A Study of U.S. Policy
Toward
Latin America
(NSSM 15)

PREMIS (Revised 7/5/69)

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March, 1969

Group 3
Downgraded at 12-year intervals, not automatically declassified.
Imminent operational decisions on such questions as whether or not to invoke the Hickenlooper Amendment in Peru (analyzed in NSSM 42 - followup strategy review dated May 24, 1969) can well be interpreted by Latin Americans as signals about the general direction of U.S. policy in Latin America in the coming years. (U.S. policy toward Cuba is the subject of a separate study (NSSM 32).) Before confronting other such watershed decisions, notable among them our response to the CECLA initiative, the NSC should consider the broad conceptual alternatives open to us in Latin America. This precis of the basic NSC study is directed particularly to this problem of conceptual choice. It leaves the selection among many operational options to develop as corollaries to NSC decisions on the preferred nature and extent of our future relationship with Latin America and the Caribbean.

Our interests in Latin America stem from conventional political, military, and economic concerns; from the "north-south" problems of economic and social development; and from the "special relationship" which we have historically maintained with the rest of the hemisphere and which gives a special cast to our normal concerns.

I. If the U.S. is to make sound policy choices reflecting these interests, four basic decisions as to fundamental policy direction are required:

(A) a decision as to what the basic nature and concept of our relationship to Latin America should be;

(B) a definition of the predominant U.S. purposes in the hemisphere consistent with this conceptual premise;

(C) the style or technique with which the U.S. should pursue its purpose or objectives; and

(D) where in the hemisphere we should concentrate attention; whether hemisphere-wide policy or different sub-regional policies may better serve our interests.
Preferences regarding the basic nature, purposes, style, and geographic focus will help determine corollary judgments as to how the U.S. should concentrate its diplomatic energies and assistance resources. The options chosen in these categories will determine many, though not all, of the preferred courses of action in the five policy areas analyzed in the basic NSC study.

A. The Basic Relationship with Latin America

Some have questioned whether we have a "special relationship" to Latin America, or if so, should it persist? Furthermore, if it is desirable, what does it require from us in policy terms -- special treatment? If so, in what areas?

1. The "special relationship" exists as an historical fact. Since the days of the Monroe Doctrine we have asserted a protective relationship toward the Latin American nations -- and have expected friendship and loyalty in return. This special relationship which has evolved over time is now embodied in the web of treaties and organizations known as the "Inter-American System" -- a system which operates under the umbrella of the OAS Charter, the Rio Pact, and the Charter of the Alliance for Progress. Geographical pro-pinquity, ties of tradition and association, the common psychological acceptance of the idea of community, and the formal international arrangements and commitments all lead to a single conclusion: The U.S. is generally regarded by both Latins and non-Latins as responsible to a substantial degree for the course of events in the hemisphere.

2. Should it continue? Fundamentally our concern with the hemisphere is based more on political factors than on military or economic concerns. The special bonds between North and South America have acquired great psychological importance after years of rhetoric -- and their effect is real and tangible. We have the option, of course, of withdrawing from this relationship. We should nonetheless recognize that, just as there would be serious national security costs in withdrawing from our NATO relationship, so would there be heavy politico-psychological costs in giving up the special relationship with Latin America described above. We would feel, as a nation, that our power had been greatly diminished in the world were Latin America to slip out of our orbit -- and so would other nations.
And perhaps as important, failure to assist Latin America in its struggle toward full-fledged modernity would tax our consciences. We are too rich and powerful to leave the nations of our hemisphere to drift alone into economic stagnation and social upheaval. That such a drift could open the hemisphere to hostile foreign powers is true; but more fundamentally, it would be incompatible with our own history and principles.

3. If it should continue, can it remain essentially unchanged? As the decade of the 1960's ends, our relationship to Latin America is one of "uneasy hegemony" -- a predominant influence and authority about which neither they nor we are wholly satisfied. Our power, military and economic, overshadows formal relationships of equality among members of the inter-American system. That we have usually been restrained in its use does not wholly reassure, and as our wealth and technological leadership grow Latin uneasiness about the power disparity intensifies. The "paternalism" inherent in our relationship increasingly troubles Latin American nations as they grope toward self-reliance and political maturity. They are seeking symbolic ways to demonstrate their "independence" from us. The formal framework for inter-American cooperation and the traditional bilateral accommodations which have existed in the past grow less satisfying as Latin nations suspect that our interests will increasingly diverge.

The years ahead may thus pose an "authority crisis" for the United States. Despite our preponderance in wealth and power, our ability directly to control and channel developments in Latin America will be increasingly inhibited by rising anti-American nationalism, self assertiveness, and growing social and political complexity in the area. Latin American attitudes toward the United States will become more ambivalent as the region strives to achieve economic, political and cultural "independence" from us, yet ascribes substantial value to our continuing protective umbrella and recognizes its continuing need for our financial and technical assistance.
Our current relationships in five major areas all require some modification:

a) Political and Diplomatic: There is a decline of Latin confidence in democratic, civilian government and an increased reliance on authoritarian methods of governing, coupled with a growing nationalism which often has strongly anti-U.S. overtones. The threat that Castro can successfully export his revolution is ebbing, while Soviet influence is expanding through traditional diplomatic and economic channels. Some disillusionment with U.S. leadership interacts with a growing Latin American drive for self-assertion.

b) Military and Security: Anti-U.S. nationalism, especially where compounded by Communist subversion, is now a growing threat to U.S. security in the hemisphere. Soviet acquisition of bases in the hemisphere could be the end product of inept U.S. handling of the hostile nationalist trend. Cuban-supported insurgency remains troubling, but is increasingly manageable by Latins themselves. Our relations with Latin military establishments present a sharpening dilemma for U.S. policy makers in the light of current congressional attitudes toward military assistance programs and arms sales.

c) Development Assistance: The Alliance for Progress was greatly oversold -- especially in implying quick results. However, the current disillusionment both in Latin America and in the U.S. ignores its substantial contributions to institutional reform, economic stabilization, and physical capital. The U.S. has formally met its Charter commitments, but our net capital transfer to Latin America has been much less than the over $10 billion gross, and its impact on growth has been further reduced by U.S. legal and policy constraints. Without continued, massive gross capital transfers from North America, both public and private, in addition to whatever European resources they can attract, few Latin nations can achieve even modest per capita growth levels. Latins see the Alliance as bilateral in substance, for its multilateral aspects have been disappointingly slow to mature. Economic aid is our major policy tool in the hemisphere, but changes are needed in the manner of extending most types of assistance to adjust to the political climate projected for the years just ahead.
d) Trade, Investment, and Economic Integration: There is widespread disappointment in Latin America with export earnings and investment flows -- blamed on U.S. protectionism or neglect and that of other industrialized nations, and accompanied by a growing insistence that the U.S. adhere to its prior trade commitments without invoking "escape clauses". Latins assert that U.S. has promised more than it has delivered in the trade field. Private investment flows have also been much lower than projected in the Alliance Charter -- in part a reflection of the unsettled political climate in many countries. (The current Peruvian dispute with IPC casts a shadow over the whole investment climate in the hemisphere.) Latin efforts to integrate their economies are largely stalled -- with major progress being made only in Central America and in the "Andean group".

e) OAS and Inter-American System: The OAS is now emerging from a decade of weak leadership with a newly amended Charter and a more vigorous Secretary General. However, its overall potential for growth is as yet unclear. The organization plays a helpful role in intra-hemispheric disputes, but its effectiveness is sharply limited by a general reluctance among member states to grant "interventionist" powers. We have often found the OAS useful to provide a "political fig-leaf" for actions we deemed essential for U.S. security, such as the Dominican Republic intervention. The OAS will less readily take on such unpleasant tasks in the future. Latins increasingly see the Organization as a vehicle by which they can confront the U.S. on more equal terms, especially on economic issues.

The evolution of these relationships will reflect courses of events in the hemisphere which are beyond the power of the U.S. unilaterally to direct. Whatever policies we follow, Latin America will probably exhibit the following characteristics in the early and mid-1970's:

a. Rapid and widespread change in economic, social and political institutions.

b. The unlikelihood, nonetheless, of successful, violent revolution in any Latin country leading to fundamental
changes in the social, political, and economic structures. (Mexican revolution model)

c. Widening gaps in many countries between economic and social aspiration and performance, intensified by very rapid rates of population growth and urbanization.

d. Political and social instability, with parallel growth of political radicalism and authoritarianism.

e. Sharply increased nationalism in many countries, articulated by both "left" and "right" and targeted against the U.S. and U.S. investors.

f. A growing tendency to act independently of us in the world arena.

g. An increased tendency among Latin military groups, particularly in South America, to take over responsibility for government, and to attempt to recast political and economic systems.

4. Alternative Conceptual Approaches for the Future

They are essentially three in number:

a) seek to continue to control events as much as possible within our Western hemisphere "sphere of influence", assuming major responsibility for the outcome;

b) withdraw gradually from this degree of special responsibility, moving toward normal diplomatic and economic relations more analogous to those we have with Africa and most of Asia;

c) within a continuing special relationship framework, work to convert the system to one of greater equality and "partnership", accepting as one price a greater diversity of Latin behavior and less consistent support for U.S. bilateral goals.
These three conceptual alternatives are not totally separate or fully attainable choices. First, conditions in Latin America may well preclude the degree of U.S. authority and influence exercised in the past. The U.S. would probably have neither the will nor the resources to exercise the kind of control and intervention over long periods that the first alternative would require. Second, no choice need necessarily be applied to the whole of Latin America. For example, the Caribbean and Central American nations are probably more prepared to remain for some time in a "semi-protectorate" relationship to the U.S. than are the South American nations. Nonetheless, some choice of general direction among the three alternatives will greatly assist us to deal with more specific policy options in all aspects of our relationship.

B. "Why"? -- The Predominant U.S. Purpose

With respect to purpose, there are four options, each of which implies a different mixture of policy implications. They are not completely mutually exclusive -- but rather describe predominant trends. These options are set out below in a necessarily foreshortened, "packaged" form which conceals subtleties addressed in the basic document.

1. Promotion of representative government and social as well as economic reform.

   a) Rationale: This choice would stem from a conviction that countries with broadly-based political systems of a representative type are most likely to have outlooks on international issues compatible with our own and that over the long-run the U.S. would greatly benefit from the existence in Latin America of a system of democratic states. It would imply that we are less willing to accept a multiplicity of political forms in Latin America than in other parts of the developing world. It would also reflect a conclusion that the benefits to the U.S. national interest from extending assistance to Latin America aimed primarily at spurring economic growth may not be commensurate with the cost, since any correlation between economic growth and the evolution of representative political
systems or peaceful national behavior is tenuous at best. What correlation may exist is subject to serious contradictory short-term trends, and in any case can be seen only over the very long-term. It stresses the view that what is decisive in the development process is not economic growth but the kinds of values, institutions, and attitudes that result, and assumes that these are subject to significant modification through external influence; therefore, assistance efforts which attempt directly to influence the character of Latin institutions and values are more important to our long-term interests.

b) Implications: Implicit in this preference would be: continued primary emphasis on bilateral relationships but not to the exclusion of multilateral efforts; a vigorous, activist approach which presses the Latins to undertake societal reform; a concentration of our aid in nations with civilian democratic governments; grave skepticism about the value of resort to unilateral military intervention; opposition to a political role for the Latin military and cool but correct relations with military regimes; and a high level of economic and social assistance overall. It would not, per se, determine the nature of our relationship with the OAS; the type of trade policy we should adopt; or what we should do about either Latin military equipment purchases or U.S. military advisory and assistance efforts generally, in Latin America, although it would probably reduce such efforts in countries under military regimes.

c) Advantages: This is the course of action most consistent with American ideals, as well as with our commitments under the Punta del Este Charter, and Title IX of the Foreign Assistance Act. It would increase our long-term influence with critically important elements of the middle class, labor, intellectuals, students, clergy, and the democratic left generally. It would avoid supporting and strengthening authoritarian or repressive governments, and could hasten the pace of societal modernization.

d) Disadvantages: We know little or nothing about building grass-roots political and social institutions in foreign lands, which would be a major requirement in achieving this option. It is doubtful that Latin attitudes, institutions and societal structures can be rapidly changed by outside influences, however skillful.
Such efforts frequently backfire and increase both nationalist and anti-American sentiment. The evidence of our efforts in this direction in the early 60's is discouraging. It could worsen our relations with several important Latin governments, and jeopardize U.S. business interests in those countries.

2. Promotion of long-term development, primarily economic, with little regard for type of internal political system.

   a) Rationale: This choice would imply a judgment that political and social modernization, if they are to be achieved at all, can only result from a broadening of the economic base; that our capacity directly to influence the evolution of institutions and values in another country is highly problematical and at best sharply limited, particularly given the lack of a democratic tradition in much of Latin America; that more is known about the economic dimension of modernization than the political and social dimensions; and that the former is more easily subject to foreign influence through aid or similar policy instruments. This judgment would conclude that priority in the decade ahead should go to building the pre-conditions for modern democratic societies, with less regard for short-term political trends, and that our focus should be on very long-term economic, political, and social goals. It assumes that pluralistic societies have the best chance of developing as economies modernize and grow more complex and diversified; they will surely not emerge from economic stagnation. Long-run humanitarian concerns would occupy a prominent place in our scale of priorities.

   b) Implications: This preference could be pursued with either bilateral or multilateral emphasis, but implies a reasonably activist approach through either channel. It would give greatest relative preference to countries willing to make most efficient use of economic aid. It would have no effect on possible U.S. military interventions. It is relatively (though not necessarily completely) indifferent to the political role of the Latin military, focusing instead on a government's commitment to and capability for achieving economic development. It implies a high overall level of economic assistance. It would judge Latin military spending on the basis of its impact on diversion of development
resources. It would imply a trade policy giving the maximum feasible responsiveness to Latin America's trading needs and could tend to favor military assistance programs to the extent they promote a stable environment for the development process. In the OAS, it would involve strengthening that organization's economic arms.

c) Advantages: It would facilitate maintenance of friendly relations with the larger Latin countries such as Brazil and Argentina; would help achieve maximum economic growth in the hemisphere; avoids commitment to unattainable goals; would be relatively easy to administer; and would help create a favorable climate for U.S. commercial and investment relationships.

d) Disadvantages: It would constitute implicit abandonment of the political and social goals of the Alliance for Progress; would alienate certain Latin groups whose influence will grow markedly in the 1970's; could push the "democratic" left into communist alliances; and could slow the pace of modernization in the social sphere.

3. Promotion of politically stable, anti-communist, friendly governments.

   a) Rationale: This choice would emphasize the need for allies and friends in our "home hemisphere" to safeguard our diplomatic and security flank while we remain heavily engaged in other continents. It would consider the kind of political system any country has, or the state of internal political freedoms, not necessarily relevant to U.S. interests. It would also reflect the same skepticism as Option 2 about our capacity to influence foreign political and social values in directions we might prefer.

   b) Implications: This choice implies continued stress on our bilateral relationships. It does not per se imply a higher or lower overall aid level, but would involve giving priority on aid to countries facing a security threat and those which support U.S. positions most strongly. It involves a willingness to resort to unilateral
military intervention if necessary to prevent the consolidation in power of communist-oriented governments, and only a limited involvement in the OAS system.

It is neutral as to our trade policy, but would tend to imply even more vigorous efforts to assure the protection of U.S. investments abroad than under the other options. It would favor continued U.S. military advisor and assistance programs in the hemisphere, and would not oppose Latin military equipment purchases.

c) Advantages: It would preclude direct short-term security threats in the hemisphere; could assure reasonable cooperation from most of the Latin voting bloc in international forums; would be popular with business and military leaders in both continents; and could improve the economic and investment climate in some countries.

d) Disadvantages: It would exacerbate current tensions associated with a U.S. interventionist posture; would label the U.S. as reactionary, and security- rather than reform-minded; could split the inter-American system; and would tend to polarize Latin politics and social movements for and against us, thus increasing violence and the long-range possibility of violent revolution.


a) Rationale: This choice would imply a judgment that to try to continue our present hegemonic relationship will lead to growing conflict with Latin interests -- as Latins perceive them; the result will be to intensify political instability and nationalism. Consequently, the kind of "interventionism" required to maintain a consistent hegemony would require an expenditure of resources, prestige, and power not likely to be supported by U.S. society over long periods of time. This option would lead to a cautious but increasing relaxation of our present position in the inter-American system as the wiser long-run course. It would imply a readiness to accept more "independent" and anti-U.S. behavior in
the hemisphere during the coming decade as part of the price. This price might even include the establishment of another indigenous communist-dominated regime in some part of the hemisphere. It would reflect confidence that over the long-run there will continue a sufficient mutuality of economic and political interests among the nations of the hemisphere to allow us to protect our most vital security interests.

b) Implications: This option implies emphasis on multilateral rather than bilateral channels; a relatively passive rather than an activist approach; and heavy reliance on the OAS in conducting our hemispheric relations, combined with a deliberate choice to act as "follower" rather than "leader" in OAS councils. It implies a reasonably high level of aid, but is non-discriminating as to who the recipients should be. It would imply a determination to abstain from any military intervention except in a clearly multilateral framework. It is neutral with respect to the types of government in Latin America but implies a reduction or phase-out in U.S. military assistance and military missions. It would not imply opposition to Latin military equipment purchases.

c) Advantages: By relaxing our present de facto hegemony in the inter-American system, it will help avoid growing conflicts with Latin interests; would be most consistent with the resources, prestige and power the U.S., given present attitudes, appears prepared to commit in Latin America over long periods of time; would be relatively easy to implement and would be consistent with internal LA political trends in 1970's; would provide us over long run with a more mature relationship with nations of hemisphere.

d) Disadvantages: It could result in establishment of governments hostile to our interests in parts of the hemisphere; could bring slower pace of economic and social change than other options; could be seen as withdrawal from our Alliance commitments and even from historic "special relationship" with Latin America unless very skillfully implemented.

C. "How"? -- The Political-Diplomatic Style

With respect to style, there are three choices:
1. Muster as much energy as we can and adopt an activist approach that presses the Latins, despite the danger of accentuating nationalist reaction.

This option is consistent with any one of the first three purpose options but not with the fourth. It implies a conclusion that unless we continue to be the driving force in the hemisphere the Latins will not move rapidly enough to modernize their societies. It also implies a readiness to provide large amounts of money for achieving whichever of the first three purposes we might select.

2. Maintain a substantial level of involvement and financial support for hemispheric goals but shift more management responsibility to Latin or multilateral agency shoulders.

This option is most consistent with purpose options (2) and (4). It implies an acceptance of the likelihood that results might flow more slowly than under the first choice, but accepts this as an acceptable price for the reduction of political friction.

3. Take the opportunity of the change in U.S. Administration to propose a mutual restatement of hemispheric goals at more attainable levels.

This would be inconsistent with purpose option (1); but could be consistent with the other three. It assumes that our longer term relations would be healthier if our agreed goals were more realistically stated; would be seen by Latins as a U.S. decision to cut back on aid levels; and could result paradoxically in either more inflated objectives, or stalemate and increased frustration.

D. "Where"? -- Hemisphere-wide Policy or Different Sub-Regional Approaches

Should we try to pursue hemispheric-wide policy lines as consistently as possible -- at whatever level of involvement, and for whatever purpose? Do we not rather have quite different
interests in several groups of countries -- whatever may be the "inter-American mystique" embodied in the OAS and the Alliance Charters?

Option 1: Continue to stress as much as possible hemispheric-wide policies. This choice would imply a readiness to provide high overall aid appropriations, as well as continued military assistance and/or development assistance missions in nearly all countries.

Option 2: Concentrate major diplomatic attention and assistance efforts where needed on a few countries which have special significance for long-term U.S. interests, plus those countries for which the U.S. has acquired a special "tutelary" responsibility (Panama, Dominican Republic, Bolivia, and Guyana).

Sub-Option A: Concentrate on large, potentially powerful countries whose long-term political, economic and even military "specific gravity" is greatest. (Brazil, Argentina, Mexico, Chile, Colombia, and Venezuela)

Sub-Option B: Concentrate on countries with civilian democratic governments most compatible with Alliance Charter goals and U.S. political principles. (Currently: Chile, Mexico, Costa Rica, Colombia, Venezuela, Uruguay)

Sub-Option C: Concentrate on countries which are making best use of U.S. assistance, whatever their political complexion or long-term importance. (This is closest to present criterion.)

Sub-Option D: Concentrate our "tutelary" actions and political, diplomatic, and economic intervention where necessary only in those nearby, smaller countries which might provide greatest potential direct security threat to U.S. (Central America, Panama, Caribbean Island governments) and which are most amenable to continued "semi-protectorate" status. Provide necessary resources to promote development in those countries, whatever policies may be followed with the larger nations of South America and Mexico.
II. Illustrative Corollary Issues

This precis of the basic NSC study has highlighted the broad conceptual issues concerning our relations with Latin America. This concluding section is drawn from the basic study to illustrate some more specific policy dilemmas, questions, and available options, to be addressed once a broad, conceptual policy direction has been established.

A. How shall the U.S. view the process of internal political development in the countries of the region? Should we be concerned with it, and if so can we do anything about it? Specifically, to what extent can or should we try to promote representative government?

During the early 1960's we tried to use various policy tools, such as the withholding of diplomatic recognition and economic aid, to promote social reform and political democracy in Latin America -- goals which were prominently proclaimed in the Alliance for Progress Charter. By and large, however, we failed to deflect the trend toward reliance on authoritarian solutions. The reasons were various:

-- We did not use the tools consistently, buffeted by conflicting pressures from Congress, business and intellectual groups and by our hypersensitivity to the danger of a "second Castro" coming to power via some radical leftist political movement.

-- The tools are blunt instruments, more suited to bringing down governments than to helping create democratic ones.

-- The institutional forms of American representative democracy may be ill-suited for much of Latin America.

-- Latin American political attitudes and institutions, if they are to change at all, must be changed by Latins, in Latin style, and at a Latin pace. We know little or nothing about building political institutions in foreign lands.
We can adopt one of two general postures toward political development for the 1970's: vigorous involvement, or circumspect pragmatism.

The case for the first rests on the argument that we possess preponderant power and influence in the hemisphere -- and that we should employ it in a fashion consistent with our ideals. Widespread adoption of representative democracy would be most compatible with our own system; we should not shirk the task of promoting it in Latin America. Moreover, recent authoritarian experiments in Latin America, Pakistan, and elsewhere give little support for the thesis that a process of modernization and economic growth can long continue without some representative institutions.

The case for pragmatism rests on the record of the 1960's -- and on an assessment of what is possible in the 1970's. It argues that we need not run away from our preference for democratic systems, nor can we cooperate with Latin regimes which are openly hostile to us, do not observe a minimum standard in safeguarding personal liberties, or do not observe some constitutional constraints. If they met those tests, however, we can work with them.

To apply these tests will be especially difficult in the decade ahead. Weighing humanitarian and political values against economic or social reform will be subtle and difficult where Latin governments rely on authoritarian means to achieve progress.

We can extend some extra means of assistance to democratic governments. But the key questions concerning aid to authoritarian regimes deal primarily with the degree to which they enjoy some popular support and shape their programs to benefit the many rather than the few.

There are five possible political options which could govern U.S. relations with Latin America. (for arguments pro and con see basic study, POLITICAL Annex, pp. 37-45.)
Option 1: Active Bilateral Promotion of Representative
Democracy and Social Reform -- employ all policy tools to sustain
or promote freely elected governments, and consciously attempt
to influence internal politics to further the cause of demo-
cratic and social reform movements.

Option 2: Pursue Same Goals as "A", but Tailor Pace and
Style to Latin Context -- work through various institutions of
inter-American system, attempting to strengthen their determination
to pursue the political and social goals of the Alliance Charter,
as well as their effectiveness to implement them.

Option 3: Continue Public Commitment to Goals of "A", but
Leave Political Tasks Entirely in Latin American Hands -- provide
financial support for economic and social goals, with special bi-
lateral preference to democratic governments. Otherwise, maintain
a passive neutral posture.

Option 4: Concentrate on Long-term Development --Primarily
Economic -- completely "apolitical" approach; continue economic
assistance and diplomatic relations without regard to political
nature of the government; (beyond "minimum acceptability").

Option 5: Maintain U.S. Hegemony at all Costs by Preventing
Further Communist or Hostile Regimes -- intervene if necessary
to maintain "friendly stability"; prevent or overturn, if possible
by economic or other non-military means, communist or hostile
nationalist governments.

B. What should be our attitude toward the role and the require-
ments of the Latin American military?

The dilemmas are posed in two areas:
1. Assistance to the military and civil police.

The internal security capability of Latin American forces has improved markedly since the early 1960's. The poorer countries continue to have limited budgetary resources for needed equipment, and cannot meet all their training and technical assistance requirements without outside help. However, Congressional opposition to U.S. military programs in Latin America is rising.

Our alternatives in this field are:

Option 1: Terminate all material and training assistance as rapidly as possible, including elimination of both military and police Missions. This would reduce the risk of U.S. identification with repressive regimes whose utilization of our assistance is often beyond our control; but could eliminate useful military contacts and diminish the internal security capability of poorer countries.

Option 2: Terminate material assistance, but retain military and civil police Missions for training and contacts with military leaders, with appropriate personnel reductions in our Missions. This would provide the most critically needed forms of assistance and would maintain U.S. contact with Latin security forces. Equipment maintenance would suffer, and the influence of our resident missions would shrink.

Option 3: Terminate military assistance and phase out military Missions on a selective basis; continue police assistance in most countries. This would keep pressure on certain countries to assume full responsibility for their internal security, while supplying essential assistance. It would not permit local security forces to plan ahead on what help would get from the U.S. in the event of an uncontrollable insurgency.

Option 4: Continue assistance to internal security forces in all countries now receiving it. This would best maintain
internal security capabilities, preserve whatever U.S. influence on Latin military now exists, and inhibit third-country influence. Dependency on the U.S. would continue, however, as would U.S. political identification with the local security forces.

2. Overall relations with the Latin American military and the problem of equipment sales.

The Latin American military will continue to play major roles in most Latin American countries (though it is not clear whether they will follow political courses that we would favor). Most Latin Americans have generally acquiesced in the military's assertion of a responsibility to intervene in politics when it judges that the government has failed to carry out its responsibilities properly. Current trends suggest that military establishments may exercise this "right" more and more in the next decade. Moreover, many Latin officers are increasingly concluding that civilian institutions have failed and that they must retain power indefinitely to deal with urgent tasks of economic and social modernization.

Ever since World War II, we have tried to maintain a position of dominant influence with the Latin American military through resident military advisor missions and various assistance programs. The result is a large reservoir of pro-American sentiment among Latin officers. However, on the whole, our effective influence on military attitudes toward political issues has been, and is, quite limited. Whether they are more or less professional, the Latin American military continue to act as they see fit in self or national interest.

The principal outward cause of recent friction with the Latin American military, particularly in the larger countries, had been their dissatisfaction with U.S. restrictions on grants and sales of military equipment to Latin America. The Latins feel the need of modern replacements for their ships, aircraft and other equipment -- which are obsolete by a generation; while the focus in the U.S. Congress has been to view such expenditures as unnecessary resource diversions from development purposes.
Our past efforts to stimulate a multilateral arms limitation agreement in Latin America have failed dismally. Continued U.S. efforts to bar modern arms will probably only turn the Latins to European suppliers.

The U.S. desire to reduce Latin arms expenditures, therefore, comes in conflict with the fact that, as part of a re-equipment cycle, many Latin nations will be making substantial purchases of large military equipment items in the next few years.

The result is a dilemma for the Executive Branch. Latin American resentment will continue to grow if the U.S. continues to try to bar modern arms, particularly when European suppliers are anxious to meet their needs. Yet, the Congress is much concerned about the spectre of a "Latin American arms race", tends to see no need for arms expenditures in Latin America at all, and wants to stop any diversion of either U.S. or Latin resources from economic development needs. Some Congressional distaste for "Latin military dictators" only compounds this reaction.

There are posed, then, two issues concerning our relations with the military; one, a general issue of the broad approach we should take toward Latin military establishments and toward military governments, and the second, the specific issue of what should be U.S. policy toward grant or sale of military equipment to Latin armed forces. The issues join, for example, in our current policy dilemma on jet aircraft sales to Brazil.

a) Our overall approach to the military.

Option 1: Accept fact that the military as an institution will play a critical role in Latin decision making -- and continue to seek to exert maximum constructive influence on how they play it.

Option 2: Oppose political role for military wherever possible, at very least do not countenance it; stay aloof from military regimes to encourage civilian alternatives.
Option 3: Adopt greater selectivity. Concentrate on maintaining friendly ties with military in a few of the larger countries like Brazil and Argentina which will inevitably carry special political and diplomatic weight; draw back from concept of permanent advisory and support roles throughout the region.

b) Policy on military equipment sales.

Option 1: Try to hold back all Latin expenditures for major new equipment, cutting economic assistance as penalty when violated. ("Conte-Long" and "Symington" Amendments) This could reduce arms purchases to a minimum in certain countries. We have no effective leverage on a country like Argentina, however. The policy would increase anti-U.S. resentment in the area; and most nations will purchase arms despite the threat of sanctions.

Option 2: Try to persuade Congress to remove penalties or efforts at restraint toward Latin arms purchases. This could remove a major source of friction with Latin governments. However, if Congress reacted to subsequent arms purchases by cutting aid appropriations, development objectives would suffer.

Option 3: Try to work out a phased program with each major country, focused on a reasonable level of equipment purchases. Our willingness to cooperate could let us exercise some healthy influence on the nature and scope of purchases. However, the Latins may disagree on what is a "reasonable level". Some Congressional critics would oppose any major sales to Latin America and would try to cut economic assistance or impose other legislative sanctions as a penalty.

C. Bilateral versus Multilateral Channels for Economic Assistance

There are various operational alternatives available within the framework of the two basic options, which can be dealt with only after the basic choice between them is made.

The two alternatives, in their briefest form, are:
Option 1: Transfer the bulk of AID lending to multilateral organizations, while retaining some bilateral programs for special purposes;

Option 2: Continue to rely primarily on a substantial bilateral aid program in Latin America.

The multilateral approach would tend to insulate the U.S. from Latin political pressures for aid without adequate self-help performance conditions, thus eliminating a frequent source of friction in our relations. It would also insulate long-term development programs from domestic U.S. political pressures.

On the other hand, there does not yet exist a wholly satisfactory international substitute for AID lending in Latin America. The IBRD is thus far unwilling to undertake program lending; and an increase in IDB's "soft funds" is unlikely to get Congressional approval, given present attitudes. Even if accepted, the total aid available for Latin America would likely be reduced.

Continuing with bilateral lending emphasis gives us more direct leverage for assuring self-help performance; and keeps the administration of capital and technical assistance together.

It would not, however, help to remove the political frictions which are likely to increase in bilateral aid negotiations over the coming years.

D. Nature of U.S.-Latin American Trade Relations

In the trade field there are many complex issues and options. The basic choice, however, lies between:

1) Evolution of a special trading relationship with Latin America, including non-reciprocal tariff preferences; and
2) Efforts to assist Latin American exports within a more general preference system applicable to all LDC's worldwide.

The question of non-reciprocal tariff preferences for the LDC's is currently the subject of another NSC study (NSSM 48). Moreover, Latin American trade questions will undoubtedly receive major attention in Governor Rockefeller's forthcoming report.

E. Nature of Our OAS Role

The substantive nature of our participation in the OAS and related organs will be largely determined by the initial choice of purpose options. However, the way in which we choose to participate is of equal importance. Here we have two alternatives.

Option 1: Collegial pattern. This would encourage to the extent feasible the channeling of all possible multilateral hemispheric relationships into the structure of the inter-American system; and would resist any Latin tendency to confront us on a two-power basis.

Option 2: Two-power pattern. This would encourage both the development of Latin multilateral institutions or initiatives like CECLA outside of the OAS system; and, especially where Latin interests diverge from our own, encourage a two-power pattern within the system so that the Latins may deal with us on a more nearly equal footing.

"Collegial"-type decisions are more palatable to the Latins and help avoid confrontation situations. Their use in the political security field has been helpful, and our departure from it in the Dominican crisis brought charges of interventionism. They can help avoid bilateral frictions.
Particularly in the trade and development fields, however, Latins are increasingly reluctant to deal with us unless they have a common position for bargaining purposes.