous power. Although a free press theoretically exists, the government silences most substantive criticism through the control of the supply of newsprint. The need for extensive borrowing by Mexico arose because of gross economic mismanagement and corruption by the former President, Luis Echeverria, who expropriated property, drove off tourists, and forced much of the wealth of the middle class to flee the country.

In Jamaica, the Prime Minister won his last election by a large margin only after declaring a state of emergency and arresting many of his principal political opponents. Even though the

state of emergency has now been lifted, the government has taken control of both radio stations and the only television network and has begun to move against opposition newspapers which Manley has charged are being used "every day to defeat socialism."*

Similarly, the economic problems of Guyana, which Ambassador Young promised to assist, have largely resulted from government policies. Upon acquisition of independence in 1966, the government encouraged foreign investment but later proceeded to nationalize the companies that established plants in the country. Having repudiated capitalism, the government has signed economic, scientific, technical, cultural, and educational exchanges with Cuba.

Even Costa Rica, perhaps the freest government in Latin America, has recently been tagged with the so-called Vescogate scandal with charges by former President Jose Figueres that "a large part" of the campaign expenses of President Daniel Oduber and many members of his National Liberation Party had been financed by Robert Vesco. Mrs. Carter refused to meet with a group of women in Costa Rica concerned with the situation.

Colombia, which has a unique system of rotating the Presidency from one party to the other, has suffered recently from growing social unrest and has imposed a state of seige. They refused to support the human rights resolution approved at the last O.A.S. meeting. Some investigations into the enormous drug traffic emanating from Colombia have implicated government officials.

Thus of the various nations strongly supported by the Carter Administration possibly only Venezuela really reflects the kind of standards that the United States has used to judge the nations of the region. Rather than a cause for despair, the situation may require the United States to reevaluate its criteria, especially considering the deterioration of relations with most of the major nations in the hemisphere.

POLICIES ALIENATING LATIN AMERICAN NATIONS

While the United States has found tacit and sometimes even enthusiastic support for new policy initiatives from some nations, the countries in which the preponderance of the people of Latin America live have dissented vigorously. Through policies on human rights, arms sales, nuclear development, international

*On the nature of Jamaican policies implementing socialism that have caused extreme economic problems leading to additional requests for U.S. assistance, see Heritage Backgrounder #9, "The Marxist Threat to Jamaica."

financial decisions, drugs, and tariffs, the United States has strained relations with many of the major countries of the Western Hemisphere.

1. Human Rights: In January, 1977, a Congressionally mandated State Department report on the status of human rights in all nations receiving American assistance led to particularly severe reactions in Latin America. Congress followed up the report with hearings on human rights violations in some countries and Secretary of State Vance recommended to a Senate committee that military credit sales to both Argentina and Uruguay be reduced. Eventually seven nations in Latin America repudiated their mutual defense agreements with the United States. They all charged the United States with interfering in their internal affairs.*

2. Military Assistance and Credit Sales: Moving beyond Secretary Vance's recommendations, the U.S. Congress eliminated a \$900,000 military training program with Argentina and removed all military credit sales authorizations to nations repudiating their agreements. Only action on the House floor restored \$2.5 million in foreign military sales credit to Nicaragua. Even after sales have been authorized by Congress, the Executive branch has often delayed or refused to implement the actual agreements.

3. Arms Sales: The United States has unilaterally restrained the sales of all arms to Latin America, including private cash sales. The Carter Administration delayed sales of small arms and police weapons to the governments of Argentina, El Salvador, and Uruguay. All sales to Chile have been prohibited by act of Congress. The State Department also on two occasions refused to give Israel permission to sell supersonic Kfir fighters to Ecuador because they contain American made engines. Thus in 1977 of the estimated \$2 billion in purchases of arms by Latin America only 14% will be provided by the United States with European nations garnering 70%. Soviet sales to Latin America have risen eight-fold from only \$10 million in 1973 to \$80 million in 1976.

4. Nuclear Energy: Without prior consultation with Brazil, Vice President Mondale urged Germany to substantially modify her agreement to provide Brazil with nuclear reprocessing facilities. Brazil, an exporter of uranium whose energy imports rose from \$800 million in 1973 to \$4 billion in 1977, felt that nuclear power was a necessary option for continued economic development. Moreover, Brazil protested that the United States violated previous pledges of consultation and acted in an offensive paternalistic manner with the overtures to Germany. Argentina, with a more advanced nuclear program than Brazil, may now

*On the role of human rights in Latin America see Heritage Backgrounder #32, "Human Rights and Foreign Policy."

work in concert with her neighbor on nuclear energy as both nations now distrust any arrangements with the United States.

5. Tariffs: The decision by the Carter Administration to raise tariffs on sugar imports has led to charges by the O.A.S. Secretary General Alejandro Orfila that it is "a form of foreign aid in reverse, aid provided to the U.S. at the expense of poorer nations." The Dominican Republic, Peru, Guatemala, Panama, and Brazil all export sugar to the United States and this new tariff increase, coupled with one in 1976, will raise the amount collected by the U.S. Treasury from these countries by \$350 million to \$500 million depending on total sales volume.

6. International Financial Institution: While supporting most projects in Latin America, the United States has used violations of human rights as the reason for vetoing some programs for Latin American countries. Early in 1977 American opposition to a \$90 million hydro-electric project forced El Salvador to withdraw the request from the Inter-American Development Bank. While the votes by nations are often kept secret, the United States apparently has also opposed projects for Argentina and Chile.

7. Humanitarian Assistance: Concern with the internal political policies of some nations in Latin America has led the Carter Administration to use humanitarian programs in order to bring pressure upon governments. Thus, \$11 million in aid to 60,000 Chilean farmers was deferred "until we see how the human rights situation develops" there according to Hodding Carter at the State Department. Similarly, \$12 million in humanitarian assistance to Nicaragua has been delayed pending some additional changes by the government in Managua.

8. Drug Enforcement: Even the effort by the Carter Administration to reduce the availability of drugs in the hemisphere has caused some strained relations to develop. With the urging of Washington, Bolivia passed new stringent laws in order to prosecute and punish anyone trafficking in drugs. Some of the principal violators of the new laws have been young Americans visiting the country. The incarceration of the Americans with stiff sentences has now led to charges that their human rights have been violated. Efforts to reduce the flow of drugs from Mexico and Colombia have manifested better cooperation but little progress.

THE CHANGING POLITICAL BALANCE IN LATIN AMERICA

The policies and problems outlined above led to the serious deterioration of relations between the United States and most of the nations of both South and Central America. Unfortunately, votes

in the O.A.S. and the prominence given to certain Latin American leaders through visits of dignitaries distorts the general structure of Latin American politics. The following table indicates the nations of Central and South America in order of population.

While differences have developed over numerous issues, two general subjects of dispute have been most pronounced: human rights and arms sales. Thus after each nation two columns appear which indicate if the nation has had substantial differences with the United States over either of these issues. The differences on arms sales are derived from the seven nations that repudiated their mutual defense agreements with the United States and nations noted above on page 7. The human rights position derives from the eight nations that abstained in the vote on "Promotion of Human Rights" resolution adopted by the O.A.S. on June 22, 1977, at Grenada.

What the charts clearly indicate is that the most populous nations in Latin America have dissented from the United States on these two major issues. A breakdown of the vote by population would indicate that on the human rights resolution just over one-third (36.7%) of the people in Latin America live in nations supporting the resolution while nearly three-fifths (59.8%) live in those nations abstaining and therefore opposing the resolution. The other 3.5% did not vote on this issue. Somewhat similarly on arms sales, nations with 54% of the population have overtly repudiated agreements or attacked American decisions. Thus only the one-vote one-nation mechanism of the O.A.S. which gives disproportionate representation to the island nations of the Caribbean creates the illusion of Latin American consensus supporting policies of the United States.

More broadly, these votes and the general structure of politics in Latin America reveal the failure of liberalism and socialism to deal with such basic problems as preserving internal order, economic development, and community consensus. Dealing with the threat of terrorism in the nations predominates over concerns with American concepts of protection of civil liberties. The manner in which terrorist incidents paralyzed both Germany and Holland in 1977 with the Lufthansa hijacking and the South Moluccan train seizure parallels what terrorists have been doing on a regular basis in Latin America. In Argentina, for example, Amnesty International estimated 15,000 people disappeared or were abducted over a 30-month period beginning in late 1974. The number of people killed in that country in a 2-year period has been estimated at 5,000. Only since March, 1976, when the military forces took over the government has substantial progress been made in reducing the level of civil violence.

SOUTH AMERICA

Country	Population (000)	GNP at market prices		Human Rights	Arm Sales
		Amount (US\$ millions)	Per Capita (US\$)		
Brazil	103,981	95,920	920	*	*
Argentina	24,646	37,380	1,520	*	*
Colombia	23,125	11,640	500	*	
Peru	14,953	11,110	740		
Venezuela	11,632	22,780	1,960		
Chile	10,408	8,680	830	*	*
Ecuador	6,952	3,310	480		*
Bolivia	5,470	1,550	280		
Uruguay	2,754	3,290	1,190	*	*
Paraguay	2,484	1,270	510		
Guyana	791	390	500		
Surinam	387	460	1,180		
French Guiana	58	90	1,470		

CENTRAL AMERICA

Guatemala	5,284	3,060	580	*	*
El Salvador	3,887	1,590	410	*	*
Honduras	2,806	950	340		
Nicaragua	2,041	1,360	670	*	*
Costa Rica	1,921	1,610	1,190		
Panama	1,618	1,610	1,000		
Belize	136	90	690		

OTHER LATIN AMERICA

Mexico	57,899	63,050	1,090		
Dominican Republic	4,562	2,960	650		
Haiti	4,514	750	170		
Jamaica	2,008	2,390	1,190		
Trinidad & Tobago	1,070	1,810	1,700		
Barbados	241	290	1,200		
				59.8%	53.6%

NOTE: This list of nations consists of all members of the Organization of American States. Figures on population and GNP are from the World Bank Atlas, 1976. Percentage figures derive from apportioning the populations of nations indicated by asterisks on dissent by those countries to the U.S. on subjects of human rights and arm sales.

Beyond terrorism many governments in Latin America have failed to cope with severe economic problems and in fact have exacerbated difficulties with expropriation and nationalization of industries. In those nations that have moved away from socialist policies, the greatest economic advancements have been achieved. In the ten years following the toppling of the socialist government of Joao Goulart, Brazil has realized the greatest economic progress in all of Latin America with an average growth of 6.3%. Similarly the advent of the Marxist administration of Salvador Allende precipitated economic collapse in Chile and led to the highest rate of inflation in the world. Only in the past year has the new Economy Minister in Argentina managed to meet the enormous foreign debt payments accumulated under the elected government of Peron and reduced the rate of inflation from 1000% in early 1976 to 100% a year later. The present economic problems afflicting Mexico, Jamaica, and Peru derive from policies similar to those that have had such disastrous consequences elsewhere in the hemisphere.

Finally, liberal and socialist politics in Latin America failed because of the inability of the democratic structure of government to accommodate the range of differences in the society. The democratic framework in various nations broke down because elections often decided not simply the nature of policies, but fundamental philosophical questions. Thus, a victorious Marxist party attempted to transform the nature of society. Socialist government would nationalize industries including those in the communication medium. Some unions grew powerful enough to control the allocation of jobs or the distribution of basic commodities such as food. Economic policies could be used to destroy industries or entire classes of people. In these manners opponents of governments would lose the capacity to effectively resist the authorities and future elections could become irrelevant. Quite simply no general consensus exists in most Latin American societies on the nature of the political structure that a democratic system must rely upon to function effectively. Majority rule, or in the multi-party systems in Latin America, plurality rule, eventually led to the election of parties based on ideology which attempted to implement their philosophy rather than narrow program. This precipitated economic and social confrontations and disorders. With the only disciplined mechanism in the nation residing in the military, they usually replaced the civilian governments and restored order.

THE FAILURE OF U.S. POLICY IN LATIN AMERICA

The policies of the United States towards Latin America have failed to accommodate recent trends in the hemisphere and exacerbated differences with the major nations in the region. The basic premise of the policy may be to transform the nature of most of

the governments in the region and consequently differences must necessarily arise. However, rather than moving towards this objective, the policies have failed in nearly every instance to achieve their desired goal.

Rather than responding in a conciliatory manner to pressures from Washington, most of the governments of the hemisphere have rejected the criticism and proceeded without American support. Thus complaints about human rights precipitated the repudiation of defense agreements with the United States. Restrictions on arms sales have driven Latin nations into Western European markets, into the development of indigenous arms industries, or even to the Soviet Union and Eastern Europe for supplies. Attempts to change Brazil's nuclear agreement with Germany will probably lead to much less influence by the U.S. on the direction nuclear developments will take in both Brazil and Argentina. The failure to engage in prior consultation with Brazil on nuclear power, Mexico on illegal alien legislation, or sugar exporting nations on tariffs has reinforced beliefs by Latin nations of their second class status in Washington.

The policy objectives of the United States almost had to fail because of the changed situation in Latin America. After the influence and importance of the United States has declined for the past 15 years in the hemisphere, it has been singularly incongruous for the United States to attempt to impose programs and ideals upon the region. In 1960 when American aid, investment, and arms sales dominated the hemisphere, Washington could exercise considerable leverage. But the nations in the hemisphere now receive their principal financial support from private banks and international financial institutions, not the U.S. government. For example, Brazil once received nearly \$300 million a year in grants and loans in the 1960's; now they have contracted with private sector sources for a total of \$27 billion in loans including \$10 billion from U.S. banks. Thus, the financial strength of countries becomes far more important in their international dealings than satisfying Washington's demands for internal political changes.

The development of American policy has also confounded numerous governments in the hemisphere because of contradictory approaches. While demanding that several right-wing military rulers allow a greater latitude of freedom before authorizing military credit sales to them, the United States has proceeded to initial a treaty transferring a major international waterway over to the left-wing military ruler of Panama and promised him \$50 million in military credit sales with no preconditions requiring any movement toward the restoration of civilian rule or civil rights. Similarly the normalization of relations with Cuba has proceeded without any preconditions established concerning the release of political prisoners or loosening up of totalitarian controls. This contrasts sharply with the attitude taken towards Chile which has had far fewer persons imprisoned for opposition

to the government and for a much shorter period of time. Finally the strong support given by Ambassador Young and Mrs. Carter to the Marxist economic policies pursued by Jamaica and Guyana contrasts with the attitude towards other nations, such as Argentina, attempting to restore free enterprise. Thus, nations that have traditionally supported the United States have become very distrustful of the direction of the Carter Administration in Latin America. It appears to many of them that hostility towards the United States receives more favorable attention than support.

CONCLUSION

The policies pursued by the United States towards Latin America have failed to achieve almost any of the designated objectives. Instead traditional allies of Washington have been bewildered by policy decisions which they believe are detrimental to their vital interests. While some Latin nations favor the new directions in United States policy, the vast preponderance of the major nations vigorously dissent. American officials have indicated a much greater willingness to accommodate nations that demonstrate hostility to the United States in the past than those nations that have allied themselves with Washington. Thus, the right-wing anti-communist governments that now dominate South America and much of Central America may be forced into a new alliance system to defend themselves not only from Marxist threats, but also from intervention by the United States in their internal affairs.

By Jeffrey B. Gayner
Director of Foreign Policy Studies