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DEPARTMENT OF STATE

Washington, D.C. 20520

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June 17, 1982

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Senior Interagency Group No. 24

TO : OVP - Mrs. Nancy Bearg Dyke
NSC - Mr. Michael O. Wheeler
ACDA - Mr. Joseph Presel
AID - Mr. Gerald Pagano
CIA - Mr. Thomas B. Cormack
Defense - COL John Stanford
ICA - Ms. Teresa Collins
JCS - MAJ Dennis Stanley
Treasury - Mr. David Pickford
UNA - Amb. Harvey Feldman
USTR - Mr. Dennis Whitfield

SUBJECT: SIG Meeting on US-Latin American Relations

The SIG Meeting on US-Latin American Relations in the post-Falklands environment previously scheduled for June 18, 11:00 a.m., has been rescheduled for Tuesday, June 22, 4:30 p.m., in Room 7219 at the Department of State. Under Secretary Eagleburger will chair. A revised version of the paper, which reflects the IG discussion of June 16, will be circulated in advance of the SIG meeting.

Attendance at the SIG meeting will be principal plus one. Please telephone the names of your representatives to Sheila Lopez at 632-5804.

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Date: FEB 17 2017

Katherine Guly per
L. Paul Bremer, III
Executive Secretary

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SECRETARY OF DEFENSE

DEPARTMENT OF STATE

Washington, D.C. 20520

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June 15, 1982

Interagency Group No. 24

TO: NSC - Mr. Michael O. Wheeler
AID - Mr. Gerald Pagano
CIA - Mr. Thomas B. Cormack
UNA - AMB Harvey Feldman
Defense - COL John Stanford
ICA - Ms. Teresa Collins
JCS - MAJ Dennis Stanley
Treasury - Mr. David Pickford
USTR - Mr. Dennis Whitfield
ACDA - Mr. Joseph Presel

SUBJECT: Discussion Paper for IG Meeting on US-Latin
American Relations

Attached is a revised version of the discussion paper produced by the working group on US-Latin American relations in the post-Falklands environment. This paper will be the subject of an expanded IG meeting scheduled for 3:30 p.m. June 16 in Room 6909 of the State Department.

A SIG meeting, also on this paper, has been scheduled for Friday, June 18 at 11:00 a.m. in Room 7219 of the State Department. Under Secretary Eagleburger will chair.

Addressees are invited to participate in these meetings. Attendance will be principal plus one. Please telephone the names of your representatives to Mr. Tain Tompkins at 632-5804 as soon as possible.

L. Paul Bremer, III
L. Paul Bremer, III
Executive Secretary

Attachment:

Draft Discussion Paper

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Date: FEB 17 2017

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SEC DEF CONTR No. X20246

Latin America

15 Jun 82

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June 15, 1982

Falklands Crisis: Implications for U.S. National Interests
and Policies

The outbreak of major hostilities in the South Atlantic has shocked the hemisphere and its institutions. This paper assesses the impact on U.S. interests in Latin America, and examines courses of action open to us in coming months and years.

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I. THE PROBLEM

US/UK opposition to Argentina's first use of force was fully consistent with a principle widely accepted in Latin America, where substantial and potentially dangerous historic tensions exist (e.g., among Argentina-Chile-Peru-Bolivia-Ecuador, Colombia-Venezuela-Guyana, Nicaragua-Colombia-Central America, Guatemala-Belize), and where the rule of law has traditionally been considered the "equalizer" in the asymmetric relationship between the "colossus to the north" and our smaller and weaker Latin American and Caribbean neighbors. At the same time, U.S. support for an extra hemispheric country at war with a Latin American country, and the perceived U.S. unwillingness to prevent

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the outbreak of hostilities, has raised suspicions and doubts about the reliability of the United States commitment to the peace and welfare of this hemisphere.

II. GENERAL ASSESSMENT.

We conclude that the South Atlantic crisis has impaired U.S. interests and influence quite differentially according to country and issue. Underlying trade and finance patterns, for example, are unlikely to be greatly affected. In addition, much of the generalized reaction is rhetorical, and will give way with time to renewed efforts at inter-American accommodation.

Four major problems stand out:

-- Bilateral relations have been affected quite unevenly.

Our most severe problems are with Argentina, Venezuela and Peru; Chile has attempted to move closer to the United States; relations with Mexico and the Caribbean Basin been little affected. The fluidity of the South American geopolitical environment has increased the importance of Brazil.

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- Latin attitudes toward the U.S. are more critical because of the widespread perception that our priorities lie elsewhere and hence that U.S. support is not entirely reliable. This impact comes less from the Falklands crisis itself, than from its reinforcement of long-standing grievances and prejudices. This reaction is particularly damaging to traditional symbols of U.S.-Latin American cooperation and common destiny.

- Our security interests and peacekeeping ability in South America have been eroded. The duration and intensity of the fighting has created significant new pressures to increase military preparedness and weakened (1) the credibility of the U.S. ability to maintain hemispheric peace and stability and (2) the integrity of the Inter-American System. Both were previously relied upon to guarantee that no armed interstate conflict in this hemisphere could last more than a few days.

- Soviet and Cuban opportunities have increased. The Soviet Union and Cuba are likely to seek to establish or reinforce arms relationships in the region, and to foster Latin differences with the U.S. on major regional and global issues.

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A major problem inhibiting our ability to deal with the new situation is the fundamental contradiction between support for the British and attempting to improve relations with key countries in South America, especially Peru, Venezuela and Argentina. The best way to deal with this dilemma and rebuild U.S. interests in the region is to promote an end to hostilities and a return to the negotiating table. Until there is progress, the same considerations which have led to U.S. support for the U.K. up to now will make it difficult to distance ourselves from British policy in the future.

In addition, these problems come after several years in which our South American objectives have been pursued with minimalist policies, i.e. a relatively low degree of positive attention or regular engagement, and a very low level of official resources. Although the President's vision of region-wide cooperation had led us to make efforts to improve ties to South America, including Argentina, our priorities have been focussed to the North. The Caribbean Basin and Mexico should continue to receive priority attention, but the Falklands crisis has underscored the need to also develop policies capable of sustaining a greater degree of cooperation with South America as well.

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III. ASSUMPTIONS

This paper assumes that the confrontation between Argentina and the U.K. will continue. The British will regain full control over the Falklands, but neither a formal cease-fire nor effective early negotiations will ensue. Argentina will maintain its sovereignty claim and harass the U.K. militarily and diplomatically. Britain may seek to fortify and develop the islands, and possibly to encourage their ultimate independence.

Our response to the crisis should make clear that we are neither guilty of any wrong doing nor trying to buy friendship. Nor should we behave in a precipitate manner that suggests we can be blackmailed.

IV. ANALYSIS

A. Bilateral Relations

In Argentina, expulsion from the islands will not bring acceptance of defeat. A period of sporadic and drawn out hostilities with the U.K. and antagonism toward the U.S. is virtually certain. Our materiel supply to the U.K. and our support for the British even after the sinking

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of the General Belgrano will not be soon forgotten. How long this will last depends on several factors, including internal political evolution in Argentina, UK willingness to return to the negotiating table, and the degree to which the U.S. is successful in distancing itself from the UK. 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 place a very high priority on asserting Argentine sovereignty over the Falklands. As long as this issue remains unsettled, the prospects for major improvement in U.S.-Argentine relations are dim and our ability directly to influence that government minimal.

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 developoment. 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.

Argentine resistance to a military relationship with the Soviet Union has been weakened by isolation at a time of desperate need; resistance would all but disappear if

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access to U.S. and European arms continues to be denied,
or if the Soviets provide terms as favorable as those given
Peru in recent years.

In Bolivia there will be a foreign policy echo of
events in Argentina. Argentine influence has been and
will continue to be significant. Except during the current
Torrelío regime, the GOA has usually worked at cross pur-
poses with the U.S. Should an Argentine/Soviet arms con-
nection be established along the lines of that existing
today in Peru, Bolivia might very well follow the lead
of its two traditional regional allies. If so, Soviet
influence on Bolivian policy would probably be substantial
because of weak Bolivian political and economic institutions.
Should a revanchist, anti-U.S. Peronist government emerge
in Argentina, this too might be reflected in the general
orientation of Bolivian policies.

In the new environment created by the crisis in the
South Atlantic, Brazil could emerge as the new balance
wheel -- perhaps even against its will. We should encourage
a larger role for Brazil and seek to influence Brazilian
policies through development of closer bilateral ties.

The crisis is a serious setback to Brazil's efforts
to encourage a strong and stable Argentina with which Brazil

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could have a non-adversary relationship. 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

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and the U.K. acted as racist industrialized powers cooperating to keep developing countries in their place has powerful gut appeal. These concepts are consonant with such Falklands-supported "lessons" as anti-colonialism, anti-imperialism, and solidarity among the dispossessed. While no one genuinely likes Argentina, its weaknesses are reminders of the vulnerabilities created by "underdevelopment," hence the vital importance of shucking off dependence on countries like the U.S.

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.

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 could lead it to adopt an ambiguous position. Mexico's anti-Americanism, always present, will continue to surface from time to time, although the unique relationship with the U.S. will continue to exert its control.

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The longevity or lasting effects of the current mood -- which varies greatly from country to country (with Venezuela and Colombia at opposite ends of the spectrum) -- will depend on how the crisis evolves, when and how it is settled, and what posture we adopt along the way.

For the moment anyway, our ideological influence, such as it is, is considerably reduced in certain quarters. Efforts to employ the "Western Hemisphere Ideal," "Pan-Americanism," or the broader "Western Civilization" themes will not prosper. In some countries our friends are not eager to be seen offering us an abrazo; instead, they are holding us at arms length until the emotional level subsides.

It must also be said that some regional leaders have privately expressed the hope that we will not hold against them the pro-Argentine stance they adopted at the OAS, and that they hope to see a return to "business-as-usual" normalcy as soon as possible.

C. Security Interests

A major new and potentially destabilizing factor in the regional equation is that military institutions, throughout the hemisphere but especially in South America, have

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powerful new claims to national influence and resources.
While we expect that the general trend toward political liberalization in the region will continue, and that financial problems will act as a constraint on military procurement, the ability of civilian governments to resist demands for modern arms have been weakened by the crisis. Resources will be diverted from economic development.

Because Latin American expenditures on military hardware have been low for years, a surge in procurement is inevitable. Even before the Falklands crisis dramatized arguments for modern forces, seven countries -- all in South America -- had embarked on significant weapons procurement programs to upgrade or replace aging weapons systems. They were Argentina, Brazil, Chile, Colombia, Ecuador, Peru, and Venezuela. The Falklands crisis will stimulate increased emphasis on more sophisticated all-weather systems, improved maintenance, greater self-sufficiency and larger stocks of munitions and precision-guided missiles. 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 be stimulated. Mexico and Central America have already begun limited modernization programs and will be less affected.

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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 and defended 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.

The key, except perhaps for Peru, should not be the provision of significant security assistance resources (we have in any case had no materiel 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.

D. Soviet-Cuban Opportunities

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

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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.

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 possibly a beneficiary of Soviet-Argentine military ties. Peru is another possibility.

V. PROPOSED COURSES OF ACTION

In considering the individual actions and options discussed below, we should be aware that some will be very controversial in terms of U.S. public and Congressional reactions.

For example, we will be unable to compete effectively with the Soviets and Europeans in the military arena without changes in U.S. law, some administration policies and public

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and Congressional attitudes. This may prove difficult since Latin American drives to acquire modern equipment will 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.

U.S. unresponsiveness to the demand for new and better arms and equipment would not result in the denial of modern weaponry. But 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 make full use in dealing with Latin America of the more responsive arms transfer policies established by the Reagan Administration, and build Congressional support for such use, we will be at a disadvantage in influencing procurement needs and the related rethinking of security interests and needs.

A. Measures to Improve Bilateral Relations

1. Argentina. As soon as all Argentine forces in the Falklands have withdrawn, we should begin to distance ourselves from the UK's position and attempt to rebuild relations with Argentina. How quickly we can do so will

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depend on whether Argentina continues the air and naval war; but it is also true that movement in the U.S. position may encourage Argentina to withhold further military action and accept a formal ceasefire.

-- The first step should be a clear, public and comprehensive statement of U.S. views on the future of the islands. It would have the greatest impact if it used the dual term "Falklands/Malvinas" and urged the involvement of other states or the UN in administration of the islands or consideration of their future. At a minimum it should call for direct negotiations between the UK and Argentina and make clear our view that a simple return to the status quo ante is not feasible.

-- If Argentine military action continues, we should privately ask key Latin American countries to bring pressure on the Argentines. This will be effective only if preceded by the public statement above, which implies some willingness to pressure Britain.

-- If Argentina accepts a de facto or formal ceasefire, we should immediately respond by lifting our military and economic sanctions, noting that Resolution 502 has been complied with. We should consider measures to help Argentina

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get a basically creditworthy economy back on track. We should encourage sound economic policies, a restoration of traditional trade patterns, and reestablishment of international creditworthiness.

2. Develop a policy toward Argentine rearmament.

(A) Decide that we will certify Argentine eligibility for military aid and sales as soon as Argentina has agreed to a ceasefire or other developments give us reasonable assurance that a new Argentine attack is unlikely. Argentina is unlikely to rely on the U.S. as a supplier in any event, but certification will be politically important and could slow a turn to the USSR or the radical Arabs. (B) Alternatively or in addition, encourage Brazil, Israel, and Western European suppliers, particularly the FRG, Italy, Spain and France, to preempt Soviet and Arab arms sales to Argentina. They will be major Congressional resistance to certification.

3. Chile. Our dilemma with Chile is to avoid, on the one hand, complicating our priority objective of restoring peace in the South Atlantic by giving Argentina the impression that we are "playing the Chile card"; and on the other hand, giving the Argentine junta the impression that aggression in the Beagle Channel could be a low-cost way of restoring its domestic prestige and honor. Long.

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delay in certifying Chile's eligibility for military sales and assistance could cost us heavily with one of the few South American states where our relations are presently undamaged, including the loss of any opportunity to moderate the Chilean military buildup or its human rights practices. But certification for Chile as long as Argentina remains ineligible could endanger our hopes of encouraging a Falklands settlement (both with the GOA and with other Latins) and could even stimulate Argentine military planning on the Beagle. There are also major legal and Congressional obstacles to be overcome before Chile can be certified. Certification and the resumption of aid and sales to Chile is our goal; the timing must carefully weigh these issues.

4. With Brazil, our goal could be to develop a relationship in which both countries act to contain and hopefully resolve potential conflicts -- not necessarily 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

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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 closer relationship to the Brazilian nuclear program including resolution of the nuclear supply problem (which would require Brazilian acceptance of a full safeguards regime or changes in U.S. law) would be important signals of our acceptance;
- cultivating military-to-military contacts and relationships, including naval cooperation and some weapons co-production (with the controls required by U.S. law on re-export);
- strengthening cooperation in science and technology; and

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- addressing concrete economic problems, particularly the issues of growing Brazilian ineligibility for GSP treatment and "graduation" in terms of eligibility for major soft term loans from the World Bank, etc.

5. Consider 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.)

6. 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,

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where it may not be in other areas. Further, a number of countries, especially Brazil, are ready for productive cooperation to mutual advantage.

7. 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 should reduce the costs of the Falklands crisis to our interests 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) should be reviewed carefully on their merits. We should also be particularly sensitive to the need to implement the terms of the Panama Canal treaties, to avoid this becoming an issue in the current environment.

B. Measures to Deal With Impact on Attitudes

1. Reiterate justification for our action. The best and only stance for us is to hold to the correctness of our opposition to the first of force, continue to explain our policy not in terms of a choice between Europe and

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Latin America but rather of adherence to the rule of law, and back that up with actions that demonstrate commitment to Latin America. We should avoid giving the impression that we believe that our relationship with Latin America has been irrevocably undermined. This, or any indication of a sense of guilt or remorse, would simply fuel the emotional fires in places like Caracas and Lima. As the dust settles, our principled support for the rule of law will become understood.

2. 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. Our failure to live up to the expectations we have created would provide further evidence that the hemisphere is relatively low on our scale of priorities. 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.

3. We should assiduously cultivate individual leaders, through the kind of special attention they deserve and appreciate: a strengthened/expanded program of visits to and from Washington by chiefs of state and other high level

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officials; entree to high places when Latin leaders come to Washington. Full use should be made of the talents of leading private sector organizations like the Americas Society.

4. Cultivate multilateral diplomacy to complement our bilateral moves and reduce suspicions that we are trying to "divide and conquer." 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 (without, however, implying commitment of major new economic assistance to the region.)

5. 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. But any appearance of a U.S. choice between them would be highly counterproductive.

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6. 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 America in the 1970s. Other exchanges should have the objective to broaden Latin American awareness of our global concerns.

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

C. Measures to Enhance Regional Security Interests

1. Utilize full potential of U.S. arms transfer policies as set forth in NSDD-5 to meet requests from the major South American countries, with particular emphasis on modern systems, communications, and technology. Where it is to our political and strategic advantage, we should consider

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making the first introduction of new systems into the region, and selling more advanced systems than we have in the past. 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 the attractiveness of some of our technology (e.g., missiles, fighter aircraft) would keep us in the game. Non-hectoring, 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 these policies. The difficulty of this task cannot be overstated. Explain to Congress that the new situation and our interests demand that we be prepared to assist countries in maintaining regional balances of power within the context of our arms transfer policies. We would prefer to keep arms procurement at a low level, but where imbalances occur we must act to stay in the game, avoid possible outbreaks of hostilities and prevent possible Soviet inroads.

3. Give priority to obtaining Congressional approval of the Special Defense Acquisition Fund (SDAF), with adequate capitalization and authority to meet the needs of the developing countries as well as the industrial powers. (We could

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have sold the A-37 to four or five Latin countries, pre-empting more costly aircraft, if the Cessna production line were still open.)

4. A modest increase in FMS to South America. New financing will be needed to loosen Peru's military ties to the Soviet Union and to encourage restraint elsewhere based on shared security and arms control commitments. Care will have to be exercised to insure that U.S. financing does not upset regional power balances.

5. Increase IMET and expand and upgrade the U.S. Military Schools in Panama. Consider CINCSO's proposal to unite the schools into a Military University of Latin America, with increased Latin American participation.

6. 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).

D. Measures to Deal with Threat of Soviet/Cuban Inroads

1. The best defense against Soviet/Cuban exploitation of the Falklands crisis is to take decisive action to protect

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U.S. interests and reestablish U.S. influence where damage has occurred, thereby reducing incentives for a turn to the USSR. Such actions include the whole range of recommendations included in this paper.

2. 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. Hinder further development of Argentine-Cuban ties.

3. Peru is the only American ally whose principal military supplier is the Soviet Union, and posed special challenges for us even before the Falklands conflict. Peru has been the only Latin country to supply significant military support to Argentina. The Peruvian military may seek to continue this aid even if Argentina refuses to accept a ceasefire and continues hostilities. This could open new opportunities for the Soviets, either to supply new equipment to Peru to replace that transferred to Argentina, or to use Peru as a conduit and figleaf for supplying Soviet equipment to Argentina. Any opposition to these moves by President Belaunde, perhaps the most pro-American of the South American chiefs of state, could lead to his overthrow. Any of these develop-

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ments would seriously affect U.S. interests, and the prospect requires that we give priority attention both to developing a diplomatic posture on the Falklands that Peru could support, and to re-establishing a military supply relationship with Peru that will give it an alternative to the Soviets.

4. Argentina. See above, V.A.3.

VI. CONCLUSION

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The observation has been made that this paper contains no broad options and is insensitive to "trade-offs". It is true that no effort is made to prioritize Latin America in comparison to other parts of the world. Indeed, this is a topic to be analyzed functionally as well as geographically, for Latin America may soon play an increasing part in such matters as nuclear proliferation, the Soviet strategic reach, etc. However, the steps and options discussed within Latin America are mutually consistent and generally complementary. For example, Brazil's new balancing role leads it to seek situations in which both Argentina and Chile are strong and stable. Brazil would welcome U.S. efforts to that end. In addition, the U.S. ability to restrain instability and preempt Soviet gains

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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. The South Atlantic crisis has challenged not so much our objectives in South America as the level of engagement required to attain them.

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