

Y 4, Ar 5/2: D 37/10/corr.

98th Congress }
2d Session }

COMMITTEE PRINT

{ No. 16

REPORT
OF THE
DELEGATION TO EASTERN CARIBBEAN AND
SOUTH AMERICAN COUNTRIES
OF THE
COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
NINETY-EIGHTH CONGRESS
SECOND SESSION

WASHINGTON UNIVERSITY
LAW LIBRARY

[REDACTED]

[REDACTED]

[REDACTED]



FEBRUARY 1984

U.S. GOVERNMENT PRINTING OFFICE

★ 31-747 O

WASHINGTON : 1984

DEPOSITORY DOCUMENTS

[REDACTED]

1012-A

DELEGATION TO EASTERN CARIBBEAN AND
SOUTH AMERICAN COUNTRIES

G. V. (SONNY) MONTGOMERY, Mississippi, *Chairman*

MARVIN LEATH, Texas
SOLOMON P. ORTIZ, Texas

FLOYD SPENCE, South Carolina
MARJORIE S. HOLT, Maryland
BOB STUMP, Arizona
JOHN PAUL HAMMERSCHMIDT,
Arkansas ¹
ELDON RUDD, Arizona ²

DONALD CAMPBELL, *Professional Staff Member*
KAREN S. HEATH, *Professional Staff Member*
PETER STEFFES, *Research Assistant*

¹ House Committee on Veterans' Affairs.
² House Committee on Appropriations.

(II)

[REDACTED]

[REDACTED]

[REDACTED]

DEPOSITORY DOCUMENTS

CONTENTS

	Page
Introduction and summary-----	1
Eastern Caribbean—A new challenge-----	1
South America—Strategic importance-----	4
Purpose of trip and officials interviewed-----	8
Support for the visit-----	10
Background and country descriptions-----	11
Grenada -----	12
Barbados -----	14
Brazil -----	16
Uruguay -----	23
Argentina -----	27
Chile -----	30
Peru -----	35
Focus on major issues-----	39
Eastern Caribbean Region-----	39
U.S. presence—Meeting the threat-----	39
Multinational Regional Defense Forces—Bold Caribbean Ini-	
tiative -----	41
Arms assistance—Small investment for security-----	44
South America-----	45
Strategic value of South America—Atlantic and Pacific-----	45
Certification—National security implications-----	48
Democratic trends in South America—Progress and pitfalls-----	50

REPORT OF THE DELEGATION TO EASTERN CARIBBEAN AND SOUTH AMERICAN COUNTRIES

INTRODUCTION AND SUMMARY

A delegation from the House Armed Services Committee visited two countries in the Eastern Caribbean and five countries in South America during a 12-day trip between February 11 and February 22, 1984, to review security-related matters. The countries visited were Barbados, Grenada, Brazil, Uruguay, Argentina, Chile, and Peru. The delegation also visited the 186th Tactical Reconnaissance Squadron during a refueling stop in Meridian, Mississippi. The 186th Tactical Reconnaissance Squadron is one of the Air National Guard Units which, because of its outstanding readiness rating, has been selected to support the Rapid Deployment Force. During the trip, the delegation met with Presidents, Ministers of Defense, Foreign Ministers and other high level military and civilian officials to discuss bilateral issues. The delegation was comprised of six members from the Committee on Armed Services and two members from other congressional committees.

The delegation agreed that a visit to these politically and militarily important regions, at this particular time, provided an opportunity to review first-hand the nature and magnitude of the security threats—internal and external—to these critical regions and to better understand those political and economic strategies designed to promote stability and security in the Western Hemisphere.

EASTERN CARIBBEAN—A NEW CHALLENGE

The Eastern Caribbean consists of a chain of small islands stretching south from the British Virgin Islands to Grenada forming the eastern-most boundaries of the Caribbean Sea. The principal islands are Antigua, Barbados, Dominica, Grenada, Saint Lucia, Saint Vincent, Saint Kitts-Nevis, and the three British territories of Anguilla, British Virgin Islands, and Montserrat.

In light of recent U.S. involvement in Grenada, there is renewed interest in the security and stability of the Caribbean region. However, the delegation noted that the Committee on Armed Services has been concerned about this important region for a number of years, and, in fact, in a report published in 1982, the committee noted "the President of Venezuela and the Venezuelan Congress expressed the situation best. It is no secret that the Caribbean is a vanguard of Soviet Communism as represented by Cuba. The Soviet Union wants to expand its influence as much as possible and to as many Latin American nations as possible. Focusing on the Caribbean region, the President of the National Con-

gress noted that historically because the small islands of the Caribbean were controlled by various colonial interests, relations were never fully developed. The lack of relationships with other Latin American nations contributed to instability as these nations became independent following World War II. The United States, Venezuela, Mexico, and Colombia—the democratic countries—should contribute as much as possible, he states, to stabilize these island nations both economically with all possible resources and with experience, knowledge and support . . . the result would be independent and sovereign nation states and a more secure and comfortable future for the American continent.”

The delegation explored in depth the conditions and circumstances that led to the demise of the Marxist Grenadian government and to the eventual rescue mission by U.S. military forces. The delegation found that the disturbing developments in Grenada and other Eastern Caribbean nations vividly illustrate the multiplicity of economic, political, and military challenges that continue to threaten the stability and security of the region.

There were grim reminders of the nature and magnitude of Cuban and Soviet Bloc involvement in Grenada: Cuban-supplied vehicles from Russia and Eastern Europe at various locations near the Point Salines Airport and other strategic points around the island; the airport itself with a 10,000-foot runway by the Cubans; Marxist propaganda signs painted across the walls of many buildings that were previously occupied by members of the Marxist-oriented People's Revolutionary Army (PRA); and remnants of Cuban uniforms found at several sites formerly used by the PRA. These and other observations brought into sharp focus the absolute necessity for the actions taken by the U.S. Government on October 25, 1983, when elements of the U.S. Army Rangers, 82d Airborne Division and U.S. Marines as part of a multinational force performed a daring and courageous rescue mission that was, by most accounts, nothing short of spectacular, possibly saving the lives of U.S. students who could have been held hostage by PRA and relieving the terrorized populace of the island.

The delegation learned first-hand the deep felt appreciation and respect that the Grenadian people felt the U.S. rescue force, in particular, and the U.S. citizens, in general. The delegation was told by the Commissioner of Police that “the people believed that their salvation came from the sky in the form of Black Hawk helicopters.” He, of course, was referring to the arrival of U.S. troops in Black Hawk helicopters. Furthermore, when the delegation visited with the troops of the 82nd Airborne Military Support Element in Grenada, the troops also recounted the appreciative attitude the Grenadian people had exhibited toward U.S. military presence.

The current U.S. presence in Grenada consists of three support elements: an 82nd Airborne Division Military Support Element, a U.S. Coast Guard element, and a U.S. Army Maintenance detachment. The U.S. Military Support Element was established on December 14, 1983, when the U.S. combat forces departed Grenada. The Military Support Element supports and trains the multinational Caribbean Police Force (CPF) and performs other security roles in Grenada. Currently, 244 personnel are assigned to the U.S. Military Support Element. The U.S. Coast Guard element, with 95 personnel and two ninety-five

foot cutters and one buoy tender, provides coastal patrol and customs support for the Grenadian government. The U.S. Army Maintenance detachment, with 20 personnel maintains the equipment used by U.S. personnel and provides some training to the Caribbean Police Force (CPF).

The delegation was informed that the current threat to the security of Grenada stemmed from approximately 550 members of the People's Revolutionary Army reportedly dispersed throughout various locations in the hills of Grenada. Furthermore, the CPF estimates that there are about 1,900 unorganized militia men who have, for the most part, returned to civilian life. The Grenadian Police Commissioner informed the delegation that the PRA is still hoping that the revolution is not dead, and he believes that, given an opportunity and the proper motivation, elements of the PRA and militia might decide to reunite and initiate guerrilla tactics against the Caribbean Police Force and the U.S. contingent stationed in Grenada.

The delegation agreed that, based on the findings of the visit, continued and enhanced support to Grenada is imperative if there is to be any hope of providing an opportunity for this nation to resolve its political and economic problems unencumbered by external forces. This very strategic island is extremely important for the security of the United States.

The delegation found that the U.S. relations with Grenada under the current government are excellent. The delegation was encouraged to discover that the Grenadian government has taken a number of steps to reestablish democratic institutions, to restore respect for human rights, and to promote economic recovery. For example, the Governor General of Grenada informed the delegation that democratic elections would be held before the end of the year.

During its visit to Barbados, another critical Eastern Caribbean island, the delegation was briefed on the evolution of the multinational Regional Defense Force which provides the personnel for the Caribbean Police Force currently supporting police activities in Grenada. The Regional Defense Force represents a federation of Eastern Caribbean states including Barbados, Antigua, Saint Vincent, Dominica, Saint Kitts-Nevis, Saint Lucia, and Grenada. The delegation was informed that the total number of personnel available to support this Regional Defense Force is less than 600. Furthermore, most of those 600 personnel are policemen with fewer than 200 being combat infantry troops.

The delegation was informed of the necessity to increase the amount of para-military training given to the police force so that they may be used to supplement combat infantry troops in the event of an escalation in hostilities. However, section 660 of the Foreign Assistance Act of 1961, as amended, appears to be one major impediment to the use of International Military Education and Training (IMET) funds to support the para-military training of additional police. Section 660 specifically prohibits the use of foreign assistance funds for the training of a foreign country's police personnel in para-military skills unless there does not exist a viable defense force in that country. Although section 660 permits training of para-military police units of most of the countries that have no separate defense force, it poses a special problem for Barbados which does have a small defense force.

The delegation understands the motivation for section 660 but believes that, due to the current threat in the Caribbean, some legislative or administrative exemption for Barbados from the provisions of section 660 is absolutely imperative if the newly constituted Regional Defense Force is to become a viable instrument for security in the Eastern Caribbean region.

The delegation also discussed arms sales policies with members of the Grenadian Police Force as well as members of the Regional Defense Force. Discussions clearly indicated that additional financial support may be needed to enable the forces to acquire the necessary equipment to support Caribbean police activities. The delegation was informed that the use of Foreign Military Sales credits as a mechanism for equipping the Regional Defense Force is not feasible because Eastern Caribbean nations generally do not have a sufficient economic base to purchase hardware from the U.S. Government or from any other government. Therefore, some type of grant program would be necessary if these forces are to be adequately equipped.

SOUTH AMERICA—STRATEGIC IMPORTANCE

In South America, the delegation was reminded of the strategic importance of these neighbors. These countries represent a rich source of raw materials and are strategically located to provide security to vital sea lanes in the Southern Atlantic and Pacific. The delegation was told that these nations are strongly independent and would resist any attempts by Cuba or the Soviet Union to intervene in their internal matters.

The importance of these nations in providing security for vital sea lanes to the South Atlantic and Pacific areas cannot be overemphasized. A very significant portion of the petroleum supplies of the United States and Western Europe pass through this region. Closure of the Panama Canal by a hostile nation or an act of terrorism would make protected access to the Straits of Magellan particularly vital to the Western democracies. The delegation realizes that South America represents a different set of challenges than those posed by the Eastern Caribbean states, and, therefore, the delegation visited key South American countries to assess security and economic issues of mutual concern.

Throughout South America, intra-continental security, internal security, movement toward or consolidation of democracy and the status of the economy were the predominant themes discussed.

The delegation was told that the probability of any direct attack from either the Soviets or the Cubans is very remote, but all remain alert to the potential of communist subversion in neighboring countries. Furthermore, if such an attack did occur, all of the countries agreed that there was very little they could do, individually, against such military superior forces. Crushing economic problems have crippled many South American countries resulting in reduced defense budgets. For example, although Brazil has the largest military force in all of Latin America with the possible exception of Cuba, Brazil spends only about one percent of its Gross National Product on defense.

The delegation was told by government and military officials for most of the South American countries visited that they would have to invoke the provision of the 1948 Rio Treaty if attacked by either the Soviets or the Cubans. This Treaty requires the United States and other Western Hemispheric countries who are signatories to assist each other against aggressive acts from foreign powers.

The threat of an intra-continental conflict is real in the minds of many of the civilian and military officials who met with the delegation. There are long-standing boundary disputes that have the potential of escalating into armed conflicts—such as the dispute between Argentina and Chile over control of the Beagle Channel at the southernmost tip of the continent. This dispute was very close to escalating into a full scale war in 1978. Chile and Argentina are to be commended on calling on the Pope to mediate a settlement to avoid war.

Regarding internal security threats, many of the countries have or are in the process of transitioning to a more democratic form of government. However, the threat of social unrest could, fueled by the difficult economic times many South American countries are experiencing, erupt. In several countries, terrorist groups continue to test the authority and capability of incumbent governments. For example, in Chile the delegation, while enroute to discussions with the Chilean navy north of Santiago, observed the results of a recent act by terrorist elements who burned several hundred square kilometers of land. Peru has experienced increasingly frequent acts of terrorism from a home-grown Marxist movement and paralyzing strikes.

Certification—national security implications

One of the most vexing military and political issues discussed during the delegation's visit to Chile was the congressionally-imposed prohibition against the sale of U.S. military equipment and the provision of any security assistance to Chile until the President certifies that specific human rights advancements have been implemented.

In recent years, the full normalization of U.S.-Chilean relations has been affected by continuing human rights problems. In 1976, the assassination of Orlando Letelier, Chilean Ambassador to the United States during the Allende period, and Roni Moffit, a U.S. citizen, caused a sharp deterioration in relations and led the U.S. Congress to ban security assistance and arms sales to Chile.

In order to better understand the security implications of the certification issue as well as other mutual defense matters, the delegation held three days of extensive discussions with government officials and members of the democratic opposition political parties.

During discussions with members of the five loosely-organized groups comprising the opposition political coalition—referred to as the Democratic Alliance—the delegation was told that the current constitution was illegal and that it was not recognized by the Alliance. The principal objection related to the provision of the constitution which provides for a military-controlled government until a plebiscite is held in 1989 to decide on a presidential candidate selected by the military junta. This President would serve until 1997 when the first direct presidential elections will occur.

The Democratic Alliance told the delegation that it seeks the resignation of the President and the holding of a new plebiscite to determine an accelerated schedule for direct elections in Chile. The Democratic Alliance suggested to the delegation that any further deterioration in the country's economic situation—with unemployment running at about 30 percent, with the world's highest per capita debt, with historically low levels of investments, and with a 14 percent drop in workers' wages—may help to hasten the removal of the present government. However, when the delegation asked if the Democratic Alliance had a plan to solve these economic problems, they indicated that while a plan had been developed, it has not been approved by the members of the Democratic Alliance.

The delegation was informed that the military Government of Chile was brought to power at the request of the majority of the people and only after condemnation of the Allende regime by the Chilean Congress and the judiciary.

The delegation notes that evidence exists to support the views expressed by responsible members of the Chilean government that none of the leaders or members of the opposition parties are currently capable of forming a government or producing a force capable of governing. The delegation was left with the impression that the present military government would like to transition control to civilians and return to the barracks but must await the emergence of a responsible civilian sector with positive proposals that can be translated into government "for the people." In fact, cabinet positions are rapidly being assumed by non-military persons.

It was clear that the Democratic Alliance planned to continue to pressure the government. In addition, the delegation was informed that several groups intend to conduct a national general strike this year.

Although there were clear differences between the political and economic agendas of the present military government and the Democratic Alliance, both agreed that the current prohibition against the sale of U.S. arms has serious military and political implications. While appreciating the human rights concerns that prompted the imposition of the arms ban, there was general agreement that the arms embargo on Chile should have been lifted at the same time it was lifted for Argentina; the Democratic Alliance leaders stated "the country feels prejudiced against by this restriction."

On the economic front, this region has been hard hit by the worldwide economic recession since mid-1981. Inflation rates have risen to staggering levels, fueled by continued high interest rates. Several nations have accrued a foreign public and private debt of onerous levels.

In Brazil, for example, the combination of devastating weather, the elimination of various government subsidies, and the currency—the cruzeiro—devaluation pushed the 1983 inflation rate to approximately 210 percent. The Government of Brazil has instituted a number of austerity measures in an effort to reduce the large deficit, primarily through reducing imports and increasing exports. After negotiating a revised stabilization program with the International Monetary Fund (IMF) in late 1983, based on a reduction in the level of government spending and inflation, including the reduction of real wages, the Gov-

ernment of Brazil was able to negotiate a new credit package with the commercial banks to meet its short-term financial needs for 1984. The net result of the government's austerity program has been a reduction in the inflation rate during November and December of 1983 equivalent to an annual rate of 120 percent if that monthly rate is maintained in 1984. The IMF would like to see the annual inflation rate reduced to 75 percent per year. The delegation was advised that 150 percent per year may be a more realistic figure. These economic gains have not been made without considerable hardship at home and increasing disputes over protectionist measures with trading partners abroad, like the United States.

Similar problems abound throughout the region. The nascent democratic Government of Argentina, for example, faced an inflation rate of more than 400 percent last year, a budget deficit equal to 14 percent of Gross Domestic Product (GDP), and a \$43 billion foreign debt. Argentine legislative leaders stressed repeatedly the oppressive effect of so large a foreign debt, most of which is owed to private banks, on the nation's economic growth and ability to invest in future development.

Chile, a nation of 11.5 million people, is beset by a foreign debt of \$18.1 billion, the highest international debt per capita in the world.

Peru, suffering \$1 billion in damage from the El Nino climatic phenomenon which wreaked devastation throughout the region, experienced one of its worst economic years in the nation's history in 1983. With a foreign debt of \$12.5 billion, Peru must devote considerable resources just to meeting interest payments. In fact, simply servicing the debt will claim over 50 percent of Peru export earnings throughout the end of the decade.

If not resolved, the current economic crises constitute a serious threat to political stability of all the nations of the region. In varying degrees, each is sitting on an economic time bomb. The effect has already been seen in increased social unrest in Argentina and Peru, for example.

These onerous economic circumstances could subsequently impede the planned return to democratic rule in Brazil and could threaten the fledgling democracy in Argentina and the 3-year-old democratic Belaunde government in Peru. If economic progress is not achieved, the potential exists for a substantial shift to the left, possibly to a communist or Marxist government, either through the electoral process or through internal or external subversion. This is illustrated most vividly in Peru where acts of violence by the Sendero Luminoso or "Shining Path" terrorists have increased significantly beginning in late 1982. This terrorism is designed to undermine the government, provoke abuses of human rights by security forces attempting to control the violence, and spark a popular rebellion. Public discontent with the Belaunde government was demonstrated in the recent municipal elections when a Marxist from the leftist coalition Izquierda Unida (IU) won the mayoral race in Lima. The outlook for the presidential election in 1985 is uncertain, but the leftist coalition candidate is expected to garner a significant number of votes.

Throughout its visit, the delegation was repeatedly reminded by both United States and host nation officials of the importance of main-

taining and strengthening military-to-military cooperation and of developing professional relationships with the future military leaders of South America. The delegation believes that it is particularly important to increase the opportunities for training in U.S. military schools, such as the three excellent schools operated by the three services in Panama.

The military plays a very important role in the society of most Latin American nations and frequently has close ties with the government. As emphasized by officials of the U.S. Southern Command, in a briefing for the delegation, expanding training opportunities are a foreign policy investment that reaps great dividends in the future. The possibility exists that 20 years from now the leaders of two neighboring South American nations who may have been roommates at a U.S. military school and who may have developed a rapport that lasted over the years will assist in resolving problems between their respective nations.

There is no question that the Soviet Union has become increasingly interested in providing training opportunities for South American military personnel. This is most evident in Peru. In the late 1970's, the United States reduced the level of International Military Education and Training funding for Peru. Since that time, the Soviet Union has been significantly expanding the number of full scholarships provided. The delegation believes that adequate levels of International Military Education and Training funding and other training opportunities are one of the most effective steps that our government can undertake to advance the cause of friendship and mutual understanding with the future military leaders of South America. The delegation was pleased to note that level of International Military Education and Training funding for Peru now appears to be on an upward course. \$700,000 was approved for fiscal year 1984, and the President has requested \$850,000 for fiscal year 1985. The delegation also recommends that the U.S. Government attempt to facilitate the acquisition of certain types of requested equipment such as the tractors and other construction equipment needed for local civil works projects requested by the Peruvian Army, and the amphibious landing ships (LST's) requested by the Peruvian Navy, discussed later in the report.

PURPOSE OF THE TRIP AND OFFICIALS INTERVIEWED

The delegation held discussions with heads of government, political and military leaders, and U.S. Ambassadors and their staffs. The purpose of the trip was to discuss military and related issues affecting the Eastern Caribbean region and South America as well as to examine the status of U.S. relationships with nations of the Western Hemisphere. The list of major officials interviewed provides some insight into the range of issues discussed by the delegation.

GRENADA

Sir Paul Scoon, Governor General of Grenada; Mr. Mervin Holder, Commissioner of Police, Grenada; Lt. Col. Nester Ogilvie (Jamaican Army), Commander of Caribbean Police Force; Lt. Col. Arthur Graves, U.S.A., Commander, U.S. Military Support Element, Gre-

nada; Commander James Morris, U.S.C.G., Commander, U.S. Coast Guard Element, Grenada; and Lt. Col. E. T. Gwynn, U.S.A., Commander, U.S. Army Maintenance Support Element, Grenada.

BARBADOS

Brig. Gen. Rudyard E. C. Lewis, Chief of Staff, Barbados Defense Force; Mr. Ben Jackson, Director of Operations, Regional Security System; Comdr. Roger Porteous, Deputy Chief of Staff, Barbados Defense for Coast Guard; and Major Mark Adkins, Director of Training, Barbados Defense Force.

BRAZIL

Mr. Douglas G. Hartley, Acting U.S. Counsel General, Rio de Janeiro; Mr. Terry V. McIntyre, Chief of the Economic Section, U.S. Embassy; Col. Edward Lynch, U.S.A.F., Defense Attaché; and Lt. Col. Paul Miller, U.S.A., Deputy Defense Attaché.

URUGUAY

Dr. Carlos Alberto Maeso, Minister of Foreign Affairs; Ambassador Thomas Aranda, Jr., U.S. Ambassador to Uruguay; Capt. Ramon C. Alvarado, U.S.N., Defense Attaché; Col. Richard Ryer, U.S.A., Office of Defense Cooperation; Lt. Col. George Tesar, U.S.A.F., Air Force Attaché; and Lt. Col. Tom Georges, U.S.A., Office of Defense Cooperation.

ARGENTINA

Raul Alfonsin, President of Argentina; Dante Caputo, Minister of Foreign Relations; Raul Borrás, Minister of Defense; Senator Edison Otero, Interim President of Argentine Senate; Senator Antonio Berhongaray, President of the Senate Armed Services Committee, Argentine Senate; Senator Goss, President of the Senate Foreign Relations Committee, Argentine Senate; Senator Fernando de las Rúa, member of the Argentine Senate; and Senator Luis Leon, member of the Argentine Senate; Senator Trilla, member of the Argentine Senate; Senator Amoeso, member of the Argentine Senate; Congressman Roberto Silva, Deputy Speaker of the Chamber of Deputies, Argentine House of Representatives; Congressman Juan Manuel Casellas, President of the House Armed Services Committee, Argentine House of Representatives; Congressman Frederico Storcení, President of the House Foreign Relations Committee, Argentine House of Representatives; Congressman Rabanal, President of the House Budget and Finance Committee, Argentine House of Representatives; Congressman Vannosi, President of the House Constitutional Affairs Committee, Argentine House of Representatives; Congressman Tello Rosas, President of the House Energy Committee, Argentine House of Representatives; and Congressman Sarquis, member of the Argentine House of Representatives.

CHILE

Vice Adm. Hernan Rivera, Commander-in-Chief of National Naval Squadron; Maj. Gen. Pablo Saldias, Chief of the National Defense General Staff; Mr. Tomas Reyes, leader of the Democratic Alliance

and former president, senator, and deputy of the Christian Democratic Party; Mr. Ramon Silva Ulloa, leader of the independent socialist faction and former deputy and senator of the Socialist Party; Mr. Duberildo Jacque, a leader of the Social Democratic Party and former Radical Party deputy; and The Captain and crew of the cruiser *O'Higgins* and the destroyer *Prat*.

PERU

Fernando Belaunde Terry, President; Dr. Fernando Schwalb Lopez-Aldana, Prime Minister and Minister of Foreign Relations; Vice Adm. Zevallos Newton, Commander of the Navy; and Lt. Gen. José Zlatar Stambuk, Minister of the Air Force.

SUPPORT FOR THE VISIT

Throughout the trip, the delegation received encouragement and support for their visit to the various countries. Of particular note was the appreciation expressed by the Grenadian officials for the delegation's visit. The Governor General of Grenada welcomed the delegation to his country, and said, "I am more and more convinced that this country would have become a bastion of Communism if the United States had not intervened."

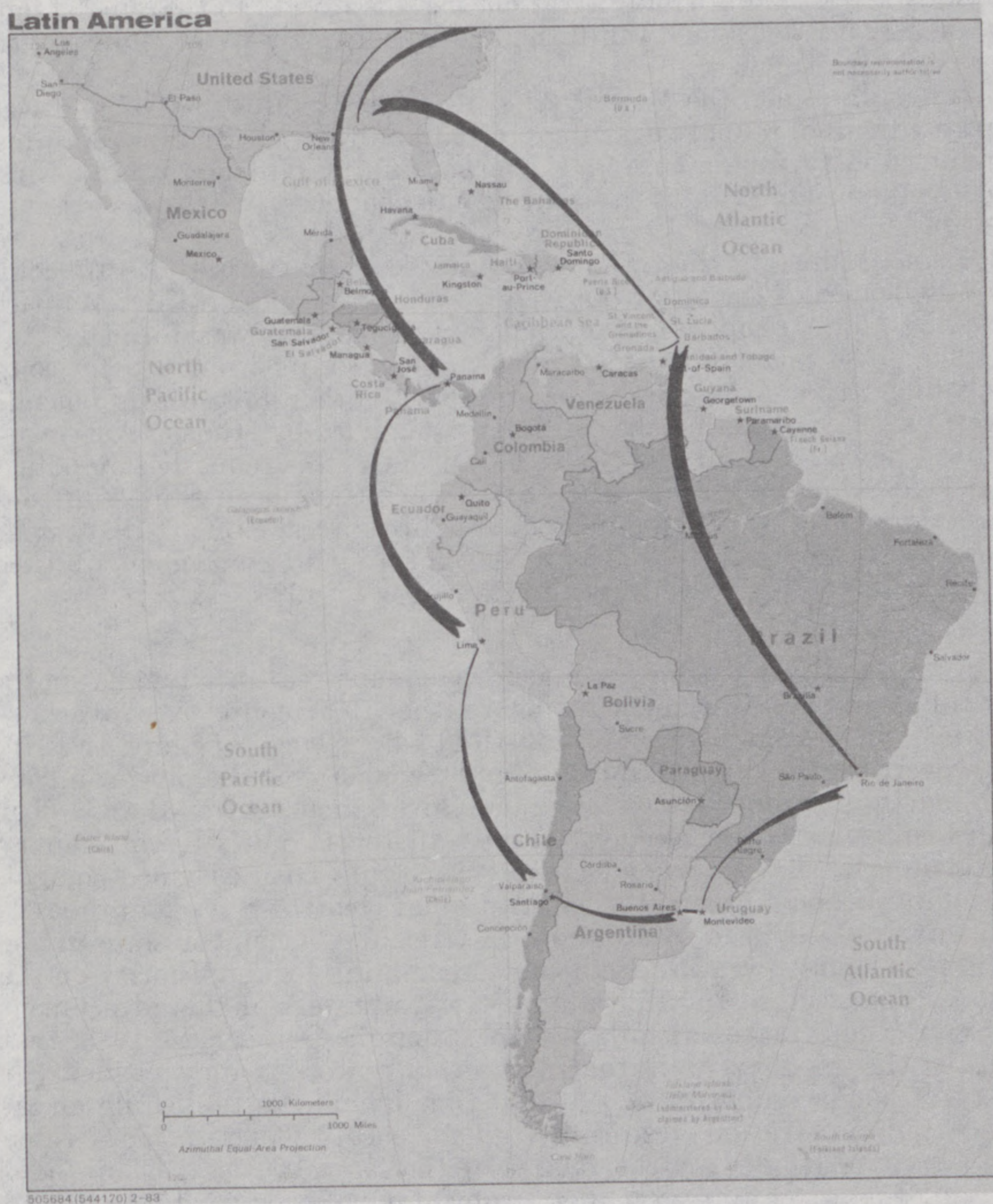
The Prime Minister of Peru, Fernando Schwalb Lopez-Aldana, in reference to the delegation's visits to the Western Hemisphere, said "Any attention you give to these countries is an investment worth making." He went on to say that if the United States or other democratic nations do not show an interest in this strategically important region then "somebody else (such as the Soviets or Cubans) is ready to fill the vacuum."

While in Chile, the delegation received several briefings. During a briefing at the Chilean Ministry of Defense, General Saldias, Chief of the General Staff, said, as he welcomed the delegation, that "this visit (by the delegation) provides an excellent opportunity to exchange points of view, to know the Chilean reality, and to understand as objectively as possible the role of the armed forces in the Government of Chile."

There was a clear consensus among the officials visited that more frequent contact between U.S. delegations and nations in the hemisphere would help to promote stability and security in this militarily and politically important region.

BACKGROUND AND COUNTRY DESCRIPTION

This section of the report provides a brief description of the countries visited in order to create the framework for a greater appreciation of the major issues discussed.



GRENADA

History

Although discovered by Columbus in 1498, Grenada was alternately ruled by the French and the British until 1783 when the Treaty of Versailles recognized British control. The British imported large numbers of slaves for sugarcane plantation work and administered Grenada as a separate colony.

In 1833, Grenada was made a part of the Windward Islands Administration. The Governor of the Windward Islands administered Grenada throughout the remainder of the colonial period. In 1958, the Windward Islands Administration was dissolved, and Grenada subsequently became a member of the Federation of the West Indies, until its collapse in 1962.

Grenada joined the West Indies Associated States in 1967 and was granted full autonomy over its internal affairs, with Britain retaining responsibility for defense and external affairs. Grenada was the first of the Associated States to seek full independence, which was granted in 1974.

Prime Minister Eric Gairy was replaced in the March 13, 1979 coup by the leader of the left-wing New Jewel Movement (NJM), Maurice Bishop and a People's Revolutionary Government was formed.

The government was overthrown in October 1983 in a violent coup in which Prime Minister Bishop and several other government officials were executed. A 16-member military council led by Hudson Austin assumed power. The United States Government was requested by political leaders of the Organization of Eastern Caribbean States, in conjunction with Caribbean defense and police forces to send U.S. combat forces into Grenada to stabilize. All but a small contingent of U.S. combat forces were withdrawn by December 15, 1983.

Government

As a dominion within the British Commonwealth, Grenada had a parliamentary government prior to the 1979 coup. A Governor-General represented Queen Elizabeth II who is Head of State. In 1979, however, the Parliament (House and Senate) was dissolved and replaced by a People's Revolutionary Government. After the October 1983 coup and the subsequent collapse of the People's Revolutionary government, the Governor General, Sir Paul Scoon assumed control. Sir Paul Scoon serves as the constitutional Head of State and the representative of Queen of England in Grenada, a member state of the British Commonwealth. As the only remaining legal authority on the island, he assumed the full administrative powers of the government after the multinational military operation on October 25, 1983, that ousted the military junta that had seized power six days earlier. Sir Paul Scoon's responsibilities at that time included establishing an interim administration, restoring Grenada's 1973 Constitution—which had been suspended by the regime of the late Maurice Bishop—and paving the way for an elected government. On November 15, he turned over political and legal powers to a hand-picked advisory council of Grenadian technocrats. At that time, he also lifted the state of emergency he had imposed on the island and reinstated most of the laws of Bishop's government. Since then, Sir Paul Scoon has resumed his traditional apolitical role.

Economic overviews

Long before the events of October 1983, the Bishop Government's economic policies had led Grenada into considerable economic difficulty and dependency on foreign assistance. The real growth rate is Gross Domestic Product (GDP) of 3 percent in 1980 to 1982, and an estimated 2½ percent or less in 1983 (compared to an average of 7 percent during 1975 to 1978), was led by huge Socialist Bloc-financed public sector investment, principally the airport, while private sector activities stagnated. Ambitious capital spending led to an overall government deficit amounting to 32.5 percent of the 1982 GDP (compared with 7 percent in 1978). The balance of payments current account deficit added up to an astonishing \$35.7 million, about 33 percent of 1982 GDP (\$108 million), financed largely by external loans and grants. Merchandise exports were stagnant in real terms for five years and, in 1982, totaled \$19.5 million compared to \$72 million in imports.

Grenada uses the East Caribbean dollar with an exchange rate of 2.7 to 1 U.S. dollar; its monetary policy is controlled by the East Caribbean Central Bank. The Central Bank follows a conservative monetary policy. Inflation in 1982 was 7.8 percent, down from 20 percent in 1980-81, owing to lower import prices, especially for oil. Unemployment in 1982 was estimated at 28 percent.

The delegation was informed that in the short run, shoring up public sector investment to repair infrastructure and prevent a precipitous drop in economic activity is necessary. In the long run, measures must be taken to stimulate the private sector to invest capital in such areas as export, agriculture, and tourism. The duty-free provisions of the Caribbean Basin Economic Recovery Act provide opportunities to expand exports to the United States (currently less than \$1 million).

Congress has authorized \$15 million from the Syrian deobligation. A \$5 million economic stabilization program that includes credit for the private sector was signed by the United States and the Government of Grenada in early January 1984. A fiscal year 1984 supplemental request for \$10 million was dropped from the Central American supplemental (Jackson Plan), and the Department of the State and Agency for International Development (AID) are raising with the Office of Management and Budget alternate methods of funding. AID is reviewing the issue of funding for repairs to structures damaged during the rescue mission, such as the mental hospital and telephone exchange, and is planning programs for agriculture, infrastructure repair, health, and education that should be funded to achieve economic recovery and development.

Bilateral relations

There are about 360 U.S. Military and Coast Guard personnel providing security, technical, logistical, and medical support to the 450 man Caribbean Police Force. The United States has allocated \$15 million to train and equip the Caribbean Police Force personnel. The United States has also been encouraging other nations to provide assistance to the Grenadian police force, which is being reconstituted and currently consists of 358 personnel.

The United States has also furnished a considerable amount of economic assistance. Immediately after hostilities ceased, U.S. personnel assisted in the restoration of essential services and the repair of

roads, schools, drainage ditches, and other facilities. The United States has allocated \$17.2 million of economic assistance for this year. Of these funds, \$5 million has already been extended to fund Grenadian government services, to repay its borrowing from commercial banks, and to provide foreign exchange to permit import of essential raw materials and spare parts. The remaining funds will be used for programs to improve agriculture, health, and educational facilities and services and to repair Grenada's infrastructure. AID has recently signed an agreement with Project Hope to provide doctors and other medical personnel to Grenada for the next year.

The Grenadians have indicated their desire to seek U.S. assistance to complete the Point Salines Airport. The cost of finishing the project is estimated to be \$24 million. An AID-sponsored feasibility study on the Point Salines Airport has just been finished, and the Department of State is reviewing its findings.

Investors are being encouraged to seek mutually beneficial opportunities, especially in tourism. Several business proposals have been developed and others are expected to be made in the near future.

BARBADOS

Barbados, the most easterly of the Caribbean Islands, lies immediately east of the Windward Islands, about 270 miles northwest of Venezuela.

History

British sailors who landed on Barbados at the site of present-day Holetown in 1624 or 1625 found it uninhabited. The Arawak Indians who are believed to have originally inhabited the island were destroyed by the fierce Carib Indians, who then abandoned the island. From the arrival of the first British settlers in 1627 and 1628 until independence, Barbados was under uninterrupted British control. Its House of Assembly, which began meeting in 1639, is the third oldest legislative body in the Western Hemisphere.

As the sugar industry developed into the main commercial interest, Barbados was divided into huge estates. Slaves were brought from Africa to work on the plantations until slavery was abolished throughout the British Empire in 1934.

Local politics were dominated by a small group of British plantation owners and tradesmen. It was not until the 1930's that a movement for political rights was begun by educated descendants of the emancipated slaves. One of the leaders of this movement, Sir Grantley Adams, father of present Prime Minister J. G. M. "Tom" Adams, founded the Barbados Labour Party in 1938.

Progress toward more democratic government for the island was made in 1951 when universal adult suffrage was introduced. This was followed by steps toward increased self-government culminating in 1961 when Barbados achieved full autonomy.

From 1958 to 1962, Barbados was 1 of 10 members in the West Indies Federation, and Sir Grantley Adams served as the first and only prime minister of the federation. When the federation was terminated, Barbados reverted to its former status as a self-governing colony. Following several attempts to form another federation composed of Barbados and the Leeward and Windward Islands, Barbados negotiated

its own independence at a constitutional conference with the United Kingdom in June 1966. After years of peaceful, democratic, and evolutionary progress toward self-rule, Barbados attained independence on November 30, 1966.

Barbados is one of the world's most densely populated countries. The net increase in population has declined significantly in recent years and was only 0.4 percent in 1980. This has been achieved through an energetic family planning program and a relatively high migration rate. Barbados was one of the pioneers of family planning, and government gives financial support to the island's Family Planning Association.

Government

According to its constitution, Barbados is governed by a parliamentary democracy modeled on the British system. The governor general, representing the British monarch, exercises protocol functions. The general direction and control of the government rests with the Cabinet, consisting of the prime minister and other ministers who are collectively responsible to Parliament.

The Parliament consists of the House of Assembly and the Senate. The 24 members of the House are elected by universal suffrage to a 5-year term. However, elections may be called by the ruling party at any time it wishes to dissolve Parliament and seek a new mandate. It is also customary to call for elections if the ruling party receives a vote of no confidence in Parliament. The Senate's 21 members are appointed by the governor general—12 with the advice of the prime minister, 2 with the advice of the leader of the opposition, and 7 at the governor general's discretion.

The highest court is the Supreme Court. The chief justice of the court is appointed by the governor general on the recommendation of the prime minister.

The island is divided into 11 parishes and the city of Bridgetown. No local government exists, and all these divisions are administered by the central government.

Economic overview

In 1969, tourism replaced sugar as the island's largest industry. The government has attempted to diversify the economy further by attracting light industry and by promoting crops such as Sea Island cotton, but the sugar industry remains the island's largest source of employment. Although in the postwar period, sugar production sometimes exceeded 180,000 metric tons (MT) a year, production has declined recently because less land is being used for agriculture. In 1981, sugar exports totaled 90,000 MT, about the same as in 1980. In 1980, about 370,000 tourists visited Barbados (excluding cruise ship passengers) of whom 86,000 came from the United States.

Despite high sugar prices, Barbados had a negative trade balance of \$315.4 million in 1980. In previous years, this trade deficit was financed by tourist receipts, but as the trade deficit has widened and tourism has declined, the current account deficit has increased steadily. Trade with the United States has increased every year since 1960; in 1976, the United States became the island's leading supplier of imports.

The Barbadian Government has two economic priorities—increasing private-sector employment and balancing the budget. In support of the first goal, the government has intensified efforts to recruit addi-

tional foreign investment and to promote exports. The second goal is being pursued by moderately increasing taxation and by curbing government spending. However, the openness of the Barbadian economy, its susceptibility to external conditions, and its dependence on imports complicate the government's ability to exert full control over factors affecting the economy.

Political conditions

The two main political parties are the Barbados Labour Party (BLP) and the Democratic Labour Party (DLP). The DLP was formed in 1955 by a group of dissidents from within the BLP. The DLP won the 1961 election, and its leader was Errol Barrow. In November 1966, the DLP won its second election and a mandate to lead Barbados into independence. On November 30, 1966, Barbados was declared formally independent, and Errol Barrow became its first prime minister. He was reelected for the third term in 1971, when his party won 18 of the 24 seats in the House of Assembly. In 1976, the government changed hands when the BLP won 17 seats and J. M. G. "Tom" Adams became prime minister. Adams won reelection as prime minister in June 1981, and the BLP remains the leading party.

Both parties are moderate with a socialist orientation and philosophy similar to that of the British Labour Party. The DLP is closely allied with the island's principal labor union, the Barbados Worker's Union. The two major parties differ not so much on basic objectives as on the means of achieving those objectives. Consequently, electoral contests and political disputes are essentially partisan encounters, often with personal overtones.

The major problem facing Barbados today are economic—maintaining economic growth, coping with inflation and unemployment, encouraging agriculture, attracting small industry, and achieving a balance among the tourist, sugar, and small industries.

On July 4, 1973, Barbados, Trinidad and Tobago, Guyana, and Jamaica signed a treaty in Trinidad to found the Caribbean Community and Common Market (CARICOM). In May 1974, most of the remaining English-speaking Caribbean states joined CARICOM. Barbados is also a member of the Caribbean Development Bank, established in 1970 and headquartered in Bridgetown.

Foreign relations

The Adams government has declared its major foreign policy goals to be international cooperation, the end of colonial rule in southern Africa and elsewhere, a more equitable share of the world's wealth for developing countries, and an end to international terrorism. It has also expressed the desire to be on good terms with all nations and to avoid involvement in great power conflicts. Barbados has no disputes or alliances with other nations but maintains friendly diplomatic relations with about 30 countries.

BRAZIL

Brazil is the most populous country in Latin America and ranks sixth in the world in population with more than 122 million people. Brazilians come from highly diverse origins with the largest group

being immigrants from Southern Europe. The next largest group are descendants of slaves from Africa. Almost two-thirds of the population is urban, and most of the people live in the central plateau and the narrow coastal plain along the Atlantic. Although the trend toward urbanization has aided economic development, the major cities have experienced serious social and political stresses.

Brazil is the only nation in the Americas where Portuguese is the principal language. After the United States, it is the largest country in the western hemisphere and the fifth largest country in the world. Indeed, Brazil is actually larger than the contiguous continental United States and occupies the east-central part of South America, spreading over almost one-half of the continent, sharing common borders with every South American country except Ecuador and Chile.

History

Brazil was discovered in 1500 by Portuguese Navigator Pedro Cabral. Brazil was ruled as a colony by Portugal until 1807 when the Portuguese Royal Family fled to Rio de Janeiro and established the seat of government there. In 1822, Brazil was declared independent, and in 1889, a federal republic was established. From 1889 to 1930, Brazil's government was characterized as a constitutional democracy until a military coup took over the government and created a dictatorship that lasted until 1945. From 1945 until 1961, Brazil's government was headed by elected presidents.

Reaction to runaway inflation, economic stagnation, and increasing domination by radical political philosophies resulted in a military-led revolution in 1964. Since 1964, a number of retired military officers have served terms as President of Brazil. In the early 1970s a political liberalization process known generally as "abertura" or "political opening" was initiated. The current President, retired General Joao Baptista de Oliveira Figueredo, who assumed the presidency in 1979 for a 6-year term, has continued to support the policy of abertura.

Through this liberalization policy, civil rights have been established, i.e. freedom of speech, press, assembly, and the right to strike; amnesty has been granted to all political prisoners; and other steps toward establishment of a democracy have been taken.

Trends toward democracy

Recently improved relations between the United States and Brazil were motivated, in part, by the Brazilian policy of "abertura." In May 1982, President Figueredo paid a state visit to the United States, which was reciprocated in December 1982 by President Reagan. At that time, the two presidents established five working groups to explore ways of increasing cooperation in the areas of space and science technology and in military/industrial, nuclear, and economic affairs. These groups have completed their mandates successfully and reports to the two presidents will be submitted shortly.

The delegation visited Brazil just one week after Secretary of State George Shultz and officials of the Brazilian Government signed the Memorandum of Understanding (MOU) on Industrial Military Cooperation. This document, a result of one of the five working groups, is

the first step in the process whereby the two countries may ultimately agree on the co-production of military equipment. Although this Memorandum of Understanding only sets the framework for how each country will address technology transfer procedures with respect to security and third party transfers, it is a positive step that hopefully will culminate in an improved military and industrial relationship with Brazil.

In 1982, congressional and local elections were held and are considered to be a major milestone in a new political policy. These elections demonstrated the opposition parties' ability to compete with the government party, as they won a majority in the Chamber of Deputies and the governorship in 10 of the 23 states. The opposition, joining dissidents from the official party, is creating an increasingly independent congress.

Indirect presidential elections are scheduled for January 1985. The new president will be chosen by electoral college comprised of the Congress and six members from each state legislature. There is growing public sentiment to initiate direct presidential elections in 1985 instead of 1991, but the Congress is unlikely to approve the necessary constitutional amendment. The government party, the Social Democratic Party (PDS), candidate who is to be chosen by September 1984 is expected to win, but the process has become sufficiently unpredictable that a surprise is possible.

Brazil's political attention is now focused on the selections of the PDS presidential candidate. Since the 1964 revolution, Brazilian presidents have enjoyed virtually a free hand in choosing their successors. However, President Figueiredo, unable to develop a consensus in this party, has publicly disassociated himself from the succession issue. Currently, the leading contender is Sao Paulo Federal Deputy Paulo Maluf. If Maluf fails to win the nomination, Vice President Aureliano Chaves may become the PDS candidate and Brazil's next president.

The main opposition party, the Brazilian Democratic Movement, may field the respected elder statesman and current Governor of Minas Gerais, Tancredo Neves. In any event, the next president evidently will be the first elected civilian to hold that office in over 20 years.

Government

The site of Brazil's government is Brasilia, a city that was specifically built to be the capital. Located away from the Atlantic, Brasilia was built inland to open the interior to settlement.

The Constitution, promulgated on January 24, 1967, establishes Brazil as a federative republic with broad powers granted to the federal government. At the national level, power is heavily concentrated in the presidency which is relatively unrestrained by checks and balances from the legislative and judicial branches.

Legislative responsibility is vested in a Federal Congress, composed of a Senate and the Chamber of Deputies. The Congress is seeking to enhance its role in national policymaking but remains strongly overshadowed by the executive branch.

The apex of the judicial system is the Supreme Federal Tribunal comprised of 11 justices appointed by the president to serve until age 70.

Economy

Brazil has the tenth largest economy in the world with a substantial natural resource and industrial base, and a 1983 Gross Domestic Product (GDP) of about \$280 billion. The combined gross national product (GNP) of Mexico, Argentina and Venezuela equal the GDP of Brazil. Brazil leads the world in coffee production and export, magnesium and potassium production, frozen orange concentrate export, barium and niobium deposits. It is second in the world in the production and export of soybeans, sugar and cocoa. It is also second in production of corn, iron ore and tantalite and is second after the United States in shale oil deposits. Brazil is fourth in cattle herds, and among all countries that produce and export arms, it is sixth. The hydro-electrical potential of the country is immense, with only 11 percent now being tapped.

Brazil's large domestic market and natural resource base have made the country a favored long-term investment site for foreign countries. Brazil, however, faces significant economic problems based on its large foreign debt (third highest in the world) and its need to import oil.

Brazil began to encounter severe economic problems in 1980. The measures introduced to adjust to rising interest rates and petroleum prices produced only a temporary improvement. In 1982, its external accounts deteriorated sharply in the face of the world-wide recession, falling commodity prices, and the reduction in foreign bank credits following the Mexican financial crisis. Brazil finished 1982 with a budget deficit of \$16.3 billion—15 percent of the gross domestic product. These imbalances led to unprecedented economic hardships in 1983 and the GDP fell by 5 percent. Moreover, drought in the north, floods in the south, the elimination of various subsidies, and a maxidevaluation of the cruzeiro pushed the 1983 inflation rate to about 210 percent.

The Brazilian Government moved quickly in late 1982 and early 1983 to take emergency measures to ease its liquidity problems. It obtained emergency loans, worked out an economic stabilization program with the IMF, and concluded a credit package with commercial banks. However, in May of 1983, the IMF determined that Brazil was not meeting the government spending and inflation targets in its stabilization program and, along with the commercial banks, suspended loan disbursements. Beginning in June, the Brazilian Government instituted a number of austerity measures to reduce inflation and the budget deficit. It then negotiated a revised stabilization program with the IMF, including the reduction of real wages. Having done so, it was able to negotiate a new credit package with the commercial banks to meet its short-term external financing needs for 1984.

Brazil's policies to date have eased its immediate difficulties. It achieved its 1983 target of cutting its deficit by 50 percent, largely through reducing imports and increasing exports, with a resultant trade surplus of \$6.5 billion. Moreover, the inflation rate fell during November and December to less than 10 percent per month for the first time since early 1983. These gains, however, have meant extensive social hardships at home and increasing trade disputes abroad over protectionist policies, especially with the United States.

Military forces

The regular Brazilian military forces are numerically the largest in Latin America with the possible exception of Cuba. However, Brazil devotes only 1.1 percent of its Gross National Product (GNP) to the military. The Army, the strongest of Brazil's services, has more than 183,000 active-duty personnel. The state police, with units throughout almost the entire country headed by active-duty Army personnel, has a total strength of more than 184,000. Those paramilitary forces would fall under the operational control of the Minister of the Army in the event of national internal or external crisis. The Navy and the Air Force have about 47,000 personnel each. Each year, Brazil's Navy participates with the United States and other South American countries in the UNITAS naval exercises.

While in Rio de Janeiro, the delegation had an opportunity to visit Fort Copacabana, an active coastal artillery battalion. The Fort was constructed by the Portuguese who used stone from Portugal brought over as ballast in Portuguese ships. From its inception to now, Fort Copacabana has been occupied and operated in the coastal defense role. Presently, the coastal artillery battalion is equipped with 152mm and 105mm guns that are practice fired twice a year.

The delegation also observed a 1970-vintage acquisition radar that was made in the United States and donated to Italy. The plate on the radar read "For the Mutual Defense of Our Countries."

The Brazilian Army realizes that coastal artillery is vulnerable in today's environment and is in the process of phasing out its five remaining active coastal artillery battalions. Personnel are now being retrained with air defense weapons and the five locations will be converted to an air defense role.

In a secondary role, Fort Copacabana serves as a Brazilian Army Reserve Training Site. While at the Fort, the delegation observed several hundred enlisted personnel in the physical fitness phase of training and was thoroughly impressed at the fitness, esprit de corps, and general military bearing of these young men. It was learned that a typical enlisted man in the Army of Brazil serves on active duty for one year and then is required to serve for five years in the active reserve. By Brazilian law, all enlisted men must also be trained in a civilian occupation prior to release from active duty. Regular Army officers are service academy graduate career officers. Reserve officers may only attain the rank of Captain and may serve up to a maximum of nine years and then must leave the Army.

Brazil's military is particularly proud that it joined the Allied Expeditionary Force in World War II. Brazil was the only Latin American country to fight with the allies, providing air and ground combat units, and associations with American troops at that point in history have been an important factor in subsequent relations.

Brazil's armed forces are concerned primarily with internal security. Brazil does not consider external security a great concern because it has not had any border disputes since 1910. Furthermore, the size of Brazil's Army would limit its external defense capability; the Navy would not have the ability to protect Brazil's extensive coastline; and its Air Force could not be assured of being able to defend the country in the event of a major conflict.

Consequently, with Brazil's focus on internal security, the military has overcome the insurgency problem. The insurgents were unsuccessful because they were unable to enlist the support or cooperation of the people, even those Brazilians who were discontented. The government's plan to return the country to civilian rule has served as a political safety valve.

The delegation was told that the military in Brazil appears to enjoy the support of the people. The military perform civil services including helping to build roads to bring medical and dental support into the isolated regions of the Amazon. The delegation was impressed that the military tries to be a positive element in Brazil's social framework, and insurgent groups have been unsuccessful in provoking tensions between the people and the military.

Arms

Brazil's leaders are committed to expand the country's industrial base and believe that procurement of weapons and military equipment from other countries is too expensive. Therefore, Brazil has oriented itself toward producing its own military equipment. Because the requirements of Brazil's own armed forces are not large enough to make weapons production economically feasible and given its interest in increasing its industrial exports, Brazil has become a recognized developer and exporter of arms, notably to the Middle East.

Trade relations with the United States

The United States is Brazil's most important commercial partner, although the U.S. share of Brazil's trade dropped as Brazil expanded its trade with Western Europe, the Middle East, and other Latin American countries. The United States remains Brazil's largest individual customer.

U.S. industry has become concerned by Brazil's subsidies, particularly with regard to shoes, textiles, steel plate, ferroalloys, commuter aircraft, and alcohol. However, U.S. trading policy is not unfairly protectionist, and Brazil's exporters have fared well in the U.S. market.

The delegation was informed that Brazil is considered a Third World nation and does not want to "graduate" to the status of an "advanced developing country." In terms of preferred trade access, Brazil wants continued access to preferential loans from multinational development banks in which the United States is a large shareholder. Brazil believes "graduation" would limit access to Brazilian goods.

Foreign relations

The delegation found that Brazil's foreign policy is generally influenced by two competing perspectives: Brazil's culture and values are Western, and yet Brazil is a Third World country. Brazil is a Latin American country but is influenced by Africa, the Middle East, Western Europe, and the United States. While retaining traditionally friendly ties with the United States, Brazil takes independent stances on most international issues. The nation's foreign policy has been characterized as economically-oriented, low-profile and extremely competent. Brazil seeks to maintain friendly relations with almost all countries and to avoid conflicts.

The close, cordial relationship between the United States and Brazil dates from 1822, when the United States was the first to recognize the newly independent South American nation. Brazil's ties with the United States were particularly strong during World War II: Brazil protected Allied shipping lines in the South Atlantic, and its Expeditionary Force undertook an active air and ground combat role in Italy. During the 1950's and 1960's, Brazil received almost \$2.4 billion in U.S. economic assistance. Relations in the mid-to-late 1970's were troubled by frictions over human rights and nuclear nonproliferation issues. Brazil abrogated bilateral military agreements with the United States, and we phased out our assistance programs.

Bilateral concerns today center largely on economic trade issues. This focus reflects Brazil's \$95 billion foreign debt, its need for a trade surplus to help finance that debt and its related growth as an exporter. Brazil is concerned about maintaining access to U.S. markets in light of U.S. complaints about a variety of import restraints and export subsidies.

The Government of Brazil maintains diplomatic relations with China, the Soviet Union and the communist countries of Eastern Europe but not with Cuba. An importer of petroleum and a leading exporter of arms, Brazil remains on good terms with the countries of the Middle East. It supports the efforts of the Contadora Group in Central America.

Foreign assistance program

The delegation was pleased to note that the Memorandum of Understanding on Industrial and Military Cooperation has made a modest security assistance program available and will accelerate the positive momentum attained in our bilateral military relationship. Specific objectives of this relationship are: to foster favorable attitudes toward the United States and its policies; to increase and expand bilateral exchanges on matters of mutual security concern; to assist the Brazilians in improving air and sea surveillance capabilities; and to enhance the possibilities of cooperation between United States and Brazilian forces by selectively increasing Brazilian access to U.S. military training, technology and doctrine.

The security assistance program, proposed for fiscal year 1985 is limited to \$50,000 for International Military Education and Training (IMET). In addition, Brazil is expected to purchase training equipment and services through Foreign Military Sales (FMS) cash and commercial procedures. Possible purchases include helicopters, tanker and A-4 aircraft, munitions, and follow-on support and rehabilitation parts for U.S.-origin vessels and aircraft. FMS cash purchases of advanced professional and technical training can also be anticipated. The delegation was informed that if these purchases materialize they would not likely pose a threat to the balance of power in the region.

The proposed IMET program will provide formal training in the United States for about twenty Brazilian armed forces personnel in professional and technical courses such as command and staff, communications and electronics. This training will assist in expanding and improving Brazilian military educational and training facilities and, in addition, will permit the United States to reciprocate for the armed forces staff school spaces offered annually by Brazil to the U.S. armed

services. Brazilian officers have not attended U.S. service schools for a number of years. This absence has created a noticeable lack of Brazilian officers who have an understanding of U.S. interests, strategy and tactical doctrine.

URUGUAY

As one of the smaller South American nations, Uruguay is located between two giant neighbors, Brazil and Argentina. With a total geographic area of just over 68,000 square miles (slightly smaller than the State of North Dakota), Uruguayans share a Spanish linguistic and cultural background, even though 25 percent of the population are of Italian origin. Uruguay is distinguished by its high literacy rate, and large urban middle class. Metropolitan Montevideo, with about 1.5 million inhabitants (roughly one-half the total population of Uruguay), is the only large city. Almost all of the remaining population live in about 20 small cities. Although some poverty exists throughout the regions, Uruguayans live well compared with most of their counterparts in other South American countries.

History

Spain, Portugal, Brazil and Argentina all struggled for control of the area now known as Uruguay. Gervasio Artigas, considered Uruguay's national hero, led an unsuccessful attempt to gain autonomy within a regional federation in 1820. In 1828, as a result of a war by Uruguayan patriots and Argentina against Brazil, independence was finally achieved. Until the end of the 19th century, the new nation continued to be plagued by civil wars and foreign interventions. It was during this period that two political parties were formed, the Colorado and the Blanco, which remain today as Uruguay's major political parties. Jose Batle y Ordóñez, who set the pattern for Uruguay's political development, was elected president in 1903 and again in 1911. He began a program calling for widespread political, social, and economic reforms, such as an exhaustive welfare program, and government participation in many facets of the economy. Many of the programs continue today.

The Government of Uruguay was controlled by the Colorado Party from 1845 until 1958. After the elections in 1958, there was an orderly transfer of power to the Blanco Party. Winning again in 1962, the Blanco party was defeated by the Colorado party in 1966 and in 1971. The Uruguayan military closed the Congress in 1973 amid increasing economic and political turmoil and the emergence of a leftist terrorist movement. In 1977, the military announced a timetable for full restoration of democratic institutions by 1985. A new constitution drafted by the military was rejected in a November 1980 plebiscite. Following the plebiscite, the armed forces announced a new, accelerated plan for the return to civilian rule. The plan called for reactivation of most political parties, a new electoral law, and a constitutional plebiscite along with internal elections in 1982 and a presidential election in 1984.

On November 28, 1982, internal party elections were held on schedule, giving an overwhelming victory to opposition factions, and in the spring of 1983, a constitutional dialogue was initiated between the military and the political parties. In addition to the military's desire

to ensure for themselves a significant role in the future elected government, major issues to be discussed include the armed forces' demand for some guarantee that a civilian government will not seek to review military performance during the past ten years, and the desire of political parties to have proscriptions (prohibitions against political activity) lifted on both democratic political leaders and leftist political parties.

On July 5, 1983, the formal dialogue broke down because of differences between the two sides primarily over the future role of the military in a civilian government. To date, it has not been resumed. On August 3, 1983, the government announced measures further limiting already circumscribed political activity. However, the armed forces have since reiterated their commitment to the 1984 elections; formed a commission to continue a dialogue via private talks with the political party leaders; lifted the proscriptions on all but one major politician on November 12, and allowed a massive political rally on November 27. In a December 2 speech, President Alvarez criticized antimilitary remarks made during the recent rally but again reiterated the government's commitment to holding elections. On January 18, 1984, a 24-hour strike brought Montevideo to a halt. While strikes are illegal under current Uruguayan law, the government reacted cautiously and no violence was reported. Many observers continue to hope that the armed forces and the political parties can still reach an agreement that will permit national elections in November 1984 and the transition to democracy in 1985.

Government

Uruguay has been ruled since 1973 by a military government composed of the ranking officers of the three services and led by the President, retired General Gregorio Alvarez, who served as commander-in-chief of the Army from 1978-79. The institutions of the Government of Uruguay include the presidency, various bodies of the armed forces, a Council of Ministers, and an appointed Council of State which acts as the Legislature. The President and the three service commanders make the fundamental national policy decisions.

Economy

Uruguay, which had previously pursued economic policies geared to the protection of local manufacturing, equitable income distribution, and extensive government participation in the productive sectors, shifted to an open market strategy in the mid-1970s. Exchange controls were lifted; most prices were freed; and a start was made toward reducing the size of the public sector debt. A long stagnant economy began to register moderately strong growth rates and exports as well as imports expanded at a rapid rate.

The world recession and especially the economic downturns in neighboring Argentina and Brazil have had a powerful impact on the small Uruguayan economy. Gross output fell by almost 9 percent in 1982 and by another 5.5 percent in 1983. Exports fell by about 24 percent in 1982 and recovered by only some 9 percent in 1983 and by another 5.5 percent in 1983. Exports fell by about 24 percent in 1982 and recovered by only some 9 percent in 1983. Private investment

dropped in response to the dimming of future growth prospects. High interest rates have created major debt-servicing problems for all sectors of the economy, and bankruptcies have occurred at record levels for the past two years.

Failing to anticipate the depth and duration of the world recession, the Uruguayan government initially pursued policies designed to maintain incomes and employment and to further suppress inflation. One of the consequences of this policy was the creation of a large government deficit. The Uruguayan government negotiated a standby arrangement with the IMF involving the disbursement of about \$410 million of IMF money over a two-year period. The Uruguayan government committed itself to a program involving tight restrictions on government expenditures and monetary expansion.

The Uruguayan economy has shown indications of a mild recovery since mid-1983. The unemployment rate has declined and total output has begun to rise. Nonetheless, the return of the kind of prosperity known in the 1978 to 1980 boom period is not expected in the foreseeable future. The existence of a relatively large foreign debt, low prices for its exports, and limited access in foreign markets for Uruguayan exports indicates this period of economic adjustment will be long and difficult.

Military forces

Uruguay has a small military establishment that is concerned only with defense and internal security. The Army has 22,000 men, the Air Force and Navy, approximately 3,000 to 4,000 men each. The delegation noted that the armed forces, with a total of 28,000 to 30,000 men, have a total of 28 general officers. The delegation was told the general officers perform as civilian government officials in addition to their military duties. The President of Uruguay, as a retired former Commander-in-Chief of the Army, has strong support from the military.

The military equipment that the Uruguayan armed forces have is very old and outdated. The Navy has two sea-going World War II vintage ships that are not operated far from shore due to maintenance problems. The Navy, obviously, is not a "blue water" navy and, therefore, cannot meaningfully contribute to the protection and security of the South Atlantic sea lanes. The Air Force, with only a few A-37, T-34, and P-6 aircraft, could not hope to adequately defend against external aggression.

The delegation believes that the Government of Uruguay is willing to leave the responsibility for security in the region to its much larger neighbors to the North and South. In the struggling economy of Uruguay, little room exists in the budget to upgrade the Uruguayan military.

Foreign relations

The United States' relations with Uruguay suffered during the late 1970s because of sharp and public U.S. criticism of human rights abuses. Early in the Reagan Administration, a series of high-level visits, Uruguay's commitment to the Sinai Multinational Peacekeeping Force, similar views on hemispheric and East-West issues, and con-

tinued movement toward democracy provided a basis for closer cooperation.

The delegation was informed that while Uruguay sided publicly with Argentina during the Falklands crisis, it played a moderating role at the Organization of American States (OAS) when the Uruguayan Foreign Minister presided over the Special Session of Ministers. The delegation feels that Uruguay is interested in closer relations with the United States, and has exhibited this through its support of U.S. position in international fora on Central America, Puerto Rico, Israel and most recently Grenada. Uruguay favors a peaceful settlement of the Beagle Channel dispute between Argentina and Chile.

Human rights

The delegation believes that the Uruguay human rights record of 1983 shows improvement. There has been continued progress in the democratization process. About 140 "national security prisoners" charged with crimes, such as subversive activities, were released during 1983, the International Committee of the Red Cross (ICRC) was allowed to resume prison visits, making two visits in 1983. In November, restrictions on internal party elections were lifted for 26 politicians, including Colorado Party leaders Jorge Batlle, Blanco Party presidential candidate, Wilson Ferreira, however, remains restricted from political participation and faces charges for subversive association should he return to Uruguay.

The press greatly expanded the scope of political reporting and commentary in the first half of 1983 but suffered some restrictions under a decree announced on August 2. The day after the delegation left, press restrictions were lifted.

Foreign assistance program

The delegation noted that the proposed fiscal year 1985 security assistance program for Uruguay, while modest, sends a positive signal to Uruguay that the United States is interested in promoting closer relations. In addition to serving as a demonstration of the U.S. desire to improve relations, the security assistance program is designed to promote democratic change in Uruguay, as well as respect for human rights, and to improve professional military relations with the Uruguayan armed forces.

Uruguay has supported the United States on a wide range of international and hemispheric issues. The United States provided no security assistance to Uruguay from fiscal year 1977 through fiscal year 1981, diminishing our ability to influence the Uruguayan armed forces. In fiscal year 1982, a modest training program was reestablished and nominally increased in fiscal year 1983 and fiscal year 1984. The delegation believes continuation of this program in fiscal year 1985 is important.

The proposed fiscal year 1985 security assistance program consists of \$60,000 for International Military Education and Training (IMET). Uruguay may also request for Foreign Military Sales (FMS) credits for spare parts and support items for equipment originally obtained from the United States. If economic conditions permit, Uruguay might again pursue its interest in purchasing a used destroyer, as well as aircraft and other defense articles.

ARGENTINA

More than one-third of Argentina's population of more than 26 million people live in and around Buenos Aires, the largest metropolitan area in South America. Argentina is a fusion of national groups with Italian and Spanish predominating.

Argentina is the second largest country in South America and is bordered by Chile, Bolivia, Paraguay, Brazil, Uruguay, the Antarctic Ocean and the Atlantic Ocean. Argentina extends 2,302 miles from north to south and has an Atlantic coastline of 1,600 miles.

History

Argentina was discovered in 1516 by Spanish Navigator Juan de Solis. In 1580 a permanent Spanish colony was established on the site of Buenos Aires which became a flourishing port. Independence from Spain was declared in 1816 by General Jose de San Martin, the leader of the campaign that liberated Argentina, Chile and Peru and the national hero of Argentina. Several decades of political anarchy followed the liberation until a constitution was adopted in 1853.

Conservative forces dominated Argentine politics until 1916 when the Radicals won control of the government through a democratic election. In 1930 the Conservatives regained control following a military coup. Another military revolution took place in 1943 from which Colonel Juan Domingo Peron emerged to prominence and power and became president. Peron was reelected in 1951 but overthrown in 1955.

For the past 25 years, Argentina has experienced cyclical changes between civilian and military governments. Since 1955, Argentina has been led by seven civilian and six military presidents. Beginning in 1969, violence mounted steadily from the left and then from the right as groups with widely different political objectives and conceptions struggled for power. As a result of this violence and instability, both civilian and military governments have maintained a state of seige for some 10 of the past 11 years.

In April 1982, Argentina invaded the Falkland, or as the Argentines claim, the Malvinas Islands precipitating a war with Great Britain. After heavy loss of men and equipment, Argentina was driven off the islands.

The unfavorable outcome of the war with Great Britain accelerated the return to democratic rule. A new civilian president, Dr. Raul Alfonsin of the Radical Civil Union party, was elected in October 1983.

The Argentine Constitution of 1853, still in effect and similar to that of the United States, calls for a separation of powers into executive, legislative, and judicial branches at the national and provincial level. Each of the Provinces also has its own constitution.

The President and Vice-President are elected for a term of six years. Senators are elected through provincial legislatures, with the exception of the two representing Buenos Aires who are elected directly, for terms of nine years, with one-third standing for reelection every three years. Deputies are elected for four years, in alternate terms with half up for election every two years. Cabinet ministers are appointed by

the President. Considerable power, including veto power, has been granted to the President.

The Argentine judiciary functions as a separate and independent entity of the government. The apex of the court system is the Supreme Court, whose judges are appointed by the President with the consent of the Senate. It has the power, first asserted in 1954, to declare legislative acts unconstitutional.

Inflation/economy

Argentina suffers from three major economic problems: A foreign debt of approximately \$43 billion, an inflation rate that exceeded 400 percent last year, and a budget deficit approaching \$11 billion, or about 14 percent of GDP.

Argentina is blessed with a wealth of natural and human resources. It is nearly self-sufficient in energy, is expected to show a trade surplus of \$3.5 billion for 1983, and is a major grain exporter.

The new government has already taken steps to address the economic problems. Among its stated goals are: Reducing the budget deficit from 14 percent to 4 percent of GDP by the end of 1984 and eliminating it entirely by 1985; lowering the monthly increase of the money supply from 12.5 percent to 5 percent per month; a 5-percent economic growth rate; growth in real wages of 6-8 percent; and the reduction of inflation to a 100-percent annual rate this year.

To deal with the budget deficit, Minister of the Economy Grinspun has outlined a broadly based plan which would increase taxes on the wealthy while maintaining the current tax system for the remainder of the population. Tax collection efficiency will be increased. The military budget will be reduced. There will be no cuts in social services, however. Inefficient state-owned private industries would be sold off, with exemptions for public services providing essential services. Other steps for dealing with inflation include imposition of a 40-day price freeze and holding price increases to a level below the monthly inflation rate. The government is also considering a wage limit as well. The government may not lift its temporary price freeze as soon as it had originally planned. To meet its external debt obligations, Argentina has been working with commercial banks, the World Bank, the Paris Club and the IMF.

Military forces

The armed forces of Argentina are large, well-equipped and trained. Argentina depends primarily on conscriptions to fill its enlisted ranks. Draftees are conscripted for a nominal term of 12-14 months but actually serve only 10-11 months. From late December to early March, much of the force is at minimum strength as a result of an early release program for draftees for the Christmas holidays.

Regular officers, on the other hand, are all service academy graduates who for the most part make the military their career. Officers in the medical, dental, accounting, or engineering fields enter the service from other sources and as a rule do not tend to stay after their initial commitment. The officers' promotion system is unique in that an officer can not be bypassed by a junior officer. Failure to be promoted means an officer is forced out.

The appropriate strength levels of the Argentine armed forces:

- Total Army—100,000
 - 5,500 officers
 - 24,500 career members
 - 70,000 draftees
- Total Navy—35,000 (including 10,500 marines)
 - 3,300 officers
 - 16,700 career members
 - 15,000 draftees
- Total Air Force—17,750
 - 1,750 officers (including 500 pilots)
 - 11,000 career members
 - 5,000 draftees

Generally, the officers and noncommissioned officers are well-trained and are professional. This is primarily due to good service academies, extension programs of career professional military education, and excellent pilot training. Limited specialized training in recent years has been obtained in Western Europe and Israel.

The delegation agrees that the armed forces continue to be an important institution, especially with regard to national security matters, under the democratically-elected civilian government that took office in December 1983.

Foreign assistance program

To reinforce democratic institutions and to enhance attention to human rights matters are specific objectives sought by the U.S. Government. The U.S. legislation that had prohibited arms transfers to Argentina, the International Security Assistance and Arms Export Act of 1976, P.L. 94-329, was amended in 1981 by section 725 of the International Security and Development Cooperation Act of 1981 (Public Law 97-113). Under the provisions of section 725, the President in 1983 certified to Congress that Argentina has made significant progress in complying with internationally recognized principles of human rights. Now that certification has been made, Argentina is eligible to purchase training and equipment through FMS cash and/or commercial procedures.

The delegation was informed that any Argentine arms requests through FMS cash or commercial channels will be evaluated carefully on a case-by-case basis to ensure that they are compatible with efforts to resolve peacefully the Falklands/Malvinas and Beagle Channel disputes. Some Argentine officials expressed concern about the recently signed military industrial agreement between United States and Brazil and its potential impact on regional balance.

Foreign relations

Argentina pursues a pragmatic, pluralistic foreign policy, maintaining relations with almost all countries. Relations have traditionally been closest with Western Europe, the United States, and Argentina's Latin American neighbors. However, more recently, the pursuit of trade and other economic advantages has encouraged contacts with nontraditional partners, including the Soviet Union.

Argentina presently has two territorial disputes. One is with the United Kingdom over a group of islands some 480 miles northeast of

Cape Horn. These islands are referred to as the *Islas Malvinas* by the Argentines, and by the British as the Falkland Islands. In an effort to establish its sovereignty claim, the military forces of Argentina occupied the islands on April 2, 1982. Following a brief but costly war, the Argentine forces were defeated. Subsequently, Argentina has continued to press its claim to sovereignty in a variety of international fora. There are presently hopeful signs that a dialog may be initiated between the United Kingdom and Argentina. The United States has taken no position on the legal merits of the competing claims.

The other dispute is with Chile over possession of three islands in the Beagle Channel, a narrow passageway dividing the main island of Tierra del Fuego from the smaller islands at the tip of South America and territorial sea jurisdictions in the area. The dispute over the location of the international border with the Beagle Channel has been an irritant in relations between Chile and Argentina since the turn of the century. The two parties agreed in July 1971 to submit the dispute to arbitration by five judges of the International Court of Justice. In May 1977, the court called for a division of the channel between Argentina and Chile; Chile was granted possession of the three islands. Argentina rejected this ruling, but both nations agreed to submit the dispute to the Vatican for mediation. In January 1984, the Argentine and Chilean governments signed an agreement under Papal auspices committing them to peacefully resolve the issue.

CHILE

About 82 percent of Chile's population of more than 11 million people live in urban centers; almost 40 percent live in the capital, Santiago. To a large degree, Chile's population is homogeneous, perhaps due to its geographical and cultural isolation in its early history. The largest population group is of mixed Spanish-Indian (*mestizo*) ancestry.

Chile, with an area of more than 292,000 square miles, is on the extreme southwest coast of South America and shares borders with Peru, Bolivia, and Argentina. Chile's west coast stretches 2,650 miles along the Pacific Ocean.

History

Chile was first settled in 1541 by Spanish explorers under the leadership of Pedro de Valdivia who came from Peru. Chile was ruled by Spain until 1810 when the national government was formed. Chile formally proclaimed its independence in 1818 after a prolonged struggle led by Chile's most renowned patriot, Bernardo O'Higgins.

In the 19th century, the system of presidential absolutism gradually evolved into one of legislative predominance. Early in the 20th century, the parliamentary domination eroded into an unstable system aimed at protecting the ruling oligarchy. From 1924 to 1932, Chileans experienced further political instability. With the restoration of constitutional procedures in 1932, a strong middle-class party became the key force in the coalition governments of the next 20 years.

During the 1950's and 1960's, however, the growing crises of democracy became increasingly evident as the consensus between Chile's political factions began to break down. The radical left, gained strength by stressing the nation's serious social problems, specifically, the inability of the government to deal with the acute poverty of 30

percent of the population. As a result, by 1970, the Chilean society had become substantially polarized with one-third of the population supporting the leftists.

In 1970, the presidential election was narrowly won by Dr. Salvador Allende Gossens, a Marxist and member of Chile's Socialist Party who headed a coalition representing several political factions. Factionalism among the traditional political parties enabled him to win with 36 percent of the vote. Under Allende, Chile entered a period of abrupt economic and social change, including the takeover of much of Chile's remaining private foreign and domestically owned industries and banks, accelerated agrarian reform, and the nationalization of American interests in Chile's major copper mines.

By 1973, with inflation in excess of 600 percent, mass demonstrations were held against the government with recurrent strikes and widespread violence between increasingly polarized hostile camps. As a result, in September 1973, the armed forces—contending that military intervention was justified by conditions of economic and political chaos that had left the country bankrupt, impoverished, and aligned with the Soviet Union and Cuba—broke with their traditional nonintervention in the political arena and overthrew the Allende government. American and Chilean officials with whom the delegation spoke—both officially and unofficially—stressed that such intervention was antithetical to the Chilean military establishment, unlike other nations on the continent, and came about only when there appeared to many Chileans to be no other course of action. As Ambassador James Theberge related to the delegation, "Chilean democracy destroyed itself; the military only delivered the *coup de grace*." According to some sources given considerable credibility in Santiago, the military resisted repeated requests to assume power, even after public censure of the Allende regime by the Chilean Congress, the judiciary, and the Comptroller General. However, when a senator belonging to the Allende faction went to the local naval base and urged the enlisted men to rebel against their officers, the military was finally driven to act.

The military, led by General Augusto Pinochet Ugarte, embarked on a wide-ranging effort to change the Chilean political and economic systems and undertook extensive repression of perceived opponents, especially those it believed to be Marxist. Political parties were banned, and many thousands of Chileans were first imprisoned and then permitted to go into exile. More than 650 people disappeared after arrest by security forces and many of them are now presumed dead.

Government

Since the *coup d'état*, Chile has been ruled by a military government. Legislative authority is vested in a junta composed of the Commanders-in-Chief of the Army, Navy, Air Force, and the national police or *carabineros*. Executive authority is vested in the Army member, General Augusto Pinochet Ugarte, the President.

In a September 1980 plebiscite, Chilean voters approved by a two-to-one margin a new Constitution and a transition plan giving President Pinochet a formal 8-year term beginning March 1981. However, the members of the Democratic Alliance with whom the delegation met felt the choice was between the Constitution as adopted and nothing.

These opposition leaders harshly criticized the plebiscite process and consider the Constitution invalid.

Under the new Constitution, the President continues to exercise extraordinary executive power while the junta acts as the legislative body. In 1989 a single candidate plebiscite will be held. The single candidate will be selected by the military junta. If the candidate is elected, he will serve until 1997 when the first direct presidential election will be held. Should the official candidate not be approved by the voters, a contested election will be held within one year, and congressional elections will be held in 1990.

The members of the Democratic Alliance strongly emphasized to the delegation their concern that the transition process be substantially accelerated in order to permit an early return to democracy.

Economy and inflation

Beginning in 1975, Chile began a reversal of the economic program of the Allende government through a restructuring of the economy. Changes were implemented to move the economy from state ownership toward free enterprise, from import substitution toward export-led growth, from controls and regulations toward reliance on market mechanisms. As a result, Chile became the fastest growing economy in Latin America.

In mid-1981, however, the bubble burst. The rise of international interest rates, in addition to aggravating the worldwide recession, substantially increased the cost of servicing Chile's large foreign debt. In addition, Chile attempted to peg its peso exchange rate to the dollar and required mandatory indexation of wages. The problem was further exacerbated by the availability of foreign loans for financing imports, seriously eroding the competitiveness of Chilean products. With \$18.1 billion owed to creditors abroad, Chile has the highest international debt per capita in the world.

The situation has improved somewhat during 1983 as a result of revised monetary policies, renegotiation of portions of the foreign debt, austerity programs to meet International Monetary Fund requirements, and an improvement in world economic conditions. The outlook for the future remains unclear, particularly since the government is expanding, rather than reducing, its spending on social services. Chile is expected to increase its public sector deficit from 2.3 percent of GDP in 1983 to 5 percent in 1984. Long-term prospects for the Chilean economy will be heavily influenced by the cost of servicing the debt, copper prices, and the ability to deal with problems in the financial sector.

Military forces

The Chilean military includes the Army with approximately 53,000 personnel, the Navy with approximately 28,000 personnel including 5,000 Marines, an Air Forces of approximately 15,000 personnel and the *carabineros* who constitute a paramilitary reserve force in time of war.

In Chile, military service is compulsory for all men unless legally exempted. Conscripts serve for 15 months, principally in the Army which has 30,000 conscripts. The Air Force is totally volunteers. The Navy has 3,000 conscripts, mostly Marines.

At Valparaiso, the delegation visited the Headquarters of the First Naval Zone, toured the Chilean Naval Academy, and boarded the cruiser *O'Higgins* and the destroyer *Prat*. The delegation was highly impressed by the pride and professionalism of the Chilean Navy. Although much of the equipment is old, it is maintained with great care. For example, the delegation found the *O'Higgins*, the former U.S.S. *Brooklyn* commissioned in 1939 and purchased by Chile in 1950, to be in excellent shape despite the very difficult task of obtaining parts for a vessel of that vintage.

Training procedures for personnel are of similar quality. Officers enter the Naval Academy at age 15 or 16 for a five-year course. Selection is by competitive examination. After commissioning, the officer serves an operational tour of duty and is then returned to school to complete his university degree and obtain specialized training in his field. Throughout his career, the officer has opportunities for continuing education, including further specialized training, occasionally at foreign universities like the Massachusetts Institute of Technology. The extent of continuing education available to the officer corps is at least as great as that provided to officers in the U.S. Armed Forces. A number of courses of training are also available to enlisted personnel throughout their careers. Overall, the delegation was impressed by the high standards of training, discipline, and efficiency throughout the Chilean armed forces, occasionally their professionalism and military competence among the highest in the hemisphere.

Arms

During the recent period when U.S. policy prohibited any form of military cooperation with Chile, equipment was purchased from various countries, notably France, Israel, and the United Kingdom. Procurement from multiple sources has resulted in the lack of commonality in Chilean equipment, increased logistical problems and increased vulnerability to disruption of deliveries of equipment and spare parts.

One of Chile's critical military needs is for spare parts for its older, U.S.-produced equipment. In addition to several combatant vessels purchased from the United States, Chile has a substantial inventory of U.S.-built aircraft, including F-5 fighter aircraft, A-37 attack aircraft, T-37 and T-34 trainers, C-130 transports, and helicopters. The nonavailability of spares has adversely affected combat readiness and created a potentially serious safety problem. Chilean military officials emphasized their view that the United States has a moral obligation to provide information and spare parts for equipment purchased from U.S. companies. Particular concern was expressed to the delegation about the potential for tragedy, such as the lack of replacement ejector seats for F-5 aircraft.

Trade relations with the United States

Trade relations with the United States are a source of particular concern to Chile because of their impact on economic recovery. With the worldwide recession in mid-1981, prices for Chile's exports like copper, forest products, and fishmeal declined sharply.

Chile is a large exporter of mineral products: sixty percent of the country's merchandise exports are mineral products. Despite the de-

velopment of many new mineral and non-mineral exports, copper accounts for about 45-50 percent of all exports. Chile is the world's most efficient producer of copper. In 1982, copper exports totaled \$1.7 billion, and Chile hopes to double its copper production in ten years. The delegation was advised that Chilean officials are, therefore, very concerned about the efforts of U.S. copper producers to impose import restrictions on copper imports in order to protect the price of U.S.-mined ore. This would effectively reduce Chilean export prices. As in other nations in South America, the current trend toward protectionism in the United States is viewed with growing alarm.

Foreign relations

The Chilean government maintains diplomatic relations with more than 70 countries. When the military regime came to power in 1973, most communist countries broke diplomatic relations with Chile.

Relations with Argentina have been strained over the boundary dispute involving the Beagle Channel at the southern tip of the continent. Chilean officials emphasized to the delegation their desire to reach a peaceful resolution of this and other issues with respect to Chilean access to the Atlantic Ocean and territories and territorial sea claims in the Beagle Channel area. They expressed guarded optimism that the current mediation efforts by the Pope, including the agreement signed between the two governments in January 1984, will prove successful and believe that the Alfonsin government may feel such a settlement is in its own best interest. The delegation was further advised the Chilean military officials view the combined military capability of Argentina, Peru, and Bolivia as a potential threat to national security.

U.S. relations with Chile were severely strained from 1976 to 1980 because of human rights violations and because many U.S. officials believe the Chilean government failed to investigate seriously or prosecute three Chilean ex-intelligence officers who were implicated in the assassination in September 1976 in Washington, D.C., of Orlando Letelier, former Chilean Ambassador to the United States, and Ronni Moffitt, U.S. citizen and coworker of Mr. Letelier.

Recently, the United States has taken certain actions to improve relations: lifting the suspension of Export-Import Bank financing; inviting the Chilean Navy again to participate in the UNITAS naval exercises; voting against continuing the mandate of the Special Rapporteur for Chile in the United Nations Human Rights Commission and the General Assembly; voting in favor of loans for Chile and the multilateral development banks; and establishing ongoing consultations on bilateral and international political and military issues.

The principal impediment to full normalization of U.S.-Chile relations had been the prohibition on the sale of military equipment and training to Chile. This limitation, established by the International Security Assistance and Arms Control Act of 1976, Public Law 97-329, was modified by the International Security and Development Cooperation Act of 1981, Public Law 97-113. At that time the Congress reiterated its concern regarding the human rights situation in Chile and its insistence that the guilty parties in the Letelier/Moffitt assassinations be brought to justice. Under current law, Presidential certification attesting that Chile is taking appropriate steps to address these concerns

is required before the prohibition can be lifted. Both United States and Chilean officials indicated to the delegation their belief that substantial progress had been made in the human rights area and that certification would be in the best interest of the United States, given the strategic importance of Chile. The delegation strongly agrees that the certification would be in the best interest of the United States.

As the intense international criticism of Chile has eased in response to the government's improved human rights practices, Chile has established more normal relationships with some of its traditional allies by renewing diplomatic relations at the ambassadorial level and by expanding trade links.

PERU

Ethnically, Peru's population of more than 18 million people is composed of three major components: Indian, mestizo, and white. With an area of 496,222 square miles, Peru is three times larger than California. Five million people live in the capital city of Lima.

Peru is the third largest country in South America, after Brazil and Argentina. Peru is bordered by Ecuador, Colombia, Brazil, Bolivia, Chile, and a 1,400-mile Pacific Ocean coastline. The country is a stunning mixture of desert coastal area, the Andes Mountains, and the isolated eastern lowlands and amazonian jungle that occupy more than half of Peru's total land area.

History

When the Spanish arrived in 1531, the territory that is now Peru formed the nucleus of the highly developed Inca civilization that had emerged in the 11th or early 12th century. By 1542, the Spanish controlled the territory. By the time of the Wars of Independence in 1820 to 1924, Lima had become the most distinguished and aristocratic colonial capital, as well as the chief Spanish stronghold, in South America.

The independence movement was led by José de San Martín of Argentina and Simón Bolívar of Venezuela. In December 1824, Spanish rule was ended by the defeat of Spanish troops at Avacucho by General Antonio José de Sucre. Spain finally recognized Peru's independence in 1879. Since independence, Peru and its neighbors have engaged in intermittent territorial disputes. Chile's victory over Peru and Bolivia in the War of the Pacific from 1879 to 1893 resulted in a territorial settlement that is still the subject of dispute by Bolivia. The delegation was advised that some observers feel that the outcome of this conflict and the potential for tensions between Peru and Chile have contributed significantly to the traditional direction of current Peruvian defense policy.

The military has been prominent throughout Peruvian history; coups have repeatedly interrupted civilian constitutional government. The most recent military takeover occurred in 1968 with the overthrow of President Fernando Belaunde Terry. After completion of a transition process begun in 1975, the military relinquished control with the May 1980 election of Belaunde as the current President of Peru and continues to support the constitutional order.

Economy/inflation

Peru is presently beset by economic problems of staggering proportions. With already serious problems because of extremes of poverty,

Peru's economy experienced one of the worst years in history in 1983. The Gross Domestic Product fell by 10 to 13 percent and inflation doubled to approximately 125 percent. Much of this economic decline was caused by low prices for export commodities and the floods and other natural disasters brought by the "El Nino" climatic phenomenon that devastated many regions of the hemisphere.

Like other nations in the region, Peru is faced with a large foreign debt: \$12.5 billion. Although Peru has met with relative success in rescheduling the debt, such rescheduling simply defers repayment. It is anticipated that servicing the debt will require more than half of Peru's export earnings through the end of the decade.

Peru's economy has basic structural problems. The present government inherited from the previous regime a large number of government-owned companies, many of which lose large sums of money. Currently, 23 percent of GDP is generated by state-owned industries. The delegation was advised that this is an improvement over the previous years; however, divestiture of these public firms to the private sector is proving to be extremely difficult politically and contributes to the already severe unemployment rate.

Tax revenues dropped 30 percent in 1983 in real terms compared to 1982 because customs receipts, the leading revenue source, are declining as imports continue to drop. The government of Peru has found it difficult to cut expenditures sufficiently to offset this reduction in revenues. As a result of the weak financial situation and the large balance of payments deficit, the International Monetary Fund (IMF) has severe restrictions that have significantly limited Peru's ability to invest in future development and create jobs for its growing population. President Belaunde underscored to the delegation the need for greater understanding by the IMF. He noted that although the projected U.S. deficit for fiscal year 1985 was 6 percent of GDP, the IMF has set a target of only 3.8 percent for Peru. In discussions with the Minister of Finance, the delegation felt that the IMF should treat Peru as a unique case, giving it maximum flexibility to stimulate the economy and avoid widespread social unrest.

Peru has rich and varied mineral resources and is one of the world's leading producers of silver, zinc, lead, copper, gold, and iron ore. Self-sufficient in crude oil production, Peru exports one-third of its production to foreign markets. Unfortunately, Peru's ability to capitalize on these natural resources is limited by the bleak domestic economic situation and the effects of global recession.

Military forces

The Peruvian military is directed by the President. There is a relatively small joint command although each service has substantial autonomy. The services, three armed forces and three paramilitary police organizations, total more than 170,000 men.

With 75,000 men, the Army is the largest service, followed by the Air Force with 40,000 and the Navy with 16,000. The 32,000-man Guardia Civil (paramilitary police force) is responsible for the maintenance of public order and patrol of the borders. Protection of government property, prison guard service and customs are provided by the 4,500-man Guardia Republicana; all criminal investigations are handled by the Policia de Investigaciones del Peru, whose manpower totals are unpublished.

The military sector has always been a key institution in Peruvian society. For example, one of the Army's missions on which the delegation was briefed is to assist in the development of the country; civil engineers in the Army are charged with building roads in some of the most inaccessible and difficult areas of Peru. The Army and Navy have also been active in facilitating settlements in Peru's vast and sparsely populated eastern lowland Amazon region.

Officers at the Air Force Ministry discussed with the delegation their desire to undertake a more active role in preventing the passage of airborne drug traffic across Peru's Amazon wilderness to Colombia. Peru is one of the world's major producers of coca, the raw material from which cocaine is manufactured.

Arms

In the early 1970's, Peru embarked on an arms modernization program for all military services. The United States refused to sell certain equipment to Peru; in other instances, Peru found the western prices too high. Thus, Peru bought a significant amount of military hardware from countries other than the United States, for example, submarines from the Federal Republic of Germany, missile frigates and helicopters from Italy and fighter aircraft from France. The bulk of U.S.-purchased equipment is old and in need of replacement.

Peru became the first continental Latin American country to purchase Soviet arms. Soviet weaponry in the current Peruvian inventory include HIP-C attack helicopters, Fritter fighter-bombers, Sagger anti-tank missiles, RPG-7Vs, SA-3s, SA-7s, 122 millimeter howitzers, 130 millimeter howitzers, ZSU-23 air defense guns, 122 millimeter multiple rocket launchers, T-54/55 tanks, BTR-40 armored personnel carriers, and M-3A1 armored scout cars.

There is also a substantial presence of Soviet personnel in Peru totalling 350 officials and their families, including 150 military technicians. The delegation was advised that the current Peruvian debt owed to the Soviet Union for military equipment exceeds \$1.5 billion. Increased reliance on the Soviet Union resulted from the highly favorable purchase and credit terms offered as well as from the desire of the military regime of the mid-70s to demonstrate its independence from the west.

Even in the civilian sector, the Soviet presence is evident. The delegation received information indicating a growing presence of Soviet propaganda in the form of comic books and movies that have found their way into neighborhood centers and other civic gathering.

In spite of the extensive Soviet presence, the Peruvian military is considered to be pro-United States, at least in the more senior ranks. This point was given particular emphasis by the Minister of the Air Force, Lt. General Jose Zlatar Stambak, and his staff during a meeting with the delegation. Members of the Air Staff expressed the friendship for the United States and their desire to purchase U.S.-made equipment and to participate more fully in military training programs in the United States.

As a result of the limits in IMET funds available in recent years, however, far fewer of the next class of Peruvian officers have had an opportunity to attend U.S. military schools at a time when the Soviet Union has been substantially increasing the availability of such pro-

grams. As a result, the orientation of the next generation of officers is less clear.

The importance that Peruvian military leaders place on U.S. military training was highlighted in discussions with the delegation. Navy officials indicated that they are permitted three midshipmen at the U.S. Naval Academy in Annapolis, but currently have only one in attendance because sufficient funds are not available in their budget to pay the cost of additional midshipmen. Similar concerns were expressed by the other services. By contrast, the Soviet Union provides full funding for large numbers of students, including supplemental living allowances. Upon graduation from Annapolis, the one Peruvian midshipman completes a further course of study at the Peruvian Naval Academy. At that time, he is graduated first in his class on the basis of his training at Annapolis, a concrete illustration of the value that the Peruvian Navy places on such U.S. training opportunities.

Army officials indicated that their highest priority for U.S. military equipment is construction equipment like Caterpillar tractors that can be used in the national development program of road construction and frontier settlement. The Navy, the only armed service that has purchased no Russian equipment, would like to update its inventory of aging U.S. vessels and is presently in the process of negotiating the transfer of three LSTs from the U.S. Navy. Peruvian naval officers indicated that Foreign Military Sales (FMS) credits would be needed to complete the purchase and overhaul of these vessels.

It should be noted that the Soviet Union offered the Peruvian Navy a very attractive package for similar vessels, but at this time, the Peruvian Navy prefers to purchase and refurbish the U.S.-built LSTs despite the less advantageous terms.

The Air Force expressed an interest in the procurement of two acquisition radars to assist in providing surveillance of the air corridor across the Amazon through which the majority of Colombian-bound drug traffic currently passes.

Foreign relations

Peru continues to focus its foreign policy on the South American region, principally the Andean countries, and on maintaining strong relations with the industrial democracies.

President Belaunde has placed emphasis in maintaining Peru's independence, national defense, national rights, and continued development of natural resources. While the current government is basically pro-western, it maintains relations with most countries of the world including both communist and non-communist states.

FOCUS ON MAJOR ISSUES

EASTERN CARIBBEAN REGION

U.S. Presence—Meeting the threat

Developing and maintaining democracies and supporting sustained economic growth are the two major Administration objectives in the Eastern Caribbean region. The countries of the Eastern Caribbean region are threatened by the worst economic depression since the 1930's, and they are also under increased pressure from the Soviets and Cubans who are seeking to expand their military and political influence in the region.

The Eastern Caribbean consists of seven independent island states and three British territories. Each state has a democratic form of government and maintains friendly relations with the United States. The annual per capita income ranges from approximately \$450-\$1,250, except for Barbados and the British Virgin Islands where the per capita incomes exceed \$3,000. Most of these islands have or are in the process of gaining independence from the United Kingdom.

Independence places additional economic and security responsibilities on these small dispersed island nations. They are struggling to meet many of the difficult security and economic challenges while severe weather conditions and international monetary conditions have wreaked havoc on their fragile economies. These economic conditions provide fertile ground for the spread of communist ideologies and military adventurism.

The delegation believes that the Grenada situation and other disturbing developments in the Eastern Caribbean vividly illustrate the multiplicity of economic, political, and military challenges that continue to threaten the stability and security of the region. For example, during the delegation's visit to Grenada there were grim reminders of the level of Cuban involvement: Cuban supplied vehicles from Russia and Eastern Europe at various locations near the Point Salines airport and other strategic points around the island; the airport itself with a 10,000 foot runway built by the Cubans; Marxist propaganda signs painted across the walls of many buildings that were previously occupied by members of the Marxist-oriented People's Revolutionary Army (PRA); and remnants of Cuban uniforms found at several sites formerly used by the People's Revolutionary Army. These and other observations brought into sharp focus the absolute necessity for the actions taken by the United States Government on October 25, 1983, when elements of the U.S. Rangers, the 82nd Airborne Division, and the U.S. Marines, as part of a multi-national force, performed a daring and courageous rescue mission that potentially saved the lives of U.S. students who could have been held hostage by the People's Revolutionary Army and removed the threat of terrorism faced by the Grenadian people.

The delegation was encouraged by the statement of the Governor General of Grenada, Sir Paul Scoon, who said, "Grenadian people do not want communism, and they are happy about the rescue operation and the U.S. presence here." He went on to say that, "I am more and more convinced that this country would have become a bastion of communism if the United States did not intervene."

During the delegation's tour of Grenada, it was abundantly clear that the Grenadian people were very appreciative of the support that the United States people provided during one of Grenada's darkest hours. As the Grenadian police chief stated, "The people believed that their salvation came from the sky in the form of a U.S. Black Hawk helicopter." Members of the U.S. Army military Support Element in Grenada also conveyed to the delegation that the people had exhibited strong support toward U.S. military presence.

The current U.S. presence in Grenada consists of three support elements: an 82nd Airborne Division Military Support Element, a U.S. Coast Guard element, and a U.S. Army Maintenance detachment. The U.S. Military Support Element was established on December 14, 1983, when the U.S. combat forces departed Grenada. The mission of the Military Support Element is to support the multinational Caribbean Police Force (CPF) and to perform other security roles in Grenada. The total number of personnel currently assigned to the U.S. Military Support Element is 244 personnel. The U.S. Coast Guard element has a mission to provide coastal patrol and customs support for the Grenadian government and currently has 95 personnel assigned. The Coast Guard element has two 95 foot cutters and one buoy tender available to support its mission. The U.S. Army Maintenance detachment has a mission to maintain the equipment used by U.S. personnel and to provide some training to the Caribbean Police Force. The Maintenance Support detachment currently has 20 personnel assigned.

The delegation had extensive discussions with officials of the multinational Regional Defense Force—a federation of Eastern Caribbean states including Barbados, Grenada, Antigua, St. Vincent, Dominica, St. Kitts-Nevis, and St. Lucias—and officials of the Grenadian Police Force concerning the threat to the Eastern Caribbean region. Although the Grenadian police chief believed the most immediate threat to Grenada to be from those members of the People's Revolution Army dispersed in the hills and from Marxist militiamen, the Regional Defense Force officials were unanimous in stating that armed aggression from an external force is the most immediate threat to the security of the Eastern Caribbean region as a whole.

The delegation believes that the Grenada incident brought into sharp focus the necessity for developing and maintaining a federation of states in the Caribbean that could assist in providing mutual defense against external aggression. In 1979 Grenada had a small police force and a small and lightly armed defense force. However, by October 1983, Marxist-oriented regular army approaching 600 personnel supplemented by a militia estimated at between 2,500 and 3,800 personnel existed in Grenada.

The militia's mission was to assist the army in national defense to perform neighborhood control duties and to serve as a vehicle for ideological recruitment and indoctrination into the People's Revolu-

tionary Army. Militia members were uniformed but unsalaried and received two months of basic infantry training at army camps or other sites followed by two hour classes each week, largely devoted to political education. In fact, service in the militia gradually came to be seen as a prerequisite for government employment. Although by all accounts, by July 1982 the People's Revolutionary Army clearly dwarfed those of the Organization of Eastern Caribbean States (OECS), Grenada was planning to field three more active battalions and nine more reserve battalions.

According to captured documents, in July 1982, the People's Revolutionary Armed Forces of Grenada sent a request to the Soviet Union that read as follows:

The plan for the development of the Armed Forces during the three year period 1983 to 1985 for which the assistance is required is as follows:

1983—(i) Further consolidation of: (a) one permanent infantry battalion; and (b) five reservist infantry battalions plus assurance and support units.

(ii) The creation of: (a) two more regular infantry battalions; and (b) four more reservist battalions plus assurance and support units.

1984—Formation of one additional regular infantry battalion together with two reservist battalions plus assurance and support units.

1985—Formation of three additional reservist battalions plus assurance and support units.

If this 3-year force development plan had been implemented, Grenada would have possessed an 18 battalion force consisting of between 7,000 and 10,000 personnel. In proportion to population, Grenada would have been one of the largest military forces of any country in the world.

There does exist a real threat to the security of the Eastern Caribbean region and the delegation believes that the U.S. presence in Grenada and the development of a Caribbean Defense Force will help to mitigate any actions on the part of Cubans or the Soviets to further expand their military influence in the region.

Multinational Regional Defense Forces—Bold Caribbean Initiative

The Multinational Regional Defense Force is a security instrument of the Organization of Eastern Caribbean States (OECS). The multinational Regional Defense Force provides personnel and support for the Caribbean Police Force currently operating in Grenada. The delegation was informed that the total number of personnel available to support this regional defense force is less than 600. Furthermore, most of these personnel are policemen, with fewer than 200 being combat infantry troops. As previously mentioned, seven countries participate in this Regional Defense Force. The motivation for developing a multinational Regional Defense Force was to provide some measure of security for the Eastern Caribbean nations, many of which have recently gained their independence and do not have the economic base to support a standing army.

The table below identifies those nations that are members of the Regional Defense Force and outlines their individual contributions to the defense forces as well as the size of their internal police force and coast guard units. The Grenadian Police Force, about 360 personnel is not included in the figure. Although Jamaica contributes approximately 270 personnel to the Grenadian Police Force, it is presently not a member of the Regional Defense Force, therefore, Jamaica is not included in the table.

FORCE SIZES OF THE VARIOUS EASTERN CARIBBEAN NATIONS

Nation	Defense	Reserves	Police	Police— special service unit	Coast Guard
Antigua	60	.....	350	55	19
Barbados	270	250	1,500	50	90
Dominica .....	.....	.....	375	80	25
St. Kitts .....	.....	.....	300	30	.....
St. Lucia .....	.....	.....	425	80	23
St. Vincent .....	.....	.....	420	65	25
Total	330	250	3,370	360	182

While in Barbados, the delegation was briefed by Brigadier General E. C. Lewis, Commander of the Regional Defense Force, on the status of the force and the need to develop a more permanent security force in the region. General Lewis indicated that many of the countries in the Eastern Caribbean do not have a defense force. In fact, of the seven nations included in the Eastern Caribbean Regional Defense Force only two—Barbados and Antigua—have an army. The remaining nations must rely on regular police forces to maintain law and order as well as to defend against external aggression. The delegation was informed that of the 3,370 police in the Eastern Caribbean region, only about 10 percent—360—have received any para-military training. General Lewis emphasized the necessity of providing as much para-military training for these policemen as possible to help offset acute shortages of regular army forces in the region.

The delegation was briefed on a proposed five-year plan to expand the multinational Regional Defense Force into a permanent Caribbean Defense Force consisting of approximately 1,800 men—700 of whom would be combat infantry troops with the remainder being Coast Guard troops and air support elements. General Lewis indicated that the Regional Defense Force is currently studying this issue and will soon develop a long-range comprehensive program for implementing a Caribbean Defense Force. He also said that "Grenada not only highlighted the necessity for having such a defense force but also highlighted the limitation of the current defense force structure." He indicated that in order to implement the proposed five-year plan, financial assistance would be necessary because most of the small nations in the Caribbean do not have the economic base to support a Caribbean Defense Force. General Lewis explained that this Caribbean Defense Force would operate under the "principle of minimum force," which means that in most cases the internal (regular) police forces would be used to respond to any small-scale internal disturbances. If these regular police forces were not successful then the para-military police

force would be used and only if this para-military police force were not able to counter the threat would the Caribbean Defense Force be deployed.

The delegation was informed that in order to implement this bold new Caribbean security initiative, two actions would be necessary: (1) increases in security assistance and (2) relief from section 660 of the Foreign Assistance Act of 1961, as amended.

In the security assistance area, the delegation was informed that in order to implement the Caribbean defense initiative increases would be necessary in the Military Assistance Program (MAP) and in the International Military Education and Training Program (IMET) funding. The delegation was told that for the entire Eastern Caribbean, \$2.1 million was authorized and appropriated for MAP in fiscal year 1983 and \$7 million in fiscal year 1984. In the IMET program, the delegation was informed that for the entire Eastern Caribbean \$170,000 was appropriated in fiscal year 1983 and \$400,000 was appropriated in fiscal year 1984. The Administration has requested \$5 million for MAP in fiscal year 1985 and \$300,000 for IMET in fiscal year 1985 for the Eastern Caribbean region. General Lewis indicated to the delegation that increases in MAP funds would be used to purchase additional small arms, armored personnel carriers, antiarmor weapons, and similar conventional weapons for the Caribbean Defense Force. Furthermore, he stated that if additional IMET funds are made available they could be used to provide para-military training for some portion of the 3,370 policemen, given that the restrictions of section 660 of the Foreign Assistance Act could be removed.

Section 660 of the Foreign Assistance Act prohibits the use of IMET funds to support para-military training of police unless that country does not have a viable defense force. The delegation clearly understands the motivation for section 660 but believes that due to the current threat in the Caribbean, some legislative or administrative relief from the provisions of section 660 is absolutely imperative if the newly constituted Regional Defense Force is to become a viable instrument for security in the Eastern Caribbean region.

The delegation believes that the establishment and maintenance of a viable mutual defense force in the Caribbean is consistent with the security interest of the United States and, therefore, recommends U.S. support for this bold Caribbean security initiative.

Arms assistance—Small investment for security

The delegation agrees that the economic conditions in the Eastern Caribbean region severely inhibit those nations from acquiring the conventional weapon systems needed to provide adequate security to this critical region.

While discussing arms sales and arms assistance policy with members of the Grenadian Police Force, the Grenadian police chief indicated that his forces are in dire need of 52 to 70 vehicles, including jeeps and small trucks; communications equipment to support base operations and patrol requirements; and small arms including M-16's, mortars, grenades, and small caliber machine guns to equip approximately 600 personnel. The police chief indicated that his plan is to build to a force of approximately 600 people over the next two years, and once that force has been trained and equipped it could replace the present U.S. contingency and the Regional Defense Forces on Grenada.

During discussions with members of the Regional Defense Force, the delegation was informed that due to the geography and size of the Eastern Caribbean region, the most immediate requirements are in the areas of communications equipment, small patrol boats, helicopters—they requested a total of four helicopters—small arms, a few armored personnel carriers, and some anti-armor systems.

It was clear from the discussions that some additional security assistance support is necessary. Therefore, the delegation strongly supports increases in MAP funding or a more creative FMS arrangement to fund the equipment necessary to support the activities of the Regional Defense Force. The amount of assistance necessary represent a relatively small investment that could result in sizeable dividends in the security of the hemisphere.

SOUTH AMERICA

Strategic value of South America—Atlantic and Pacific

“Geopolitically, Latin America represents one of the most significant regions of the globe from the perspective of the United States.” This statement, published in the Report of the Delegation to Latin America Countries, 1982 of the House Committee on Armed Services, is as applicable today as it was in 1982. With current U.S. attention focused on Central America, the inclination is to forget that South America is a growing and vibrant continent and very important to the securities of this hemisphere. In recent years, U.S. influence in South America has experienced a decline.

South America is situated alongside the strategically important sea lanes of the South Atlantic and, along with Panama, controls the only two sea passages from the Atlantic to the Pacific. The United States has a strategic need for favorable relations with the countries of South America in the areas of trade and Southern Hemisphere military operations.

Security of the South Atlantic sea lanes

To illustrate the immense strategic importance of the sea lanes of the South Atlantic, Western Europe receives 80 percent and the United States 60 percent of their oil through this area of the world. South American countries' oil deliveries are also channeled through this region; for example, Brazil receives almost all of its oil through the South Atlantic. Oil is not the only critical material that passes through the sea lanes. The nations bordering the South Atlantic produce raw materials that are strategically and economically critical to nations in the Northern Hemisphere. South Africa, for example, produces chromium, cobalt, industrial diamonds, manganese, vanadium and platinum metals.

Although the South Atlantic sea lanes provide critically important raw materials to the United States and Western Europe, two other factors add to the importance of the sea lanes. With the growing numbers of insurgent-based activities in Latin America, friendly nations with even limited capabilities to project power are needed. Should a major East-West confrontation occur, friendly South American countries could be a critical asset.

Control of the sea lanes, therefore, is essential to the well-being of the free world. The narrowest passage between the South Ameri-

can and African continent, the "Natal-Dakar Channel," touches Brazil. Used to strategic advantage in World Wars I and II, this channel could assume a similar importance in any future world conflict. U.S. naval forces are stretched thin in this area with other worldwide commitments.

An Armed Services Committee report of January 1982 stated:

The nations bordering the South Atlantic sea lanes—on both sides of the ocean—represent allies that if favorably disposed toward the United States and if provided appropriate resources and incentives could be of great assistance in ensuring the security of the free world. These nations are not without naval forces. Many of their ships are World War II vintage, but the nucleus exists for more capable, power projection forces.

The delegation judged this statement still basically true; however, there are now some serious problems. The delegation was briefed in all three of the countries of South America that face the Atlantic Ocean and found that the "nucleus" for a "more capable power projection of forces" has deteriorated substantially. The delegation believes that none of these countries have the naval resources to appreciably add to the security of the South Atlantic sea lanes.

During the visit to Brazil, the Brazilian government agreed that the sea lanes of the South Atlantic are critical; however, at this time, they have limited means to patrol or protect these sea lanes. Clearly, Brazil does not have a "blue water" navy. Antisubmarine equipment presently available is a limited number of antisubmarine warfare (ASW) helicopters. The delegation is concerned that with the slow recovery of Brazil's economy and increasing demands for domestic products, it will be a very long time before Brazil can adequately focus on the security of the South Atlantic sea lanes.

In Uruguay, the delegation was informed that the Uruguayan navy has just two ships, one small destroyer and a destroyer escort—both World War II vintage. Neither of these ships operate in the South Atlantic due to their extremely poor maintenance condition. The armed forces of Uruguay are totally committed to a defensive role. The focus of the Uruguayan government is on the economy and on Uruguay's gradual return to democracy. Even when all the economic and political problems are solved, the budget for this small country, wedged between two giants, will probably not be able to accommodate a "blue water" navy.

The April 1983 invasion of the Falkland Islands by Argentina was an attempt to regain territory that the Argentinian people steadfastly believed rightfully belongs to Argentina. If they had been successful, Argentina would have strengthened its position in the South Atlantic and especially in the passage to the Pacific Ocean. With the unsuccessful outcome in the Falklands, Argentina lost this possible advantage; however, it has also been the catalyst in that country's return to democracy. A new government led by President Raul Alfonsin defeated the military regime and one of the first acts of the new government was to cut back the military, both in strength and influence. Argentina President Alfonsin told the delegation that his first

objective is to firmly establish civilian control of the armed forces and return them to a more traditional role. President Alfonsín stated "our best defense is the return to democracy." The delegation concurs with the objective but is concerned that further cuts in the armed forces may weaken security in the region.

Security considerations—Pacific side of South America

The western coastline of South America, extending from Colombia in the north to the tip of Chile in the south, is dominated by two countries. Peru covers about one-fourth and Chile covers over one-half the total length of the western coastline of South America. Obviously, the importance of both Peru and Chile in this region is considerable.

The strategic importance of Chile was highlighted during a 1980 joint naval exercise called UNITAS. The United States sponsors this exercise; however, Chile was not invited to participate in the UNITAS exercise due to U.S. concerns over human rights issues. As a result, the UNITAS naval task force—after beginning in the Caribbean, transiting the Panama Canal, and operating off Peru—was required to completely reverse its route in order to continue exercises in the South Atlantic. The naval forces participating in the exercise could not travel the long distance to the south and around the lower cone of the continent from Peru because Chilean ports were not available. The constraints on the UNITAS exercise illustrate the strategic importance of Chile, not only as a source of safe ports that can provide logistic and resupply to the regional navies and U.S. naval vessels, but also as a country that could influence events in the passages between the Atlantic and Pacific Oceans and in the Eastern Pacific. There are only two routes available for passage from the Atlantic to the Pacific: the Panama Canal and the Straits of Magellan. If the Panama Canal were to become unusable as a result of terrorist or insurgent activities or as a result of overt military action, the southern passages would become a chokepoint for international shipping. The importance of maintaining a positive relationship with the two countries bordering this passage is obvious.

The importance of the Eastern Pacific area becomes apparent by recognizing that the only accessible facilities capable of providing logistical support for U.S. Armed Forces and merchant vessels south of San Diego, California, are located on the western side of South America.

Regarding the UNITAS exercise, for the past 25 years, the United States has invited most of the South American countries to participate in the annual joint naval exercise. These naval exercises allow each of the participating countries to exercise their operational plans in association with the armed forces of other participating countries. The delegation believes there is great value in these exercises and endorses their continuance. These exercises produce by-products as well. The U.S. Navy includes a naval band when they participate in UNITAS. The delegation was told that 8,000 to 10,000 people attend each performance when the fleet visits foreign ports. This small gesture of U.S. friendship assists greatly in understanding of each others peoples and cultures.

The delegation was told in several countries that UNITAS exercises could be improved with increased participation by Army and Air Force contingents. One of the problems that was brought to the delegation's attention in several of the countries is the lack of sufficient joint service cooperation during UNITAS exercises.

Foreign military training, sales, and security assistance in South America

The delegation, in every country visited, was informed by civilian and military leaders and U.S. officials of the value and importance of close military cooperation with the United States. The delegation heard at each location that these countries wished to enhance military cooperation and further cultural and political understanding through the International Military Education and Training (IMET) programs and other professional military exchange programs. IMET has been in effect in South America for nearly 30 years as an especially effective foreign policy device.

The two major IMET program objectives are to foster greater understanding of U.S. doctrine and objectives and to promote better understanding of the United States, its people, political system and other institutions.

South American participation in the IMET program has declined over the last several years due, in part, as a result of concern over human rights violations. This has created a decrease in number of South American officers who possess an understanding of U.S. interests, strategy and tactical doctrine.

The delegation noted that in several of the countries visited, several of the senior military officers had received training through the IMET program. The concern is, however, that many of the junior officers and non-commissioned officers have not had the opportunity for the close personal contact with U.S. officials and civilians that is achieved through IMET. For example, the delegation was told that Peru has approximately 400 military personnel presently in the Soviet Union receiving training. As an inducement for young Peruvian officers to seek this training, they are offered over five times their normal salary, transportation, and quarters for their families while studying in Moscow. The overall consensus of the delegation is that the United States must intensify its efforts in the area of foreign military education and training. If the countries of South America cannot obtain training from the United States, they will (and have) turned elsewhere.

The sale of military equipment and spares was discussed with the delegation in most of the countries visited. During the past several years, arms embargoes have forced many South American nations to purchase military equipment from non-U.S. sources. Several of these nations have turned to non-communist countries (Chile, for example, has turned to France, West Germany and England); however, others have not. Peru, in particular, has received considerable arms sales from the Soviet Union. Financial terms for procuring arms from the Soviet Union are initially quite favorable (five Soviet tanks for the price of one U.S. tank); however, spares and logistical support appear to be expensive and delivery slow.

The delegation was told, while in Chile, that the spare parts problem is one of their major concerns. While on board the Chilean cruiser

O'Higgins (formerly the U.S.S. *Brooklyn*), the delegation was informed that because it is not possible to obtain repair parts and spares for the *O'Higgins* from the United States, Chile has fabricated these parts.

The delegation is concerned that with the erosion of U.S. influence in South America, nations in this area are in most cases forced to turn away from American equipment. In such a case, the affairs of state in several South American nations could be influenced by the non-U.S. arms suppliers.

Certification—National security implications

The lifting of the prohibition against military sales or assistance to the various nations of South America is an issue that the delegation considers to be of major concern. The delegation believes that the protracted arms embargo against Chile is an impediment to security of the Southern Hemisphere.

In December 1981, the Congress, in section 726 of the International Security and Development Cooperation Act of 1981 (Public Law 97-113) amended a 1976 prohibition against arms sales and security assistance to Chile. The amendment specified that before any arms sales or security assistance to Chile could be approved the President certify that:

The government of Chile has made significant progress toward internationally recognized principles of human rights;

Chile is not aiding or abetting international terrorism;

Certification is in the United States national security interest; and

The Government of Chile has taken all appropriate steps to cooperate to bring to justice by all legal means available in the United States or Chile, those indicted by a U.S. Grand Jury in connection with the murders of Orlando Letelier and Ronni Moffitt. A similar amendment applied to Argentina.

President Reagan certified to Congress on December 10, 1983, that Argentina had made significant progress in complying with internationally accepted principles of human rights. The date coincided with the inauguration of the democratically-elected Alfonsín Government. The Presidential certification met the conditions for the removal of the legal prohibition (section 725, Public Law 97-113) and allows the resumption of a security assistance relationship with Argentina. Although Argentina welcomed the gesture, the delegation was informed that arms acquisition is not a priority for the Alfonsín Administration.

The delegation believes, based on its findings while in Chile, that it is imperative to initiate more cooperative military relations with Chile if we are to ensure the protection of the strategically important sea lanes in the Southern Hemisphere. Furthermore, more cooperative military initiatives with Chile will help to maintain the tenuous balance of power in the region and contribute to the security of the hemisphere, lessening Chile's isolation and encourage its return to democracy. Therefore, renewed consideration should be given to lifting the arms embargo against Chile.

The delegation is certainly aware of the motivation for the arms embargo and the emotionalism that has surrounded this issue since 1976. But how long should a nation as great as the United States seek

retribution against a nation that has committed itself to improvements in human rights? The delegation was told of a significant decline in human rights violations since 1976, and even Chilean human rights leaders have agreed.

The delegation believes that Chile has gotten the message regarding human rights violations and has been punished both politically and militarily. It is time to "bury the hatchet" and enhance the security of this hemisphere by moving toward more cooperative military relations with Chile.

As Ambassador Jeane J. Kirkpatrick stated last December while addressing the United Nations General Assembly concerning a Human Rights resolution condemning Chile, "The resolutions focus on three countries: Chile, El Salvador, and Guatemala. Why these three countries, why they alone? . . . By almost any objective standard, Cuba is a far more repressive country than Chile. It holds many times more prisoners of conscience . . . Chile's newspapers are far more independent than the State-run press in Cuba, and they feature regular criticism of government policies . . .

"Why, then, this *totally condemnatory, punitive, unremittingly, hostile attitude to Chile*, which is involved in a serious and, we believe, hopeful process of *liberalization moving toward democratization*."

The delegation, based in its observations and discussion, strongly agree with Ambassador Kirkpatrick's statement and urges prompt action to certify Chile.

The delegation agrees that U.S. action in favor of renewed military cooperation with Chile would result in the following:

Strengthening the capacity and the willingness of Chile to work with the United States to protect the security of the hemisphere, particularly with regard to the critical sea lines of communications through the Magellan Strait and the Drake Passage that would become vital to the United States in the event the Panama Canal were closed;

Enhancing U.S. access and influence among the Chilean armed forces, who will continue to play an important role for the foreseeable future, and whose cooperation will be necessary for the transition to democracy and improvement in human rights practices; and

Maintaining a reasonable balance of military power in the Southern Cone and thus helping to deter armed conflicts in the region that would threaten U.S. interests and require U.S. involvement.

In general, arms embargoes serve no useful purpose except to work against our own best interest. The nations involved simply turn to other countries to supply their needs, thereby, terminating vital economic and military relationships that existed prior to the imposition of arms embargoes.

The delegation agrees that if the desired result of a U.S. foreign arms embargo is to influence a foreign government's internal policies (i.e. human rights), then, in the case of Chile, just the opposite is being accomplished. In Chile, as in many third world countries, the United States is in a difficult competitive struggle with the Soviets and these types of embargoes simply give the Soviets a greater

advantage. As an example, the Soviets offer free or less costly packages of military equipment to a target country as a way of establishing a dependency for continued arms agreements, including spare parts.

Democratic trends in South America—Progress and pitfalls

The delegation was encouraged by the continuing trend toward democracy in South America. However, despite the progress made over the last year or two, the road ahead is fraught with danger and uncertainty.

The delegation was advised that, in several of the nations visited, the worsening economy since the onset of the worldwide recession in 1981 has assisted in accelerating the democratization process. This appears to have particularly been the case in Argentina where staggering economic problems combined with the embarrassment of the Falkland/Malvinas defeat to precipitate a voluntary relinquishment of power by the military. Unfortunately, the factor that has propelled more of the nations of South America toward democracy—the economic crisis—may also contain the seeds of future disaster.

Brazil

The army has been actively involved in the government of Brazil for the last 20 years—since 1964 when the first of a series of retired generals was elected president of that nation. In the early 1970's, a political liberalization process known as "abertura" or opening was begun, and the current president, retired General Figueiredo, has continued to support the policy of abertura. 1982 represented a major milestone in the abertura process when in November Brazilians voted for congress, governors, and local governments. Indirect presidential elections are scheduled for January 1985. The new president will be chosen by an electoral college composed of the congress and six members from each state legislature. There is growing public sentiment, however, to hold direct presidential elections in 1985, rather than waiting until 1991 as presently scheduled.

Continued progress toward democracy in Brazil, which has the tenth largest economy in the world, is vital to U.S. interests in the South American continent. Modest progress on the economic front has been achieved: the inflation rate in Brazil for the last two months of 1983 dropped to 120 percent a year, from a previous annual rate of 210 percent. Much remains to be done, however, and the delegation was concerned that social hardships resulting from economic problems may impede the orderly transition process to democratic government.

Uruguay

Despite serious economic problems and the continuing absence of an agreement between the government and opposition political parties, Uruguay continues to move toward the restoration of democratic government after nearly 10 years of rule by the armed forces. In July 1981, the Council of General Officers approved a political plan that established a schedule for the return to democracy in Uruguay through internal political party elections in November 1982 and presidential elections in 1984, with the inauguration scheduled for March 1985.

Unfortunately, a constitutional dialogue initiated in the spring of 1983 between the military and political parties broke down last summer

due primarily to differences over the future role of the military in the civilian government. Over the past year, there have been some setbacks in terms of restrictions on the press and political parties, but military leaders continue to assert that they remain strongly committed to holding the elections as scheduled later this year. The government reacted cautiously to a 24-hour strike on January 18 that brought Montevideo to a standstill, and no violence was reported. Many observers with whom the delegation spoke continued to hope that the armed forces and political parties can reach agreement that will permit elections to be held later this year with a transition to democracy early in 1985.

Argentina

In December 1983, with the inauguration of Dr. Raul Alfonsin as president, Argentina returned to democracy after seven years of military rule. His radical party won 52 percent of the vote in the elections held last October 30, compared to 40 percent for the Peronists.

Argentine leaders with whom the delegation spoke—leaders of both the executive and the legislative branch—reiterated their deeply held commitment to make democracy work and their strong desire to firmly establish civilian control as the proper form of government in Argentina.

Since 1930, the military has been repeatedly involved in the political life of Argentina and had come to view itself as the custodian of law and order. Following the death of Juan Peron in July 1974, his third wife, Isabel, became president. Mrs. Peron's administration was progressively undermined by economic deterioration, escalating terrorism, and Peronist inter-party struggles until she was removed by a military coup in March 1976. Following the coup, the military took strong measures against terrorists and their sympathizers to silence armed opposition and restore basic order. Unfortunately, the costs were very high in terms of lives lost and basic human rights violated, particularly in the early years. Accounting for those who "disappeared" in this period and punishment of those responsible for these acts remains one of Argentina's most controversial and divisive internal political issues.

Argentines emphasized repeatedly to the delegation their concerns with respect to the maintenance of civilian control of the military. Minister of Foreign Relations, Dante Caputo, told the delegation that "a half century of distortions of political life cannot be improved all of a sudden," stressing that the democratic government wants to change the historic relationship that has existed between the military and civilian authority. Members of the delegation expressed their strong support for democracy in Argentina and invited Argentine legislative leaders in both the Senate and the House of Representatives to visit the United States and meet with U.S. legislators in order to better understand democracy in the United States and the long tradition of civilian control of the military.

In Argentina, the worsening economic problems and the Falklands debacle propelled the military to relinquish control to civilian authorities. Unfortunately, future stability is endangered by inflation in excess of 400 percent last year and a budget deficit approaching 14 percent of Gross Domestic Product (GDP). To establish a more stable economic course, the leaders of this fragile democracy must be willing to make the difficult and politically unpopular decisions facing many hard-

pressed governments around the world, such as reductions in spending and increases in taxation. The delegation believes that the long-term survival of democracy may well depend on the outcome of those decisions.

Chile

The pace toward democracy in Chile is moving more slowly but, nonetheless, remains on course. Although some problems still exist, the delegation found that the human rights situation has improved markedly since the first few years following the overthrow of the Marxist Allende government. At that time, the military government took extreme measures to restore order and rout out resistance, particularly Marxists and their sympathizers who were viewed as a serious threat to political stability.

While in Chile, the delegation had an opportunity to meet with members of the Democratic Alliance, a loose coalition of five centrist democratic parties that are pushing for a more rapid return to democracy. The Democratic Alliance specifically objects to the terms of the voter-ratified 1980 constitution which provides for the military government to remain in office until a plebiscite is held in 1989 on the presidential candidate selected by the military junta. If approved, the candidate would serve until 1997. If rejected, a direct contested election would be held within one year. The constitution also provides that congressional elections are to be held in 1990. In the interim, the military junta will continue to exercise legislative power. When queried by the delegation about their specific plan for the future of Chile, including their program for dealing with the nation's economic problems, members of the Democratic Alliance indicated that there was no overall plan to which they had agreed as yet.

During briefings in Chile, the delegation was advised that the collapse of democracy in Chile was a direct result of the erosion of the consensus among the political parties that had existed for many years. The breakdown on the previous consensus led to the election of the Marxist candidate, Dr. Salvador Allende, with only 36 percent of the vote, to the increased polarization of Chilean society between pro- and anti-Allende forces, and, ultimately, to a military overthrow of the Chilean government. The severity of the situation was characterized by U.S. Ambassador James Theberge: "Chilean democracy destroyed itself; the military merely delivered the coup de grace." Given these events in recent Chilean history, the delegation was concerned about the lack of an agreed-upon plan of government among the members of the Democratic Alliance.

Notwithstanding the perceived problems, delegation members emphasized to officials of the current Chilean government and to the opposition leaders the strong support of the United States for an expeditious restoration of democracy in Chile.

Peru

The delegation was most concerned about the outlook for the long-term survival of democracy in Peru. The precipitous decline in the Peruvian economy since mid-1982 has had serious political repercussions. President Belaunde, elected with 43 percent of the popular vote in 1980, has fallen dramatically in popularity. Candidates of his political party did poorly in nationwide municipal elections held

in November. At that time a Marxist from the leftist coalition, Izquierda Unida, won the mayor's race in Lima. The center-left American Revolutionary Popular Alliance swept most of the other municipal races, winning an unprecedented 38-40 percent of the nationwide popular vote. The elections reflected popular discontent with economic problems and may be a disquieting harbinger of Peru's political future. Additionally, an indigenous Maoist offshoot of the Peruvian communist party called Sendero Luminoso, or Shining Path, has carried out, at an increasing rate, acts of terrorism designed to undermine the government, provoke abuse by the security forces, and spark a popular rebellion.

Peru's return to democracy, with the inauguration of President Belaunde in July 1980, followed more than a decade of military rule that began with a coup in 1968. The delegation was advised that the austerity measures required by the International Monetary Fund (IMF) in exchange for continued assistance to Peru may result in even greater social and economic hardship on the part of the Peruvian people, thereby exacerbating political instability and further endangering the long-term prospects for the survival of democracy. Members of the delegation expressed their hope that the IMF would take into account Peru's economic plight in negotiating revisions of previous Extended Fund Facility targets negotiated in 1982, in advance of one of the worst years in Peru's economic history.



