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OFFICE OF THE
SECRETARY OF DEFENSE
DEPARTMENT OF STATE

Washington, D.C. 20520

S/S 8227233

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~~(With SECRET Attachment)~~

September 10, 1982

Interagency Group No. 24

TO : OVP - Mr. Donald P. Gregg
NSC - Mr. Michael O. Wheeler
ACDA - Mr. Joseph Presel
AID - Mr. Gerald Pagano
CIA - Mr. Thomas B. Cormack
Commerce - Mrs. Helen Robbins
Defense - COL John Stanford
JCS - MAJ Dennis Stanford
OMB - Mr. Alton Keel
Treasury - Mr. David Pickford
UNA - Amb. Harvey Feldman
USIA - Ms. Teresa Collins
USTR - Mr. Dennis Whitfield

SEP 13 1982
DEP SEC HAS SEEN

SUBJECT: Draft NSDD on U.S. Policy Toward South America

Attached is the draft NSDD corresponding to the NSDD 10-82 policy study and executive summary circulated under our memorandum 8225479 dated August 25.

Addressees are asked to review the draft NSDD in connection with the previously circulated documents. Clearance of the three documents is requested at a senior policy-making level. Concurrence or comments should be conveyed to Mr. Tain Tompkins at 632-5804 by COB Thursday, September 16. It is hoped that a final version of the documents can be ready for submission to the White House the week of September 20.

Your prompt attention is appreciated.

Office of the Secretary of Defense 5 U.S.C. 5552
Chief, RDD, ESD, WHS

Date: 15 Nov 2017 Authority: EO 13526

Declassify: ☒ Deny in Full: _____

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Reason: _____

MDR: 17 -M- 2079

Attachment:
Draft NSDD

[Signature]
Executive Secretary

Page determined to be Unclassified
Reviewed Chief, RDD, WHS
IAW EO 13526, Section 3.5
Date: NOV 15 2017

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DEPARTMENT OF STATE

Washington, D.C. 20520

November 5, 1982

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MEMORANDUM FOR MR. WILLIAM P. CLARK
THE WHITE HOUSE

Subject: Proposed NSDD and Interagency Study on
U.S. Policy Toward South America (NSSD 10-82)

Attached as mandated in NSDD 10-82 are a proposed National Security Decision Directive (NSDD) and the SIG study on U.S. relations with South America. Both the NSDD and the study incorporate the comments of the twelve agencies and offices that participated in the NSSD exercise.

The draft NSDD is submitted for consideration by the President. The SIG study is submitted for the record.

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

Attachments:

1. Proposed NSDD.
2. SIG study.
3. Change from original SIG study.

cc: OVP - Mr. Donald Gregg
ACDA - Mr. Joseph Presel
AID - Mr. Gerald Pagano
CIA - Mr. Thomas B. Cormack
Commerce - Ms. Helen Robbins
DOD - Col. John Stanford
JCS - LTC Dennis Stanley
OMB - Mr. Alton Keel
Treasury - Mr. David Pickford
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Latin America

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DRAFT 10/29/82

Draft NSDD in response to NSSD 10-82

U.S. POLICY TOWARD SOUTH AMERICA
IN THE WAKE OF THE FALKLANDS CRISIS

1. U.S. national interests in Latin America and the Caribbean include a region free of Soviet-dominated or other hostile governments; the development of stable and democratic political systems and institutions which promote respect for basic human rights; cooperative bilateral relations to deal with security and other issues flowing from geographic proximity; advancement of major U.S. trade and investment; access to raw materials; prevention of nuclear proliferation and maintenance of stable balances of power among the states in the region; and receptivity to U.S. leadership.

2. The Falklands crisis strained, to varying degrees, our relations with Latin American countries, and highlighted the potential for instability in South America. Our policy must address the following specific problems:

- Instability and irredentism in Argentina, which imply new opportunities for the USSR to gain access to a strategic position in the Southern Cone;

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- Disillusionment with U.S. leadership in Venezuela and elsewhere, which provides tempting opportunities for Cuba to reduce its inter-American isolation;
 - The increased importance of Brazil as a potential stabilizing factor in South America at a time when mounting economic and financial difficulties are also eroding our ties and influence there and in the region as a whole.
3. The highest United States priority in Latin America continues to be the prevention of further inroads by the Soviet Union or its client states in our immediate environs
- Central America, the Caribbean and Mexico.
4. To restore and assert U.S. influence in South America, the United States will:
- Maintain its diplomatic position on the fundamental Falklands issues as it was before the crisis, specifically: U.S. neutrality on the question of sovereignty over the islands and support for negotiations or other peaceful efforts to resolve this dispute;

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- To preserve regional political and military balance, certify Argentina and Chile jointly as eligible for U.S. military sales before the end of 1982, depending on discussions with Chile and on Argentine behavior.

- Rebuild a close relationship with Brazil, to include Cabinet-level consultations, renewed cooperation in military training and trade, enhanced cooperation in science and technology, particularly space activities, and a dialogue on nuclear issues. To develop this process, the U.S. will seek appropriate positive action by Brazil in the non-proliferation area (e.g. restraint in exports to sensitive regions and progress in discussions on the Treaty of Tlatelolco and safeguards) in order to resolve the fuel supply issue and permit resumed nuclear cooperation. As contacts on these issues show progress, in order to encourage significant movement on non-proliferation concerns, consideration will be given to waiving Glenn/Symington to permit resumption of military training cooperation. The United States will also explore arms co-production agreements. We should also review our global sugar policy in the light of its foreign and domestic impact.

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- Use flexibility within NSDD 5 guidelines to respond promptly to arms transfer requests. The U.S. will seek to prevent regional arms races, to preserve sub-regional arms balances, and to upgrade bilateral military ties. Measures should be sought to lessen Peru's dependence on Soviet arms supplies.
- Promote U.S. military influence, training and doctrine through the expansion of military exchanges and increased IMET.
- Use our influence through traditional diplomatic channels to promote democratic development and human rights so as to facilitate public support for expanded, closer relationships with the governments concerned;
- Seek to play a supportive role by sustaining modest assistance efforts, to the extent our resources permit, in such economically weak states as Bolivia, Ecuador and Paraguay.
- Pursue a more active bilateral diplomacy throughout the continent, while seeking to turn back efforts

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to alter the Inter-American System. We will use a series of ad hoc bilateral cabinet-level meetings with a substantial but not exclusive economic focus to show that dialogue with the U.S. is possible. The U.S. will lead with Brazil, then Mexico and Venezuela when the time is appropriate.

- Take measures to improve collection on Soviet bloc and Cuban actions designed to create instability or problems in bilateral relations with the U.S.

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U.S. POLICY TOWARD SOUTH AMERICA
IN THE WAKE OF THE FALKLANDS CRISIS

EXECUTIVE SUMMARY

The underlying lesson of the Falklands conflict was that U.S. credibility and leverage with Argentina did not match the US interests at stake. Aside from Argentina, crisis-induced damage to U.S.-Latin American relations has varied widely from country to country and appears manageable on most matters. But the potential for future conflicts and instability counsels a long-term effort to build relationships with the major players in South America to maintain local balances of power, delay nuclear proliferation, and narrow openings for the Soviet Union.

Our highest priority in Latin America should remain to prevent instability or inroads by the Soviet Union or its client states in our immediate environs -- Central America, the Caribbean and Mexico. To demonstrate that the Falklands conflict did not distract us from this central purpose and to reaffirm our constancy to friends and adversaries in this hemisphere, a number of immediate steps are desirable in this area, where further deterioration would directly affect U.S. security and well-being:

- A decisive push for Congressional approval of the President's Caribbean Basin Initiative (CBI);
- Strenuous efforts to secure requested FY 82 supplemental and FY 83 foreign assistance funds for Central America/Caribbean.

Policy toward South America must take into account the resource limitations imposed by our Caribbean Basin and extra-hemispheric priorities, including the need to maintain the credibility of our global arms transfer, non-proliferation and trade policies. We must also avoid the impression of a knee-jerk response to the Falklands conflict and ensure that we do not burden our effort to secure vital Central America/Caribbean funds with additional controversy.

The problems we face in South America are serious:

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- Preserving a peaceful equilibrium between Argentina and its neighbors, especially Brazil and Chile, in the face of Argentine rearmament, exploration of the nuclear option, and reassertion of nationalism.
- Lessening the chances of domestic instability or unfavorable policy evolution in economically vulnerable Bolivia, Ecuador, Peru, Paraguay, and Argentina (serious balance of payments problems also loom in Brazil and Chile).
- Limiting Soviet arms transfer opportunities, particularly in Peru and possibly in Argentina.

Managing these problems will require a long-term effort to enhance relations with Brazil, Venezuela, and eventually Argentina -- the major South American economic powers and potential arbiters of security.

Brazil is of singular importance to this objective. Although reluctant to march in lockstep with the U.S. and extremely cautious in exercising influence with its neighbors, Brazil's economic, military, and institutional capabilities give Brazil formidable potential regional influence. Judging that not to build a web of organic relationships linking Brazil to the West could ultimately cause significant disruptions to our interests, the IG favors efforts to develop a U.S.-Brazilian relationship as intense as that with U.S. alliance partners in Europe.

Venezuela also is of immediate importance. The resurgence of anti-Americanism occasioned by the Falklands and the coming Venezuelan Presidential elections could weaken our cooperation on Cuba and Central America.

Our South American policy should develop in phases:

Immediately:

- Begin to rebuild relations with Argentina in the context of political moves in the Falklands acceptable to the UK and Argentina;
- Develop a policy on Argentine rearmament through third parties in consultation with the UK;
- Establish a dialogue with Argentina and Brazil on nuclear security issues, the Treaty of Tlatelolco (Latin American nuclear-free zone agreement), and safeguards. With Brazil, seek concessions permitting Presidential waiver of Symington-Glenn restrictions;

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- Nurture Cabinet-level policy consultations with Brazil, and explore the possibility of a Brazil-U.S. trade agreement as part of a new round of negotiations concentrated on the advanced developing countries;
- Enhance science and technology cooperation, military and civilian training and exchange programs, democratic political action, and high-level U.S. visits;
- Maintain modest assistance and other economic relief measures to the vulnerable South American states.
- Increase intelligence collection on potential territorial disputes.

Late 1982:

- Certify Argentina and, if possible, Chile for U.S. military aid and sales with appropriate ancillary conditions;

Early 1983:

- If Brazilian concessions warrant, utilize waiver authorities, first to Symington-Glenn to permit limited military cooperation, then later to NNPA to resolve nuclear supply problems;
- Address Brazil's sugar grievances, if possible.

Over time, we would also:

- Seek to meet requests for arms transfers positively and promptly, within NSDD-5 guidelines;
- Capitalize the Special Defense Acquisition Fund (SDAF);
- Explore military co-production arrangements with Brazil;
- Seek to re-orient Argentine grain trade from overdependence on the USSR;
- Oppose development of new Cuban ties in the hemisphere; and
- Work to reduce Peruvian military ties to the Soviet Union.

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U.S. Policy Toward South America
in the Wake of the Falklands Crisis

I. U.S. INTERESTS

U.S. interests in Latin America and the Caribbean may be summarized as follows:

- a region free of Soviet-dominated or other hostile governments requiring a significant commitment of U.S. military resources. The 1947 Rio Treaty and our ability to maintain constructive relationships and to isolate and constrain Cuba have enabled us to avoid committing significant resources to defend our southern flank.
- stable and democratic political systems and institutions capable of dealing effectively with local social, economic, and security problems.
- cooperative bilateral relations to deal with geographic proximity (our neighbors' cooperation is essential on issues that directly affect U.S. society, including migration, narcotics, tourism, fisheries, border cooperation, etc.) and to maintain effective collaboration on international issues. The region's 33 votes in the UN and other fora can make a major difference to achievement of U.S. global objectives.
- protection of major U.S. trade, investment, and access to raw materials. U.S. exports to Latin America (now more than \$41 billion annually) exceed those to the rest of the Third World combined, and match those to the European Community; imports of oil and raw materials are important to the U.S. economy. U.S. investment totals \$38 billion, with an annual return of approximately \$7 billion.
- prevention of nuclear proliferation and maintenance of stable balance of power relationships to help prevent conflicts between hemispheric countries requiring a commitment of U.S. personnel or resources.
- receptivity to U.S. leadership within the hemisphere, requiring an image of the U.S. as a friendly country which can be relied upon to meet its hemispheric commitments (e.g., the Caribbean Basin Initiative, support for governments threatened by insurgencies).

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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 focused on Central America, the Caribbean, and Mexico. For several years now, we have pursued our South American objectives with little sustained engagement and low levels of official resources.

II. ASSESSMENT

U.S. opposition to Argentina's first use of force was widely accepted in Latin America. Despite general public support for Argentine sovereignty over the disputed islands, in only one country -- Venezuela -- did a majority (62%) approve of the Argentine military takeover. The prevalence of territorial tensions (e.g., among Argentina-Chile-Peru-Bolivia-Ecuador, Colombia-Venezuela-Guyana, Nicaragua-Colombia-Central America, Guatemala-Belize) puts a premium on the peaceful settlement of disputes. In addition, the rule of law is seen as an important "equalizer" in asymmetric hemispheric power relationships.

U.S. support for the U.K.'s military campaign to retake the islands was just as widely resented. Our open support for an extra-hemispheric power, particularly in the face of two 17-0-4 Rio Treaty votes supporting Argentine sovereignty claims, reinforced suspicions and doubts about the reliability of the U.S. commitment to Latin America. Fortunately for us, Argentina's reputation for arrogance, and the collapse of its forces on the ground, helped to cushion reactions.

We conclude that the South Atlantic crisis 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 was rhetorical, and will give way with time to renewed efforts at inter-American accommodation.

The potential for long-range negative effects should not be underestimated, however. The IG identified four major problems:

- Official state-to-state relations have been damaged, albeit unevenly. Our most severe problems are with Argentina, and to a lesser extent with Venezuela, Panama and Peru; Chile has attempted to move closer to the United States; our relations with Brazil, Mexico and the Caribbean Basin have been little affected. In geopolitical terms,

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the South American environment is more fluid, increasing the importance of Brazil.

- Personal attitudes toward the U.S. are more critical. The perception is widespread throughout the region that our priorities lie elsewhere and hence that U.S. support is not entirely reliable. Crisis reactions weakened trust in the U.S. and damaged traditional concepts of U.S.-Latin American cooperation and common destiny.
- Our security interests and the stability of South America have been eroded. The duration and intensity of the fighting 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 assumed to guarantee that interstate conflicts in this hemisphere would be limited to a few days of actual fighting.
- Soviet opportunities may increase, particularly in Argentina, where the Soviet Union has a long-term opening to increase trade and establish an arms relationship. In cooperation with Cuba, the Soviets are also exploiting the conflict to foster Latin American differences with the U.S. on major regional and global issues.

Although the fighting has ended, the political repercussions continue. If the U.K. attempts to determine the future status of the Falklands without reference to Argentina, U.S. association with British policies will severely hinder efforts to manage U.S. relations with key countries in South America (especially Peru, Venezuela and Argentina).

III. ANALYSIS

A. Bilateral Relations

1. Argentina. Managing relations with Argentina will entail many vexing problems. Our objectives include encouraging political moderation, economic recovery and accommodation with the UK, facilitating modest Argentine rearmament to avoid an Argentine military relationship with the Soviet Union, and discouraging Argentine development of nuclear weaponry.

Our leverage is limited. Our materiel supply to the U.K. will not be soon forgotten and could

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be used to make us the scapegoats for Argentine failures. How long this will last depends on several factors, including internal political evolution in Argentina, and U.K. willingness to return to the negotiating table. Unless the United States is seen as supporting a negotiated settlement, the prospects for basic improvements in U.S.-Argentine relations are dim.

Whether Argentina, which has Latin America's most sophisticated nuclear program, will decide to build a nuclear device as rapidly as possible is unclear. However, Argentina could develop the capability to produce significant quantities of fissile materials suitable for nuclear explosives not covered by IAEA safeguards or other commitments precluding such use. Denial of external assistance and economic constraints could delay this development, but this could happen by late 1985 (by violating safeguards on German and Canadian facilities), or by 1987-90 (using indigenously developed unsafeguarded materials and facilities).

Should Argentina build a nuclear device, Brazil would feel compelled to follow suit. Argentine or Brazilian development of a nuclear device would have serious implications for the Tlatelolco nuclear free zone treaty and could stimulate other Latin American countries to explore a future nuclear weapons option.

Argentine conventional rearmament is likely to take place initially with Western arms obtained through secondary suppliers. But Argentine resistance to a military relationship with the Soviet Union has been weakened by isolation at a time of desperate need; resistance would further weaken if access to U.S. and European arms continues to be denied. A turn to the Soviet Union for some modern weapons could take place in the medium term despite resistance from pro-Western economic elites and military concern over the training and logistical problems that would arise from the adoption of Soviet systems.

2. Peru is the only South American country whose principal military supplier is the Soviet Union. Peru was also the only country to give Argentina significant material support against the U.K. This could open new opportunities for the Soviets to supply new equipment to Peru to replace that transferred to Argentina. Opposition to these moves by President Belaunde, perhaps the most pro-American of the South American chiefs of state, is unlikely to be effective.

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