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INTERNATIONAL
SECURITY AFFAIRS

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

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Chief, RDD, ESD, WHS

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MEMORANDUM FOR MR. McGIFFERT

SUBJECT: Inter-American Affairs - Year-End Report -- INFORMATION
MEMORANDUM

1978 produced one major achievement in Latin America -- ratification of the Panama Canal treaties. It also produced a number of policy challenges which revealed the limits of U.S. influence within the Hemisphere.

The Situation Facing Us One Year Ago. In January 1978, the priority goals, challenges and opportunities facing us were ratification of the Panama Canal Treaties; development of a revised military relationship with Brazil; resolution of our arms supply policy toward Argentina in the face of an approaching legislative arms embargo; reassessment and articulation of our security interests in Latin America; formulation of policy on conventional arms transfers and arms restraint efforts in Latin America; and negotiations for the renewal of agreements for U.S. military facilities in the Caribbean. In the course of the year the Beagle Channel dispute and the Nicaragua anti-Somoza revolution presented crisis situations which persist.

Factors Impacting on Achievement of these Tasks. The achievement of our objectives during the past year were constrained by various factors both within Latin America and in the U.S. Within Latin America these factors included inter alia Brazil's unwillingness to agree to the submission of a human rights report which required termination of our security assistance programs to that country; a perception of many countries of an uneven application of U.S. human rights policy in Latin America as compared to the rest of the world as well as within the Latin America area itself; and a feeling on the part of many Latins of U.S. interference in their internal domestic affairs. Factors within the U.S. included increasing legislative restrictions on U.S. programs and presence in Latin America, the application of human rights policies to security assistance program implementation, and the overall tightening up of arms transfer policies by the USG.

Principal Achievements During 1978

-- The Panama Canal Treaties. The prime accomplishment in Inter-American affairs during 1978 was securing Senate ratification of the Panama Canal treaties. This prevented the Panama Canal issue from continuing as a lightening rod for anti-American sentiment in the

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hemisphere. Draft implementing legislation was prepared, inter-agency coordination began, negotiation of three follow-on agreements was completed, and consultations with Panama on a government-to-government level with respect to significant treaty matters began. Critically needed MILCON funds were also broken loose to start construction required to relocate U.S. forces under the terms of the treaties.

-- U.S. Military Relationship with Brazil. The serious erosion of our military relationship with Brazil was arrested in 1978, but basic problems remain. This bottoming out resulted principally from political factors such as greater pragmatism in our nuclear and human rights policies. In addition, however, there were some damage limiting initiatives taken by DoD. The first was the successful effort to permit the Brazilian Air Force to open as many FMS cases as it wished prior to the 30 September 1978 FMS cutoff. A second was the upgrading of the U.S. Defense Attache position to brigadier general--a step which has been very well received by the Brazilians. A third was to prompt a discussion of defense issues by the President during his trip to Brazil in March 1978.

-- Southern Cone Security Issues. In anticipation of the Congressionally mandated Argentine embargo beginning on 30 September, DoD undertook several initiatives to break the arms supply impasse--e.g., the visit of a high level State/Defense team to Buenos Aires in May, the release of safety-related training and spares, and release of pipeline items.

-- The Nicaraguan Situation. U.S. leadership in mediating, under the auspices of the Organization of American States, the Nicaragua crisis brought an uneasy ceasefire in Nicaragua and avoided a "worst case" situation. Polarization of various political elements and factions throughout the sub-region, however, is increasing as the guerrillas in Nicaragua gain political legitimacy. Potential internationalization of internal conflict within this sub-region is of considerable concern. A high-level dialogue with El Salvador has been undertaken as a first step in dealing with the broader issue of instability throughout the region.

-- Caribbean Military Facilities Negotiations. We informed the governments of Barbados, Turks and Caicos, Antigua and the Bahamas of our plans to phase out the naval submarine underwater detection (SOSUS) facilities in future years. This contributed to an impasse in negotiations with Barbados resulting in closure of the NAVFAC by March 1979. Nonetheless, good progress toward agreement for the use of our remaining important facilities continued with the Bahamas and Turks and Caicos.

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-- Security/Defense Relationship with Mexico. Discovery of massive oil reserves sensitized the Washington policy community to the strategic importance of Mexico. Security issues remain a modest component of our overall bilateral relationship.

-- Conventional Arms Transfer Initiatives. In the area of conventional arms transfers our achievement was the focus of high level interagency review and establishment of here-to-fore nonexistent, firm guidelines for the U.S. negotiators in their discussions with the Soviets in Mexico City in December.

Principal Deficiencies of Our Approach. Despite these concrete achievements, our policies in the hemisphere have revealed a number of shortcomings. We have given lip service to the priority of the hemisphere, yet our words are often unmatched by resources. We are experiencing budget cuts and taking other policy actions which weaken our credibility, e.g., giving priority in FMS and IMET to other regions at the expense of Latin America. We have engaged in regional arms limitation talks with the Soviets, yet failed to consult with key nations of the hemisphere such as Brazil on this issue. We have paid a price for the dissipation of our influence in Argentina and Chile as evidenced by the limited leverage available to achieve a peaceful settlement of the Beagle Channel dispute. We retain important responsibilities as a peacemaker, yet our seriously strained relations with key countries seriously limits our ability to promote moderation. We are perceived by the Latins as applying our human rights policies in an uneven fashion as compared to other regions. We conveyed confusing signals with respect to Cuba, e.g., GULFEX 79 and our reaction to MIG 23 acquisitions. There is also little to point to as an accomplishment in the defense aspects of U.S./Cuban rapprochement as we continue toward normalization of relations. Cuba military intervention in Africa and other nations continues unabated. Of more recent concern is the addition of more sophisticated weapons systems, e.g., MIG-23's, to Cuban armed forces. This is one of the items on which we have not reacted consistently.

Agenda for 1979

U.S. defense activities in the hemisphere are likely to remain at a low level for some time. Yet there are some immediate problems which require early initiatives from the Defense Department. Over the longer term we need to reassess the degree to which we have allowed our defense assets and programs to decline in the region, consider the organizational arrangements through which we deal with the Latins on security matters, and re-examine the basic premises of our hemispheric security policies.

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-- Implementation of the Panama Canal Treaties. Our principal efforts for 1979 will be to achieve a smooth and effective transition into the new treaty environment. The most critical requirement is to secure timely passage of the implementing legislation. The new treaties are self-executing and will come into effect on 1 October 1979, whether or not implementing legislation has been adopted. But if funding authorization is not forthcoming by the end of February 1979 and legislation is not enacted by 31 May 1979, DoD will not be able to meet its treaty obligations without serious degradation of operational readiness--e.g., relocation of forces for canal defense--and cost effectiveness. Significant cost increases and loss of toll revenues will occur should passage of implementing legislation and/or approval of reprogramming authority be delayed or withheld in FY 1979. This will require extensive inter-agency legislative and public affairs activity to overcome anticipated Congressional opposition by such strong opponents as Congressmen Hansen and Murphy. There is also the danger of unhelpful fallout as a consequence of our policy in the Nicaragua situation which has aroused certain anti-treaty Congressional elements, aided also by Panama's activities vis-a-vis Nicaragua. Further, the Administration may be inclined to focus on other priorities this year, e.g., SALT, to the detriment of the Panama treaties. All of this points to the need to establish the required priority within the Administration and overcome opposition by certain Congressional elements in order to insure the passage of required supplemental appropriations and legislation to implement the Panama Canal treaty. Senior Defense officials should press for early and priority Congressional consideration of implementing legislation and funding authorization.

-- U.S. Security Interests in Latin America. Currently, DoD is faced with the requirement to reassess the degree to which we have allowed our defense assets and programs to decline and consider the organizational arrangements through which we deal with the Latin Americans on security policies. The immediate requirement is to define and articulate our security interests. Unless we can articulate our interests more sharply we cannot reverse the dissipation of assets that leaves us deprived of leverage and prompts the Latins to turn to others and ignore our advice. To accomplish this objective we initiated action in 1978 within DoD to reexamine and update the formulation of U.S. security interests in Latin America. An OSD/JCS task force of general/flag level officers was appointed to accomplish this task. As an initial step, the JCS undertook a study defining U.S. military interests in Latin America. A broader security interests study is being prepared as an external research effort sponsored by ISA.

Our agenda for 1979 will be to combine the findings of these studies and work with the three Services to further refine and focus these interests. Only when we have a consensus on precisely what our national security interests are, can we move ahead to develop a policy. This activity will be a primary effort in 1979.

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-- U.S. Military Relationship with Brazil. In 1979 our agenda will be to move toward a new military relationship with Brazil, initially with modest exchange programs and visits. We will not just be putting our former relationship in place but seek to modernize it in time with Brazil's growing strategic and wider interests. Completion of the DoD/State Brazil Strategic Interests Study will be high on our agenda. Also we will be attempting to find a means to resolve the security assistance impasse created by human rights reporting requirements. We should also, acting through our "memorandum of understanding," take Brazilian concerns into consideration as we fashion larger regional and global policies. What we must not do is inject any major irritants into our relationship during the initial months of the new Figueiredo administration.

-- Southern Cone Security Issue. Our agenda for 1979 will be to continue to seek a peaceful resolution to the Beagle Channel issues, to encourage improved human rights performance with the view toward reinstating an arms supply relationship with these countries, and to continue to urge restraint by Peru and others in unnecessary arms acquisitions. There is also the question in Peru of maintaining Soviet equipment.

-- Central America Security Issues. Our agenda for 1979 with respect to Central America will be to: resolve the Nicaragua crisis in such a manner that would undercut the Sandinistas and encourage the evolution of a moderate successor government to Somoza; initiate a dialogue with other nations in the sub-region to reduce left-right polarization and encourage the evolution of moderate democracies; and renew military relationships, e.g., IMET and FMS programs, with Central American nations (El Salvador, Guatemala and Nicaragua) as U.S. policy will allow.

-- Caribbean Military Facilities Negotiations. Our agenda for 1979 in the Caribbean negotiations will be to negotiate acceptable long term agreements to ensure the continued use of all facilities in the Bahamas and Turks and Caicos Islands and to conduct an orderly phase out of NAVFAC Barbados, turning over the facility to the Government of Barbados by 31 March 1979.

-- Defense Aspects of U.S./Cuba Rapprochement. We propose that DoD continue a tough stance on normalization so that our relations with other countries in the hemisphere are not jeopardized just to normalize relations with Cuba. Our agenda for 1979 will also include an attempt to achieve our goals of reducing Cuban adventurism and Soviet influence in the hemisphere. We also plan to continue to maintain our normal military presence in the Caribbean (including Guantanamo), exercising our forces as required so that the perceptions of relative military strength vis-a-vis the Soviets and Cubans are put in proper perspective.

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-- Security/Defense Relationship with Mexico. In 1979, our agenda for Mexico will be to: achieve a search and rescue agreement, gain Mexican approval for nuclear powered warship visits to Mexico, and respond favorably and in a timely fashion to Mexican requests for military equipment.

-- Conventional Arms Transfer Initiatives. Our agenda for 1979 will be to further encourage the Mexican initiative as well as to more vigorously inject our views into the development of negotiating guidance for future rounds in the U.S./USSR talks.

-- IMET Programs. During 1979 we will need to work toward expanding the IMET program within the hemisphere, at lower costs, and perhaps as a trade off for FMS programs.

Robert J. Korman

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