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FOREIGN POLICY DIMENSIONS OF ARGENTINA AND BRAZIL:  
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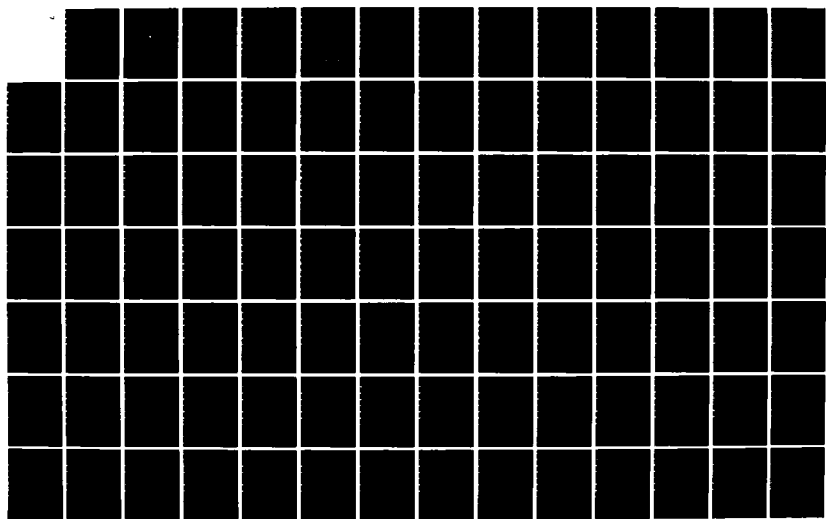
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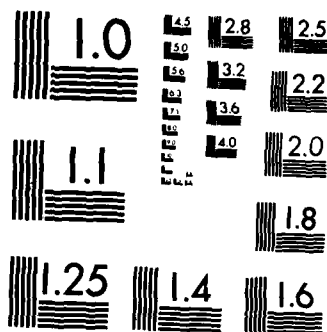
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# NAVAL POSTGRADUATE SCHOOL

Monterey, California

AD-A141 075



## THESIS

FOREIGN POLICY DIMENSIONS OF  
ARGENTINA AND BRAZIL: EMERGING  
MIDDLE POWERS MARCHING TO THEIR OWN DRUM

by

Terry Jean Lovvorn

December, 1983

Thesis Advisor:

J.W. Amos, II

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Foreign Policy Dimensions of  
Argentina and Brazil:

Emerging Middle Powers  
Marching to Their Own Drum

by

Terry Jean Lovvorn  
Lieutenant Commander, United States Navy  
B.A., Westmont College, 1971

Submitted in partial fulfillment of the  
requirements for the degree of

MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS

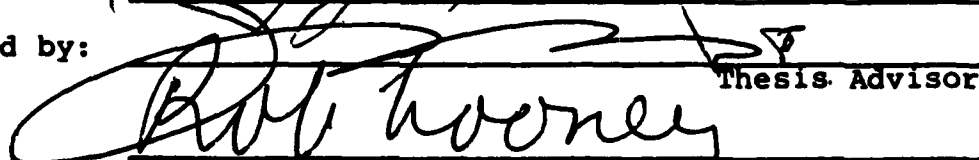
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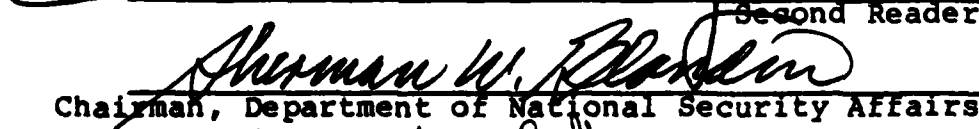
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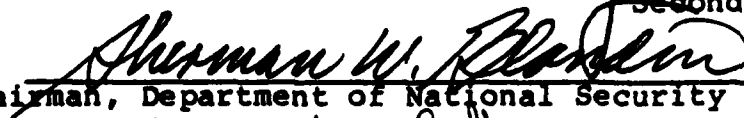
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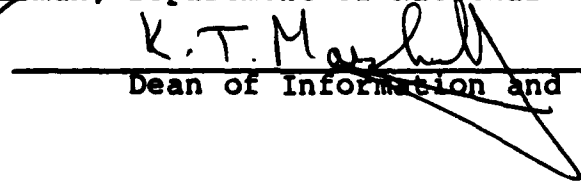


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## ABSTRACT

This paper focuses on and compares dimensions of Argentine and Brazilian foreign policy in the international system, coupled with changes in their domestic and regional politics. Both countries have adopted independent foreign policy strategies aimed toward regional and global interdependence. Their pursuit of independent action has tended to ignore United States influence unless it coincided with perceptions of their national interests. These strategies have resulted in marked diversification of contacts with other nations, both developing and developed. Additionally, these traditional rivals acknowledge the benefits to be gained politically and economically by cooperating. In final, assessment of their bids for independence and self-sufficiency have only highlighted Argentine and Brazilian interdependence on the Latin American region and the international system.

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## I. INTRODUCTION

Latin American nations by the end of the 1960s focused on a new set of nationalistic foreign and domestic policies, which were developed to combat their perceived unacceptable dependence on the United States. Latin American governments sought to dilute and lessen their economic and political dependence on the colossus to the North. Most pre-1970 literature on Latin America centered on the predominant position accorded the United States and its primary influence over Latin America countries, while little recognition was given to individual Latin American countries or their collective impact on foreign policy decision-making. Latin American foreign policy may be analyzed in two eras: 1) hemispheric security and economic integration in the 1950s, which evolved into developmental nationalism in the 1960s; and, 2) regional and global interdependence in the 1970s and 1980s.<sup>1</sup>

The foreign policy goals and actions of the United States were primary elements in formulating Latin American national policies in the 1950s and 1960s. Latin American nations were drawn into the Cold War as allies of the United States in its campaign against the spreading virus of communism. An interAmerican system evolved which melded United States interests into a broad spectrum of Latin American

society, including the military, diplomatic, and economic sectors. The system was linked militarily by a shared perception of the Soviet Union as the major external threat to the area. This perception led to a mutual defense agreement signed in 1946. The InterAmerican Treaty of Reciprocal Assistance (Rio Pact) included the following principal objectives:

...protecting the sources of strategic material and the lines of access to them; maintaining a capacity to defend the region against small aircraft and submarine attacks from the outside; and reducing the role of the U.S. armed forces in regional defense.<sup>2</sup>

The Rio Pact involved the United States in hemispheric cooperation. Shortly after the Pact's ratification the Organization of American States (OAS) was formed in 1948, as a diplomatic alliance to "promote the peaceful settlement of ...international disputes and to encourage...international trade."<sup>3</sup> Latin American's looked upon this alliance as an assist to the economic and social development of their region, rather than the United States' original concept of the alliance as a means to combat communist influence and preserve American interests.<sup>4</sup>

Fidel Castro's rise to power in Cuba in the early 1960s and the Cuban Missile Crisis of 1962 led to changes in the interAmerican system. Increased military assistance to Latin America from the Kennedy administration was concurrent with the Alliance for Progress, which emphasized social and economic aid. Latin American countries sought to increase

their levels of economic development through direct investment by foreign companies, resulting in increased multinational corporate penetration of the region.<sup>5</sup>

Many Latin American governments looked upon economic integration as a vehicle to accelerate their economic development. Concepts of regional cooperation assumed new importance as the United States seemed inclined to emphasize more mutual defense and less economic development of the region. The United Nations Economic Commission for Latin America (ECLA) proposed a concept for regional economic cooperation in Latin America based on the Western European model for free trade. The organizations which eventually emerged from this proposal were: the Latin American Free Trade Association (LAFTA) in February 1960 by the Treaty of Montevideo, signed by Argentina, Brazil, Chile, Paraguay, Peru and Uruguay (later joined by Colombia, Ecuador, Venezuela, and Bolivia in 1968); and the Central American Common Market (CACM) in December 1969 by the Treaty of Managua, by Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.<sup>6</sup>

Latin American countries were discouraged by the results of integration as a means of accelerating their economic development, and the alternative strategy of developmental nationalism looked attractive. This strategy is based on sharing (but not "pooling") national resources and on industrializing individual national economics through

"balanced and controlled interdependence". Both nationalism and "integration" may be viewed as conflicting concepts, yet Dreier suggests that:

...nationalism actually contributes, however, illogically, to the movement for regional integration. For although it is true that nationalism often erects barriers to regional economic agreements, it is also true that nationalism enthusiasm for economic development leads to the positive support of integration as an essential goal.<sup>7</sup>

One explanation for the relatively unsuccessful integration attempts of these two efforts holds that the disparate sizes and levels of economic development of the Latin American nations is a severe obstacle to economic integration. Due to their relative size and more developed economic base, both Argentina and Brazil have maximized and used the LAFTA to their advantage. The Andean Pact states of Bolivia, Colombia, Chile, Ecuador, and Peru were dissatisfied with the distribution of benefits within LAFTA and expected that their progress would be greater within a group that excluded Argentina and Brazil.

The Andean Pact demonstrates a trend toward regional organizations which more closely meet Latin American developmental priorities than the application of integration theories based on European experience. Latin American governments have used the Pact as an instrument to coordinate their foreign policies and increase their power and visibility on the international scene. Other subregional

groups, such as the La Plata Basin Group, have been formed in Latin America to develop international water resources and hydroelectric power.<sup>8</sup>

Literature of the 1950s and 1960s analyzed Latin American policies in the context of their dependency upon the United States, while literature since 1970 has focused upon emerging Latin American foreign policies in terms of regional and global interdependence. If interdependence connotes the ability of one state to affect another, then the nations of Latin America are clearly moving toward regional and global interdependence in the international system of the 1980s.<sup>9</sup>

This paper focuses on and compares Argentine and Brazilian foreign policy changes in the international system, coupled with changes in their domestic politics which have resulted in the adoption of independent foreign policy strategies aimed toward regional and global interdependence. The objective of this paper will be to demonstrate how both Argentina and Brazil have used a foreign policy strategy based on both regional and global interdependence to counter United States influence in Latin America. Argentina and Brazil pursue similar foreign policy goals in their desire to achieve independent action and lessen their dependency. These are:

1. Independent recognition in the international system;

2. Cultivation of diplomatic and economic exchanges with a diversity of countries;
3. Use of strategies to increase their own self-sufficiency and independence of action; and
4. Increased interaction at both regional and global levels.

Both Argentina and Brazil rely on anti-dependency strategies, as evidenced by their current expansion in regional and global foreign policy interactions. Succeeding chapters will analyze and compare those dimensions of the increased interaction on both national and international, diplomatic and economic levels.

Argentina and Brazil pursue independent foreign policy strategies and base their individual actions on what gives them the most significant advantage.

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4. Lincoln, "Introduction to Latin American Foreign Policies," p. 8.
5. Ibid.
6. Ibid., p. 9.
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## II. DEVELOPMENT OF A DOMESTIC BASE FOR INDEPENDENT FOREIGN POLICY ACTION

### A. POLITICAL STRUCTURES

Coups brought the military to power in Argentina and Brazil in the 1960s, where the military has traditionally influenced domestic politics. The Argentine and Brazilian governments consist of a military authoritarian coalition directed by military officers, assisted by civilian technocrats. Both have designated one military leader to serve as President, who can easily be deposed if the need arises. Formation of social and economic policy relies heavily upon the Presidents' civilian advisors and implementation of their programs depends on government bureaucracies. The President can make political appointments, yet little can be accomplished without the support of civil servants at national and local levels. Argentina and Brazilian military leaders and their civilian advisors have blamed inflation and economic disorder on the demagogic wage and welfare policies of civilian politicians. Economic growth could be achieved only if such policies were suspended until each country's productive capacity was increased substantially. Implementation of this policy required repression of all groups expressing demands for a larger share of the national wealth to be given to the masses.<sup>1</sup>

The military leaders of Argentina and Brazil accepted the notion that the state should determine the rules of the economic game and use its power to direct their nation's development. Argentina and Brazil chose a conservative modernization strategy, emphasizing capital accumulation and heavy industrialization. Brazil's assumption of a conservative modernization strategy has not been achieved without high costs. Use of authoritarian methods to impose harsh austerity and encourage domestic and foreign investments in industry and commercial agriculture achieved one of the highest rates of growth in the hemisphere. These methods also postponed efforts to solve the critical social problems which still plague the country. The bounty of the Brazilian economic miracle only benefited the already affluent middle and upper class minority.<sup>2</sup>

By contrast the Argentine developmental experience has been nowhere as impressive or durable as Brazil's, yet their achievements are considerable. The strategy and tactics that worked for Brazil were unsuccessful in Argentina. Unlike Brazilian workers, who were highly dependent on the state and lacked strong organizations, the Argentine working class was well-organized and extremely militant. Whereas in Brazil the military could draw upon the resources of a well-established tradition of authoritarianism and state paternalism, in Argentina labor was determined to secure the return of Peron to power, the state was distrusted by most

entrepreneurs, and the population was still intensely divided between Peronists and anti-Peronists. Argentina faced a much more difficult task than Brazil in bringing economic growth and political order to the country.<sup>3</sup>

Comparison of the Argentine and Brazilian military governments reflects remarkable convergence in their foreign policies, illustrated by their shared classification in the world economy as newly industrializing states, their need for nonpoliticized trade, and their drive to establish an independent capacity for the protection of their national security interests. All these factors are present to some degree wherever the military comes to power in the more advanced countries of the Third World.<sup>4</sup>

The military governments in Argentina and Brazil have experienced difficulty in developing a self-justifying ideology for permanently exercising power. The use of a "national security" doctrine concentrating on internal and external subversive threats has lost creditability over time and no longer gives adequate rationale for permanent military rule. Both military governments have been obliged to promise an eventual return to democracy. Fulfillment of this promise gets closer as perception of their regimes' strength erodes. Argentina has accomplished much by using force to silence organized opposition, but has experienced difficulty in building a firm basis for majority support or establishing military rule beyond de facto status into

institutionalized, legitimate authority. The 1982 Falklands War badly tarnished the Argentine military image, yet no viable civilian alternatives surfaced. In the aftermath Argentina has been attempting to recreate a more solid, institutional foundation.<sup>5</sup>

Brazil in the 1980s has already commenced gradual transfer of power to civilian institutions. Some opposition and dissent always managed to survive against the authoritarian government, despite often brutal and notorious efforts to curtail certain types of political activity. The opposition's strength grew to the point where the current military president, Joao Baptista Figueiredo, was forced to preside over a government sponsored democratization plan known as "abertura" or "opening".<sup>6</sup> As the Brazilian economic miracle began to slow down in the middle 1970s, the military government lost one of its principle justifications for continued rule in its claim for superior ability to foster continued economic development. Some military officers and their civilian allies viewed former President Geisel's policy of slowly moving toward democracy (decompressao) as merely providing an additional basis for legitimacy of the military government and as a vehicle to increase the regime's popular support.<sup>7</sup> On November 15, 1982 elections were held in Brazil for the first time in twenty years; however, President Figueiredo's administration is carefully producing its own version of democracy. There seems to be

an ever-growing, affluent middle class opposition provoked by the precarious economic conditions in Brazil. The Figueiredo government has been attempting to deal with an inflation rate just under 100 percent and an astronomic foreign debt.<sup>8</sup>

Argentina and Brazil will continue to be ruled by authoritarian regimes, possessing the trappings of democratic nations. Time will demonstrate if the powerful focus on political liberation will be recognized and accommodation made to meet the growing demands. Present in both Argentina and Brazil are opponents who oppose and reject the idea of democratic processes for their country. The legitimacy of the Argentine and Brazilian military regimes faces increasing odds and the flexibility demonstrated by each government will inevitably determine their future existence. Furthermore, the governments of Argentina and Brazil must satisfactorily handle mounting foreign and domestic debts.

#### B. ECONOMIC BASE

During the 1970s, Brazil developed into the tenth largest economy in the world, with the thirteenth largest industrial sector. Its export value increased from \$2.74 billion in 1970 to \$15.04 billion in 1979. In 1979, 63.8 percent of its imports were conducted with partners outside the hemisphere.<sup>9</sup> Traditionally Brazil's economy was based on natural resources and agriculture, while the present

focus is on industrial development. Major industries include petrochemicals, shipbuilding, automotive and steel. In general, Brazil's foreign trade policy has been to reduce imports and increase exports. A number of restrictions have been imposed on nonessential imports and total prohibition has occurred on some items.<sup>10</sup>

The Brazilian government has never sought to discourage foreign investment; nevertheless, it has favored attracting longterm investors who will contribute to Brazilian economic development. Brazilian controlled joint ventures are emphasized as the most acceptable vehicle for foreign investment. If new technology is involved, Brazilian government policy has been to induce development with Brazil. Under the federal constitution, the only industry specifically excluded from private enterprise has been the exploration and drilling of oil, a monopoly of the federal government. Currently, some foreign corporations are exploring for oil under contract with the state petroleum company, Petrobras.<sup>11</sup>

Brazil has been experiencing its worse economic recession since the 1930s. The balance of payments remained in deficit in 1981 by some ten billion, despite doubling of exports between 1978 and 1981. Since 1973, Brazil has sustained a growth rate of almost seven percent, notwithstanding the world recession and Brazil's ever-larger need for oil imports.<sup>12</sup> Brazil's inflation in 1981 was barely under 100 percent. While international interest makes

borrowing costly, Brazil must borrow to finance both its continued growth and foreign debt which is more than \$60 billion. A one percentage point change in interest rates produces a \$400-\$500 million impact on the country's balance of payment. Balancing has become a primary occupation of the Brazilian government.<sup>13</sup>

Brazil has concentrated tremendous effort into diversifying exports in recent years. From 1968-1973, its manufactured exports grew an average of 52 percent per year. Agricultural commodities in Brazil have demonstrated an ability to be "fast on their feet". When there was a need for soybeans, Brazil became one of the world's greatest producers of soybean almost overnight. Brazil presently competes with the United States in every major agricultural product except wheat.<sup>14</sup> In contrast Argentine exports are less diversified than Brazil's. Beet, wheat, corn, and hides account for about 60 percent of Argentina's earnings, and these markets are unstable. This provides Argentina with far less flexibility to deal with economic problems than Brazil. Traditional Brazilian products, by comparison, accounted for only 37 percent of Brazil's export earnings in the 1970s. Although Argentina experienced an increase in its manufactured exports, Brazil outperformed Argentina during this period, as shown in Table 1.<sup>15</sup>

TABLE 1

Average Annual Rates of Growth of Manufactured  
Exports for Selected Countries in Latin America  
1968-73

Countries	Rate of Growth
1) Brazil	52.0
2) Colombia	41.9
3) Mexico	37.3
4) Argentina	34.5

Source: Based on U.N. Commodity Trade Statistics  
(1968-1973)

Argentina experienced a severe economic crisis in 1975-1976. Bankruptcies, strikes, and capital flight dislocated production in the private sector. Manufacturing activity dropped 3.2 percent, gross investment dropped 16 percent, and the overall gross domestic product dropped 2 percent as compared to the previous year. Argentina has encountered more economic instability than Brazil. Agriculture continues to be Argentina's major source of wealth, exports, and world economic importance. Brazil has been rapidly surpassing Argentina as a food exporter. Argentina's foreign trade position is volatile given its dependence on a few exportable agricultural products, and the linkage of imports



to semicontrollable internal factors such as industrialization, and the political struggle between urban and rural groups, organized labor and other sectors.<sup>16</sup>

With a population of 28 million, Argentines have the highest standard of living and literacy rate in Latin America. In mineral and energy resources and in reserves of skilled manpower it ranks among the world's second group of industrial countries. Thirty years of political turmoil and economic mismanagement, and four years of demoralizing urban terrorism and savage government have produced serious imbalances. Brazil and Mexico have surpassed Argentina in overall economic power. A drop in per capita gross national product has lowered Argentina's world ranking from fifteenth to thirty-seventh. Although things looked brighter in the late 1970s, the picture was bleaker by 1980. Economic growth dropped from 7.1 percent in 1979 to 1.0 percent in 1980. Inflation was projected at 105 percent in 1981 from a low point of 88 percent in 1980. Argentina has been geared to continuing inflation.<sup>17</sup> The Falklands War swelled Argentina's budget deficit by at least 350 million, hampered the country's exports, and dried up the international loan market for a period. The country then owed \$34 billion, or \$7 billion more than Poland. It will be a long time before Argentina recuperates from its losses. As of August, 1981, Argentina's annual rate of inflation was running 270 percent.<sup>18</sup>

Argentina and Brazil must export to survive. Both nations are very aware of the need for continued expansion of their export markets and have actively emphasized cultivation of export markets for their manufactured and semi-manufactured goods. Regional cooperation and bilateral trade agreements between other countries and between themselves have been the means used to combat worsening economic conditions and to promote continued economic development. Both military regimes in Argentina and Brazil owe much of their legitimacy to their continued capability to promote further economic growth and development. Diplomacy has become a tool to open up new markets and for maintenance of existing markets for export trade, which is essential for their continued economic well-being. Neither Argentina or Brazil can afford to alienate its Latin American neighbors as a vast majority of goods are sold to other Latin American countries. They both strive internationally to maintain a favorable atmosphere for continued foreign investment and a favorable financial rating with the international lending establishment. Each must diversify their trading partners to lessen their dependence on any one nation and to increase their independence from the United States.

1. Energy

Argentina ranks as developed when measured in terms of its energy production and consumption. In 1965, Argentina ranked thirteenth in world usage per capita, while

Brazil lagged far behind. Abundance of resources ranked Argentina above its peer countries in domestic energy and demonstrated its potential for independence. In 1976, Argentina imported 13 percent of its petroleum needs as compared to 12 percent in 1974. It was estimated that Argentina possessed oil reserves of 398 million cubic meters. The Videla government promoted national self-sufficiency and encouraged foreign participation in petroleum exploration.<sup>19</sup>

Brazil has been making an all-out effort to overcome its dependence on imported petroleum. During 1970-1977, Brazil wrestled with problems of stagnant oil production, increasing consumption of most petroleum products, and increasing expenditures on crude oil imports. Crude oil production decreased 4 percent from 1976-1977. In 1977, the Brazilian government announced several measures to both restrain domestic consumption and increase production of fuels. The government campaign achieved a 4 percent decrease in gasoline consumption during that year. Gasoline sold in Brazil has a mandatory 10 percent alcohol content.<sup>20</sup>

High costs of foreign oil essential for operating Brazilian industries has exacerbated Brazil's present economic situation. Brazil has been forced to search for alternative energy sources both at home and abroad. Brazil sought to develop nuclear capability in the form of breeder

reactors in hopes of becoming self-sufficient in energy. Brazil has also developed an energy policy with regards to hydroelectric power.<sup>21</sup>

In 1979, President Figueiredo of Brazil announced a new campaign to create a "war economy" to combat the accelerating oil deficit, estimated at between \$7 and \$7.5 billion that year. This program included provisions for gasoline rationing and substantially higher prices for diesel and automobile fuels. Special emphasis was accorded to Proalcool, the government sponsored program to produce ethanol from sugarcane as a substitute for gasoline.<sup>22</sup> Proalcool has been plagued by charges of corruption and Brazil has remained dependent on oil imports from primarily Arab countries.<sup>23</sup>

In an effort to spur production of petroleum in 1976, the Brazilian government bypassed its national oil monopoly, Petrobras, by granting "risk contracts" to foreign oil companies. By 1979, no major discovery had been made despite the issuance of 29 such contracts. The Videla government of Argentina has also invited foreign participation in petroleum exploration to further promote its national self-sufficiency.<sup>24</sup>

Argentina and Brazil have been engaged in joint and national projects to tap the hydroelectric potential of the Plata River system. Argentina, much earlier than Brazil, opted for maximum independence in its nuclear energy program

State and private nuclear industry in Argentina can extract its 54,000 tons of uranium ore relatively cheaply. Latin America's first nuclear power station, the Atucha reactor, located in Argentina, came on line with 329 megawatts in 1974.<sup>25</sup> While Argentina's National Atomic Energy Commission has received strong government support for the creation of an indigenous technology and industry, Brazil's Atomic Energy Commission has been subject to severe governmental setbacks. Resultant delays in the German designed nuclear plant, Angra II, now scheduled for completion in the early 1990s, have been the result of forced budget cuts and layoffs. The government energy establishment in Brazil seems to be deeply divided between the development of nuclear energy and hydroelectric plants. Present emphasis has shifted toward hydroelectric power in Brazil. Hydroelectric plants produce more cheaply than nuclear plants.<sup>26</sup>

Compared to Brazil, Argentina has been more immune to any international energy crisis. Argentina possesses a lead in nuclear energy development over Brazil, while Brazil's hydroelectric resources are more highly developed. Brazil suffers more from petroleum induced balance-of-payments, drains and greater dependency on Arab oil than Argentina. Perhaps greater cooperation within the Latin American family of nations may enable Argentina and Brazil to obtain more favorable terms for oil importation from

Bolivia, Ecuador, Venezuela, or possibly Mexico. Neither Argentina or Brazil can afford to neglect the development of alternate resources to the exclusion of others. All possibilities should be examined and expanded.

## 2. Industrial Development

In the early 1970s, 28 percent of Argentina's gross national product originated in industrial production. Machinery and vehicle production accounted for 16 percent of industry, while metal working and chemical produced 14 percent. An export incentive program and bilateral trade agreements gave strong impetus to the machinery, textile, leathergoods, transportation, and agricultural machinery sectors.<sup>27</sup> Industry grew by 7.5 percent in 1974, while in 1980 the gross product of the industrial sector went down 3.5 percent. It thus dropped to the level of 1973 and registered a total increase of only 14 percent in the 1970s. A policy of economic openness and a reduction in the real exchange rate contributed to the drop in sales of domestic industrial products in the internal market, and for an increase in the share of imported goods. The drop experienced in the physical volume of exports of nontraditional and traditional products was also due to the deterioration of the real exchange rate. Additionally, on the supply side there were restrictions imposed at the level of production by the contraction of financing capacity.<sup>28</sup>

All these factors impacted differently on the various branches of industry, presenting an uneven picture. The gross product of the textile and clothing industry dropped approximately 12 percent in 1980 to a level 8 percent lower than recorded as far back as 1970. The machinery industries experienced sharp drops in production and sales of machine tools, road-making machinery, motor, tractors and other equipment. The iron and steel industry was faced with a critical situation due to both a drop in domestic demand as a result of indirect substitution of imported for domestic steel and the surplus supply then available in the world market. Production of pig iron dropped by 7 percent; production of rolled products by 14 percent; and steel production by 16 percent. There was a stagnation of the chemical industry in 1970, with a portion of basic petrochemical products being channelled towards the export market. In contrast, the output of the motor vehicle industry exceeded that of 1979 by over 11 percent, despite the fact that imports consisted of approximately 18 percent of the market. Table 2 indicates trends in Argentine manufacturing production.<sup>29</sup>

Argentine industry has suffered from serious weaknesses. Steel and petrochemicals have been particularly vulnerable to shortages of imported raw materials. Production of manganese, uranium, and copper expanded in the 1970s, while iron, zinc, lead and beryllium declined.

TABLE 2

## ARGENTINA: INDICATORS OF MANUFACTURING PRODUCTION

	1977	1978	1979	1980 (a)	Growth Rates		
					1978	1979	1980 (a)
<b>Gross Manufacturing Product at factor cost (millions of 1970 pesos)</b>							
	26,920	23,985	26,172	25,256	-10.9	9.1	-3.5
Food	6,107	5,783	5,871	5,837	- 5.3	1.5	-0.6
Textiles	3,045	2,613	2,896	2,557	-14.2	10.8	-11.7
Wood	419	414	460	457	- 1.2	11.1	-0.7
Paper	1,249	1,289	1,312	1,208	3.2	1.8	-7.9
Chemicals	3,496	3,218	3,615	3,644	-8.0	12.3	0.8
<b>Non-Metallic</b>							
Minerals	1,281	1,286	1,377	1,328	0.4	7.1	-3.6
<b>Basic Metal</b>							
Industries	1,344	1,270	1,486	1,343	-5.5	17.0	-9.6
<b>Machinery &amp; Equipment</b>							
	8,219	6,552	7,439	7,226	-20.3	13.5	-2.9
<b>Other Industries</b>							
	1,760	1,560	1,716	1,656	-11.4	10.0	-3.5
<b>Production of some Important Manufactures</b>							
<b>Pig Iron (Thousands of tons)(b)</b>							
	1,385	1,820	1,938	1,806	31.4	6.5	-6.8
<b>Steel (thousands of tons)</b>							
	2,684	2,783	3,203	2,687	3.7	15.1	-16.1
<b>Rolled Products (thousands of tons)</b>							
	2,798	2,527	3,010	2,593	-9.7	19.1	-13.9
<b>Motor Vehicles (thousands of tons)</b>							
	236	180	253	282	-23.6	40.6	11.5
<b>Tractors (thousands of Units) (c)</b>							
	22	6	7	3	-72.7	16.7	-57.1

**Source:** Central Bank of Argentina; Centro de Industriales Siderurgicos; Asociacion de Fabricantes de Automotores; Asociacion de Fabricantes de Tractores.

- (a) Preliminary figures
- (b) Including sponge iron
- (c) Sales of domestic production on the internal market



Copper and iron ore must be imported. All imports on minerals have increased since 1967. Many industries are fragmented into small, undercapitalized private firms with obsolete equipment, while state-owned industries in turn suffer frequently from feather-bedding, massive deficits, and inefficient operation. Argentina's inherent industrial potential will continue to be reduced unless an extended economic recovery can be completed.<sup>30</sup>

Brazil has engaged in a game of forced-draft "catch up" industrialization in which the state plays a predominant role. Brazil's pattern of state entrepreneurial relations stressed the private sector pulling its own weight as it strived to become an industrial power.<sup>31</sup> By 1973, industry's share of the net domestic product (NDP) had expanded to 31 percent, or double the contribution of agriculture. In the early 1970s manufacturing accounted for 72 percent of the national income generated in the industrial sector. Consumer hard goods, capital equipment, and chemical industries were the leaders in industrialization. In terms of capital equipment, domestic production could supply more than 70 percent of the fixed investment needs of the country, including advanced machinery and heavy electrical equipment. Rapid growth of intermediate goods industries have in many cases caused demand to outstrip local supply, particularly in nonferrous metals and iron and steel. Brazil recently established domestic production capacity in

such areas as petrochemicals, fertilizer, and copper. Traditional consumer goods industries have been the slowest growing industries.<sup>32</sup>

In 1980, Brazilian production increased by 7.5 percent, a little lower than that for the economy as a whole. Expansion of manufacturing was promoted principally by the strong dynamism of the sectors producing consumer durables (10.7 percent) and to lesser extent the growth of production of intermediate goods (8.3 percent). Capital goods and non-durable goods expanded at a considerably lower rate. Table 3 illustrates Brazilian growth rates of manufacturing production.<sup>33</sup>

The sectors producing intermediate goods in Brazil expanded at an average annual rate of almost 9 percent during 1976-1980. Considerable increases registered in production of the metals, plastics, rubber, and paper industries contributed to this trend. The biggest expansion among the various branches of industry, however, was the engineering industry, which had grown by over 15 percent in 1980. This allowed Brazil to expand its exports, and at the same time reduce the volume of imports by 11 percent. The considerable growth rate in the metals industry has been triggered by steel production, which rose by over 10 percent in 1980. Production of steel increased over 100 percent between 1975 and 1980. There has been rapid development of

TABLE 3

BRAZIL: GROWTH RATES OF MANUFACTURING PRODUCTION  
BY TYPES OF GOODS AND GROUPS OF INDUSTRIES

	1976	1977	1978	1979	1980(a)
<u>Total Manufacturing Production</u>	<u>12.9</u>	<u>2.7</u>	<u>7.3</u>	<u>7.1</u>	<u>7.5</u>
<u>Types of Goods</u>					
Capital	12.0	-5.2	6.1	5.6	6.6
Intermediate	13.4	6.4	7.1	9.2	8.3
Consumer durables	14.9	-0.1	14.1	7.5	10.7
Consumer non-durables	11.5	-0.6	7.8	4.7	5.2
<u>Groups</u>					
Food products	11.3	5.6	3.3	2.3	7.1
Beverages	13.4	13.6	7.1	5.0	2.7
Tobacco	9.1	5.3	5.8	4.1	-0.9
Textiles	6.2	0.5	5.1	5.9	6.8
Clothing, footwear, knitted goods	8.3	-5.2	8.0	4.0	6.2
Plastic articles	17.8	-0.6	25.3	25.3	12.3
Perfumery articles, soaps and candles	19.2	9.3	12.6	13.6	9.4
Rubber	11.2	-2.0	6.7	6.6	9.7
Paper and paperboard	20.8	2.5	11.7	12.9	9.6
Chemical products	17.8	6.5	9.0	7.5	9.8
Processing of non- metallic minerals	12.0	8.3	5.6	5.5	6.5
Metallurgy	13.5	7.2	5.7	10.9	12.1
Machinery	14.7	-7.2	4.8	7.1	15.4
Electrical equipment	18.4	1.4	9.4	8.0	5.1
Transport equipment	7.2	-2.6	14.2	5.1	2.0

Source: Fundacao Instituto Brasileiro de Geografia e Estatistica, (IBGE).

(a) Preliminary figures

the petrochemical industry and continued growth by branches of industries producing foodstuffs, footwear, and clothing.<sup>34</sup>

Brazilian growth declined in the sectors producing beverages, tobacco, electrical equipment and transport equipment. Particularly hard hit has been the transport equipment industry which decreased from almost 14 percent to 5 percent between 1978 and 1979. The growth rate for 1980 did not even amount to 2 percent. This decline was due both to a fall in production and a reduction in the growth rate of the motor vehicle industry.<sup>35</sup>

Although Brazil has a long tradition of supporting free enterprise, the government actively participates in several industrial and public sectors considered critical for continued development efforts. From 1970 to 1978 the Brazilian government increased its role in the steel, mining, petrochemical, and fertilizer industries as private capital was not meeting the growth needs of the country. By 1977 about 85 of the top 200 companies in Brazil had a significant share of government ownership. The role of government ownership in industry has been criticized, but it is unlikely that the government will change its position in the immediate future. The Brazilian government, like that of Argentina, perceives its future as depending on increased development. Brazil's future for industrial expansion of

the manufacturing sectors appears more promising than Argentina's.<sup>36</sup>

Brazil has shown the capacity for dynamic manufactured export growth and ranks strongly as a newly industrializing country (NIC). Argentina falls within the NIC category by virtue of the size of its industrial exports in the mid-1970s, but its political instability and inability to achieve a consistent rate of progress has hampered its industrial growth and continued potential as a NIC.

### 3. Arms Sales and Development

Latin America has not been a region known for purchasing huge amounts of arms. Only six percent of the arms imported internationally between 1969 and 1978 were accounted for by Latin American countries. Latin American countries buy arms from a diversity of suppliers. The United States no longer dominates the market as it did prior to the mid-1960s. Many perceived sources of insecurity based on local geopolitical factors drive these countries to acquire armaments. Military and authoritarian control of government, such as in Argentina and Brazil, contributes an incentive to arm. Argentina and Brazil have long been recipients of weapons. They receive imported arms from very diversified sources.<sup>37</sup>

Argentina and Brazil have begun to develop export arms industries of their own. Brazil had nearly half a billion dollars in sales to over twenty countries in 1979,

concentrating largely in light armoured vehicles.<sup>38</sup> The Brazilian ordnance industry (IMBEL) has plans underway to produce a 5.6 calibre rifle, which it anticipates supplying to NATO.<sup>39</sup> Brazil sold four hundred Cascovel armoured personnel carriers to Libya in 1977, and other ground arms have been sold to Abu Dhabi and other Arab states. Aircraft have been sold to Chile and Togo.

The budding arms industry is viewed as an important part of each nation's industrial and technological development. Precedence has often been given to production of second echelon Brazilian-made weapons over purchasing more advanced arms from abroad. When purchase must be made from abroad, co-production is sought out with other nations so that transfer of technology can occur and permit local production. Such joint ventures have been established with France, Germany, and Italy. Polish missiles are assembled in Brazil with a French-German consortium, and the West German Cobra antitank missile has been locally produced under license. The airforce possesses Mirage III fighters and two squadrons of F-5Es, with important components such as tail units and underwing pylons made in Brazil. Major efforts have been underway to expand the aircraft industry, and a majority of Brazil's military aircraft are now manufactured in Brazil. The Empresa Brasileira de Aeronautica has become one of the largest aircraft companies in the developing world, making a range of planes including the

Xavante jet fighter-trainer and the Bandeirante light transport. Even with these two aircraft and other products, the Brazilian aircraft industry is still dependent upon foreign know-how and technology.<sup>40</sup>

Argentina's arms industry, the Direccion General de Frabricaciones Militares, dates back to the Second World War. Argentina has twelve arms-producing plants scattered around the country. Argentina produces the Pucora, a twinturboprop aircraft designed to be particularly effective in counter-insurgency operations, and the TAM (Tanpue Argentina Midiano) tank, which was designed with West German assistance. The TAM, claimed to be comparable to the French AMX-30 or the German Leopard I, is available for export, although Argentine officials have refused to identify existing or potential customers. Other arms are produced in its small but highly diversified arms industry. Some arms have been purchased abroad, most notably with West Germany. A contract exists for the production of six submarines and six destroyers to be assembled in Argentine naval yards. The economically hard-pressed Argentine government has been limited on new acquisitions it can afford to purchase.<sup>41</sup>

The United States policy under the Carter administration to restrict military assistance credits to Argentina and Brazil raised angry protests and curtailed arms transfers to these two countries. Argentina announced it wanted no American assistance treaty with the United States. Both

nations expressed resentment against "moral imperialism" and the "intolerable interference" in its internal affairs.<sup>42</sup> The Reagan Administration has shown greater flexibility and asked that the ban in arms sales to Argentina be lifted in 1981.<sup>43</sup> Presently, Argentina has expressed interest in receiving United States reconnaissance aircraft and antisubmarine weapons for the modernization of its Navy.<sup>44</sup>

Argentina and Brazil have embarked upon creating an arms manufacturing industry for political and security reasons. By becoming more self-sufficient in arms production they will both become more independent.<sup>45</sup> Argentina and Brazil have sought to decrease their dependence on arms from the United States. The United States lost arms sales as an instrument of influence and leverage in Latin America when the human rights standard was applied to American arms sales. Argentina and Brazil perceived the American policy as an act of foreign interference in their internal affairs and an affront to their national dignity. Both Argentina and Brazil will continue to seek assistance from the Western World, but both are becoming more self-sufficient and capable of meeting their own demands through their arms industry.



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### III. REGIONAL INTERACTIONS

Latin Americans first sought to coordinate their foreign policies to enhance collective security when they established the International Union of American Republics in the nineteenth century. Efforts have continued as a means of countering dominance by the United States. In 1946, the Americans resisted proposals to imbue the new United Nations Security Council with preemptive authority over regional organizations. It appeared for a time that the intraregional authority might succeed in managing local conflicts while containing unwanted United States interference in the southern hemisphere, however, the Organization of American States (OAS) proved a weak instrument for controlling interference from the superpowers. During the 1960s the OAS, as a regional authority, was incapable of dealing with the introduction of Soviet nuclear missiles in Cuba and the 1965 unilateral American intervention into the Dominican Republic. The OAS became concerned with intraregional problems and resolution of regional conflicts.<sup>1</sup>

Considerable disparities of power exist within the developing countries of Latin America. Argentina and Brazil, as regional powers, have a relatively larger stake in the wider international community for which they frequently need the diplomatic and political support of their

regional patrons. Three interrelated problems having potential impact on the foreign policy decisions and affecting the security of Latin American countries are: 1) the scope and intensity of the United States-Soviet rivalry; 2) foreign intervention in regional conflicts; and 3) external pressures that limit the freedom to control domestic affairs.<sup>2</sup>

Argentina and Brazil have taken an activist position in their Latin America foreign policies. Both clearly recognize the serious complexity of foreign policy behaviour on a regional as well as a global level. Argentina and Brazil describe themselves as valuing peace and recognizing it as a prerequisite for prosperity. Both support the principle of non-intervention, but are not indifferent to the problems in Central America. As regional powers, Argentina and Brazil possess strong interests in the southern hemisphere and may eventually have to respond to the regions' problems or possibly function as intermediaries.<sup>3</sup>

Argentina and Brazil have effectively used a system of foreign policy that pursues their national interests primarily through binational arrangements. However, they recognize the need to deal with other Third World nations and work within smaller regions, such as the Plata River region.<sup>4</sup>

Argentina and Brazil have both accepted and endorsed a policy which recognizes the diverse governments of Latin

America and emphasizes a willingness to work with them. Early in the 1970s, Argentina shifted its attention toward a regional balance of power. The Peronists extended a total of \$1.379 billion in long term credits to other Latin American countries as a part of an aggressive promotion of trade and investment. Argentina developed a policy of ideological pluralism under which she sought friendly relations regardless of political coloration.<sup>5</sup>

Effective diplomatic efforts by the Brazilian government have neutralized most Spanish American countries concerns over alleged Brazilian expansionist intentions and achieved a favorable image and role within Latin America for Brazil. A priority goal of President Figueiredo upon taking office in March, 1979, was to declare Latin America the priority region for national diplomacy. In the first twenty months of his administration he visited Venezuela, Paraguay, Argentina, and Chile. Brazilians, during this same time period, hosted visits by the presidents of Peru, Mexico, and Argentina.<sup>6</sup>

Recent rapprochement between Argentina and Brazil indicates dramatically the change in political climate throughout Latin America, which has led to a growing feeling of shared national interests vis-a-vis developing states.<sup>7</sup> A more interdependent world system has forced Latin America to reemphasize bloc bargaining with outside powers in order to overcome extra regionally induced problems. Cultivation of

regional multilateral diplomacy is important to both Argentina and Brazil, yet both countries give precedence to diplomatic efforts.

#### A. MULTILATERAL ORGANIZATIONS

Multilateral diplomacy in Latin America was in a transitional stage during the 1970s. Older, declining institutions with more restricted memberships were replaced by newer institutions with broader memberships, though with still undefined functions and ideological orientations. This transformation reflected the evolving power balance and political climate Argentina and Brazil encountered in their bilateral relationships with Latin America and each other.<sup>8</sup> The transition to new institutions also reflected changing global economic conditions and the organizational theories and concepts which were put forth to deal with them. Economic integration based on the free trade and customs union models of Western Europe was the strategy developed on a regional basis. However, nationalism in Latin American countries combined with the global economic crisis following the OPEC crisis in 1973 made this concept appear unrealistic. A more interdependent world system has forced Latin America countries, such as Argentina and Brazil, to consider the possibilities of regional groups or organizations for combating problems created by external forces. This makes

it more difficult for Argentina and Brazil to preserve their independence.<sup>9</sup>

1. The Latin American Free Trade Association (LAFTA)

Regional integration was first advanced in the 1950s as a partial solution for the Latin American shortage of foreign exchange and its diminished import capacity. It was thought a large Latin American market "could absorb manufactures produced within the region, and lessen external import requirements; economies of scale could be realized, and cooperative decisions among countries for complimentary investments could assure efficiency of supply." Stagnation of Latin American exports in the latter 1950s and the success of the European Common Market combined to make regional integration appear both feasible and highly attractive.<sup>10</sup> Latin American integration efforts culminated in 1960 when the Treaty of Montevideo was signed establishing the Latin American Free Trade Association. The treaty was signed by Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay (later joined by Colombia, Ecuador, Venezuela, and Bolivia). Initially, LAFTA showed great promise toward elimination of trade barriers among the countries, but this progress soon slowed and actual advances were minimal. LAFTA's poor performance record can be explained by the shortcomings of the legal instrument with which the association was founded and by the lack of political willingness on the part of the member countries to accelerate the integration process.<sup>11</sup>



Argentina and Brazil are members of LAFTA. It was envisioned that all Latin American countries would benefit from the larger market and take advantage of economies of scale, however, both Argentina and Brazil benefited more substantially than the less developed nations. The Agreement of Cartagena signed by Bolivia, Chile, Colombia, Ecuador, and Peru in May, 1969, established the Andean Pact. The less developed five Andean nations sought to establish a subregional integration movement that would enlarge and strengthen the markets of several of the economically less advanced countries and be able to compete on a more equal footing with other member nations of LAFTA. These less developed nations did not have significant leverage to negotiate unilaterally with the larger, more advanced countries of Argentina and Brazil.<sup>12</sup>

Many reasons have been used to explain the lack of success in economic integration in Latin America. The disparate size and various levels of economic development of the Latin American nations were significant obstacles to economic integration. Regional cooperation was made more difficult by the changing governments of the member nations and their different respective economic development policies.<sup>13</sup> LAFTA was unsuccessful in promoting integration due to a shift toward development through central or state planning "rather than reliance on private enterprise or a more open economic setting, and complete structures of

industry over a share in a regional market." Additionally, traditional rivalries and hostilities between members prevented integration efforts from realizing their full potential.<sup>14</sup>

The larger states, Argentina, Brazil and Mexico remained ambivalent about making economic union their priority, and each had its own home market to assure at least moderate rates of growth. Mexico was concerned with opening up the rich North American market for its own goods. To Brazil, with its immense home market, national resources, and Portuguese heritage the southern hemisphere was only a complement to an ambitious global trade strategy. The idea of an economic union as a first step toward establishing a powerful Latin American community had little appeal to Brazilians. Argentina, on the other hand, feared the competition of cheap labor products from its less developed neighbors. Furthermore, Argentina's and Brazil's size and well-developed nationalism meant they had less need for a united Latin America.<sup>15</sup>

Argentina had never really sought economic integration because it feared Brazilian influence and favored commitment to autonomous industrialization. However, LAFTA became a vital market for Argentina, providing a multilateral instrument for negotiating with the most important countries of Latin America and the juridical framework for

a whole series of supplementary trades and joint development arguments.<sup>16</sup>

Brazil's hopes for LAFTA were modest, yet advantages were envisioned for itself: a free trade zone to promote regional trade and a means to avoid application of GATT's most favored nation requirements to a larger portion of its South American trade. Brazil assigned LAFTA a low priority compared to its domestic market, which was retained for national industry.<sup>17</sup>

Argentina's and Brazil's role in LAFTA politics was always influenced by their relative advantages in level of industrialization and market size. Both countries were "satisfied" members who were reluctant to grant concessions to weaker members. Argentina and Brazil were the two largest and most influential members; between them in 1974 they had 50.5 percent of LAFTA's intrazonal exports and 45.2 percent of its intrazonal imports.<sup>18</sup>

LAFTA was on the verge of collapse in 1973. Annual trade liberalization negotiations based on product-by-product tariff concessions had almost ceased completely and most countries feared competition. Argentina, Brazil, and Mexico were unwilling to continue nonreciprocal trade benefits for the relatively less developed countries. The member states agreed to hold collective negotiations in December, 1973. During these talks Argentina, supported by Brazil and Mexico, attempted to promote renewed trade liberalization

with provisions for bilateral and subregional arrangements to accommodate its bilateral economic strategy in Latin America. The association seemed initially about to reach preliminary agreement on automatic tariff cuts for those products the members were willing to place under free trade, an eventual zonal import substitution policy and retirement of those tariff concessions which conflicted with the Andean Group program. However, no substantive arrangements were ever drafted and by December, 1974, the talks reached a complete impasse. Additional talks produced no change and as a result member nations were bound only to reduce their tariffs toward each other by 2.9 percent annually until 1980.<sup>19</sup>

Until 1980, when the Cavacas Protocol expired, LAFTA shielded Argentina's and Brazil's bilateral arrangements from GATT's most favored nation clause. When Argentina was faced with the progressive collapse of LAFTA and new tariffs on its exports, it cultivated efforts to establish a relationship with the Andean Group to prevent the freezing of barriers to Argentine exports.<sup>20</sup> Brazil, in the other hand, felt that its own export promotion apparatus and well-negotiated bilateral treaties with its neighbors would prove more effective than LAFTA's multilateral mechanisms. Brazil was well received by the Andean Pact members and its trade with them rose gradually in the 1970s.<sup>21</sup>

Argentina and Brazil continued to pay lip service to LAFTA until its demise in 1980. It was replaced by the Latin American Integration Association (Asociacion Latino Americana de Integracion - ALADI), designed to be more flexible than LAFTA and more capable of dealing with the differing degrees of economic health and political stability of its members. It allows members to follow separate paths of subregional integration, and grants greater leeway regarding trade concessions as well as assistance to less developed members. Trade-offs of benefits and conflicts between goods of regional economic arrangements and interests of member-states will continue to plague efforts to establish a Latin American wide economic system.<sup>22</sup>

While Brazil showed only lukewarm support for LAFTA, it has strongly advocated a reconstruction of continental economic integration through ALADI. Brazil believes that by firming up Latin American unity vis-a-vis the industrialized states through multilateral negotiations, it can in turn reinvigorate the integration movement, with the Brazilian economy playing the key role. This would also serve to advance its own opportunities for trade and investment in South America and may be viewed by some as a double edged opportunity for Brazil.<sup>23</sup>

## 2. The Organization of American States (OAS)

After World War II, Americans perceived an expanded role for themselves internationally and the concept of

global responsibility became an assumption of American foreign policy. This attitude and the United States' perception of Soviet expansion led the United States to initiate and join in a number of regional alliances. In the Rio Treaty of 1947, which gave rise to the Organization of American States (OAS), the United States joined with twenty Central American and South American nations in the formation of a multilateral pact. It was perceived as an instrument for prohibiting intervention by foreign states in Latin American affairs and providing for consultation among the members with regards to external threat. The Rio Pact can be considered as an outgrowth of the Monroe Doctrine and an expression of traditional United States concern about its own hemisphere.<sup>24</sup>

Latin Americans looked to the United States for security and welfare, however, they continued to be uneasy about unilateral intervention by the United States within the southern hemisphere. The United States as a great power participating in a regional complex plays a strong position, linking its regional outlook to a more global perspective. This does not best serve the objectives of the smaller countries. All the members of the OAS under the Rio Treaty individually assumed the formal obligation to assist any member which was a victim of aggression. Realistically, this policy has not always been perceived to be consistent with actual world events.<sup>25</sup>

In 1948, the Ninth Pan-American Conference, at Bogota, established the OAS as a regional grouping under the United Nations.<sup>26</sup> This diplomatic alliance was formed to "promote the peaceful settlement of...international disputes and to encourage...international trade".<sup>27</sup> Soon after the OAS was formed, a difference emerged between the priorities of the United States and the Latin American nations. Whereas the United States interpreted the alliance as a vehicle to combat Communist aggression in the region, the Latin American nations were more interested in an alliance to assist in economic and social development of the region. The Latin Americans were more committed to strengthening economic assistance and the promotion of Latin American integration.<sup>28</sup>

Despite its farsighted and flexible charter and its sustained effort of cooperation and friendship in the Americas, the OAS finds its course of action constrained by the uneven desires of its members. Since the OAS' inception its members commitment has proved to vascilate between weak and firm. The underlying commitments are secure, however, interest in the fortune of the OAS periodically waxes and wanes among its members.<sup>29</sup>

The Rio Treaty has been invoked on some twenty occasions since 1948, to stop actual or threatened hostilities. Its strength can be attributed to its contribution to precluding hostilities rather than in resolving underlying

disputes among OAS members or in restraining domestic violence and turmoil. The Rio Treaty has benefited smaller nations as their national sovereignty was to an important degree preserved against threats both without and within the region. Other methods used for restraining international tension and hostility in the region include mediations by the Holy See in the dispute between Chile and Argentina, the Inter-American Peace Committee (1948-1966), and the informal OAS "corridor diplomacy" of the 1970s. Where a consensus existed among its members, the OAS has shown it can act effectively. However, when the consensus was shifting, as in the Malvinas dispute, the organization's effectiveness has been restricted.<sup>30</sup>

The fortunes of the OAS seem to have paralleled the ebbs and flows of the relationships among the regional countries. Regional economic objectives and standards, adopted under the OAS charter reforms in 1967 and made effective in 1970, did little to alter this characteristic. Obligations to put these reforms into practice remain moral rather than legal in nature. Most Latin Americans believe that the OAS should regionally emphasize and coordinate cooperative developmental efforts.<sup>31</sup>

Argentina and Brazil strongly support the OAS, however, neither country has demonstrated a major commitment to utilize the organization as a channel for their relations with one another or other Latin American countries. They



each contribute a greater percentage toward the OAS' budget than any other Latin American country with the exception of Mexico (the United States contributes 66 percent).<sup>32</sup>

Argentina acts to preserve its independence and to pursue enhanced influence, prestige, and specific goals. It has used the OAS as a forum to manage the Latin American balance of power, obtain diplomatic support for its claim to the Malvinas, and to expand its economic opportunities. Argentina must maintain an effective Latin American "connection, yet avoid too close an association with excessively radical positions threatening a confrontation with the United States".<sup>33</sup>

Argentina has been concerned with economic issues and supports the development of a Latin American community, which the interAmerican system has to serve. Argentine policy reflects general Latin American discontent with the organization's stagnation, concentration on politics and security matters to the neglect of economic questions, as well as long-standing dislike of United States domination.<sup>34</sup> Argentina's Foreign Minister Oscar Camilion in a speech to the Ninth OAS General Assembly in December, 1981, stressed the use of horizontal cooperation to be used as a tool for promoting economic recovery of the Latin American countries. He requested that a special meeting be held to discuss continental development so as to strengthen freedom, democracy, justice and well-being in all Latin

American countries. In addition, he pointed out that no real progress had been achieved along paths deemed appropriate for attaining continental solidarity nor had efforts been made toward defending principles which had given rise to the formation of the OAS.<sup>35</sup>

The OAS does not figure into Brazilian diplomatic calculations to the extent that it does in those of the smaller members. Brazil's activity has not been limited to Latin America and it has acquired a considerable degree of autonomy in its foreign relations. It is not necessary for Brazil to rely on force of numbers to face the United States. Brazil has chosen the option of assuming a rather low profile role in the OAS. Brazil doubts somewhat how much the OAS can accomplish, especially in relationships between Latin American countries and the United States, however, this does not imply lack of interest in the organization. Brazil utilizes the OAS for a number of functions relevant to its foreign policy and as an adjunct to its bilateral efforts. Brazil supports the interAmerican system as an appropriate forum for regional problems. The OAS provides Brazil with a channel for dialogue opportunities, but does not constitute a major podium.

Brazil has used collective pressure available in the OAS to encourage policy changes in other governments on issues such as the United States, trade, protectionism, territorial waters, and political terrorism. Brazil has

been careful not to allow its close relationship with the United States to isolate it from the rest of Latin America.<sup>36</sup> Brazil has consistently refused to go along with the idea of establishing an OAS for "Latin" and seems more comfortable with the weight of the United States role in the OAS than many other Latin American countries.<sup>37</sup>

Argentina and Brazil will continue to support the principles of the OAS, while attempting to use the organization as a platform for their own national interests and pursuit of independent foreign policy goals. The OAS supplements both nation's bilateral relations. On the regional level, Argentina has some hope for a direct impact and autonomous action, but on the global level it is one of many middle powers. Brazil, on the other hand, has become more engaged in the global system and its multilateral relationships in Latin America will be influenced primarily by its extra hemispheric interests. In a more interdependent world system, the small nations of Latin America could use the OAS as a tool for bloc bargaining with outside powers. The Rio Treaty should be revised to increase its effectiveness as an instrument of collective security and redefine its role in Latin American affairs. Argentina and Brazil as regional powers could help make this effective if they were willing to make the commitment. Additionally, the United States would have to be willing to assume more of a

back-seat position in the OAS and not overshadow the opinions of smaller Latin America countries.

### 3. The River Plata Basin Group

In April 1969, five countries signed the Plata Basin Treaty pledging their support to create the necessary legal arrangements for improvement of navigation, use of hydraulic resources, conservation, and the development of industry and physical infrastructure. The treaty contained no binding obligations and Article 4 required that all multilateral efforts would be "without prejudice to such projects or enterprises that they [the signatories] decide to execute within their respective territories, with due respect to international law and good practice among neighborly and friendly nations".<sup>38</sup>

The Twelfth Meeting of Foreign Ministers of the countries of the La Plata River Basin was held November, 1981, at Santa Cruz de la Sierra, Bolivia. Real progress was made in achieving joint integration efforts. The meeting specified the need to examine the feasibility of regional and subregional projects. The principle of promoting "harmonious and balanced development" among member nations (Argentina, Bolivia, Brazil, Paraguay, and Uruguay), incorporated into the treaty of 1969, has often been marred by heated discussion and interpretation. The concept has never been accepted enough to bring about reconciliation between the wishes of some countries and the cooperation

required of others. In the final analysis, Argentina and Brazil need to be the ones to provide the resources for carrying out any group initiative. At this meeting, Argentina and Brazil appeared as the natural moderators for the proposals of the others. Attention was focused on a general examination of the La Plata River Basin matters at hand and not distracted by disputes over each country's unilateral concept for exploiting the upper Paranas River.<sup>39</sup>

Argentina and Brazil finally stopped adding to the mass of reports and resolutions which ended up as dead letters during previous meetings of the foreign ministers of the Basin. The Argentine foreign minister stated that they should not add to the list of projects nor enlarge them out of "obstinacy" but rather "establish priorities so as to use effectively the resources available, which by definition are limited".<sup>40</sup>

Energy development of the vast River Plata Basin was previously marred by bilateral competition between Argentina and Brazil. The area equivalent to one-sixth of Latin America and approximately equal to one-third of Europe, includes portions of Argentina, Brazil, Bolivia, Paraguay, and Uruguay. The immense potential for hydroelectric development is currently being developed by a series of dams. Upon completion, Brazil's giant Itaipu will be the largest dam in the world. The dispute between Argentina and Brazil

revolved around the possible impact the Itaipu project would have on the Corpus project, Argentina's smaller facility being constructed 200 miles south on the Parana River. Argentina took the position that Itaipu would alter the navigability of the Argentina portion of Parana River and adversely affect the generating capacity of Corpus. The conflict was further complicated by the presence of Paraguay, who has been cooperating with both Argentina for the building of Corpus and with Brazil for the Itaipu.<sup>41</sup>

The long and often bitter dispute seemed near resolution in early 1978, when Brazil agreed to reduce Itaipu's water drop height in an amount that would permit Corpus to be appropriately raised. Another side issue posing some trouble seemed partially resolved when Brazil proposed to install half of Itaipu's generators at the Paraguayan (and Argentine) standard of fifty cycles and the other half at the Brazilian sixty-cycle standard. Paraguay complicated matters by refusing this Brazilian proposal. This and other issues were then taken up on tripartite negotiations.<sup>42</sup>

Many other minor issues of conflict occurred among the member nations, such as Bolivia's interest in a plan to interconnect the basins of the Orinoco, Amazon and Plata River. This proposal was supported by Argentina. Brazil maintained that the project was of low priority overall, extremely expensive and its economic outcome doubtful. The confrontation over the Plata River Basin clearly

demonstrates the entire background of South American integration attempts and the conflicts that are generated despite cooperative efforts between nations.<sup>43</sup>

The solution to the regional development of the Plata Basin was a prerequisite for Argentine-Brazilian cooperative efforts in other areas. The gradual strengthening of regional machinery for development helped create a growing web of interrelationships between the two nations. Dr. Gonzolo Romero, the Bolivian foreign minister commented that the Twelfth Conference of Foreign Ministers marked a trend toward cooperation of the Basin Treaty. He stressed that this kind of meeting makes it possible to get to know each other better and enables identification of problems requiring resolution through common efforts.<sup>44</sup>

The recent cooperation between Argentina and Brazil appears to be in marked contrast to their traditional rivalry. This cooperative spirit was first embodied in the Plata Basin Group, a regional organization. This group has made considerable progress in coordinating ongoing national programs and stimulating new efforts. It was also a beginning for further cooperative efforts between Argentina and Brazil.

#### B. BILATERAL RELATIONS

Smaller countries in Latin America have more bargaining leverage dealing through regional blocs or multilateral

organizations. Argentina has the option of using bilateral and multilateral diplomacy, or both. Argentina and Brazil prefer bilateral diplomatic efforts to pursue their national interests. Both nations can be expected to pay lip service to Latin American integration efforts and play a constructive role in multilateral projects, but will push their continental policies mainly bilaterally.

1. Changing Perceptions in Regional Rivalries

An analysis of regional policies by Latin American government shows the development of new forms of cooperation within the region which are superimposed on persistent patterns of conflict and hostility.<sup>45</sup> Military security threats in Latin America usually come from a nation's immediate neighbors or at least its local neighborhood. There are many serious conflicts plaguing small states in South America and the Caribbean region. The rivalry of regional powers, such as Argentina and Brazil, presents another type of threat to small buffer states like Uruguay, Paraguay and Bolivia.

Argentina and Brazil have traditionally competed for dominant influence in these neighboring countries. Uruguay, Paraguay, and Bolivia emerged as buffer states or neutral zones. Today, these three countries are linked to Buenos Aires and Brasilia via transportation patterns, communication systems, development projects, trade and



investments. Buffer states must strive to maintain cordial relations with both Argentina and Brazil because their physical and economy security depends on it.<sup>46</sup>

Argentina does not regard its frontiers as secure despite unbroken peace since the War of the Triple Alliance with Paraguay in the 1860s. The river boundary with Uruguay was finally settled in 1973 and demarcation of a portion of the Beagle Channel is still pending with Chile.<sup>47</sup> Argentina's military is constantly on the offensive in bordering states. Argentina security forces in the summer of 1980 participated in a Bolivian coup which prevented the popularly elected president, leftist Siles Zuazo, from assuming office. This intervention was called "intervention by consent", or "by invitation".<sup>48</sup>

Political stability and economic growth in South America and the absence of acute local disputes are beneficial for Brazil's prosperity and enhanced world role. Brazilian diplomacy has effectively used tension management in its sparsely settled border areas with Argentina, Paraguay, Bolivia, Venezuela, and Guyana. Brazil has begun to establish a "security perimeter" in neighboring areas, assuring itself friendly neighbors without complete domination of them.<sup>49</sup>

Argentina and Brazil individually have participated in joint ventures with their neighbors. The giant Itaipu dam complex on the Paraguayan frontier marked a joint

Brazilian-Paraguayan effort that will make electricity Paraguay's most important export and provide Brazil with an important needed source of energy. Brazil has also negotiated with Bolivia for oil and natural gas supplies.<sup>50</sup> Argentina has signed cooperation agreements, which include technical assistance with Peru, Paraguay, and Bolivia. Argentina has provided military training for officers from many neighboring countries.<sup>51</sup> Peru and Argentina signed a nuclear transfer agreement in 1979, and major cooperation agreements in the nuclear field have been concluded with Bolivia, Ecuador, Uruguay, Chile, Paraguay and Venezuela.<sup>52</sup>

Traditionally Brazil and Venezuela have maintained a cool relationship and their interests have conflicted on several fronts. The importance of democratic government and human rights, the price and supply of oil, nuclear proliferation, and the new international order are a few of the areas their views have differed on.<sup>53</sup> Brazil's 1976 Amazon Pact initiative began to slowly diffuse mistrust in Caracas toward Brazil and clear evidence of political liberalization in Brazil furthered the progress. Brazilian Foreign Minister, Saraiva Guerreiro's visit to Caracas in 1979 led to broad understanding in trade, joint ventures, and technical cooperation between the two nations.

The Amazon Pact provided Brazil with a useful instrument for conveying a cooperative image to the Andean

countries and further alleviating alleged Spanish American concern over Brazilian expansionism. Brazil's effective diplomatic skills and its own greater experience in Amazonian settlement capitalized on the Andean nations' interest in the Amazon by putting forth both bilateral and multilateral cooperative efforts. In the process, Brazil worked out bilateral trade, joint ventures, and other agreements which proved attractive enough to take Peru off the defensive. Andean Pact members viewed Brazil's breaking off diplomatic relations with the Somoza government of Nicaragua in its final weeks as supportive of their active diplomacy in the crisis. In 1980, a consultative mechanism was established with the Pact to provide for future cooperation and which acted as a statement in support of international economic reform.<sup>54</sup>

Brazil in the last decade has effectively and peacefully consolidated its status as the principle and most influential nation among its neighbors in South America. Central America and the Caribbean have not normally been placed high on the list of Brazil's diplomatic concerns, although some ministerial visits took place during the first two years of the Figueiredo government. Brazil has followed a policy of staying as noncommittal as possible regarding revolutionary movements in the region. Brazil has made several attempts to deepen relations with Mexico, though presidential visits and package agreements have produced

little concrete progress. Relations with Cuba still remain cool.<sup>55</sup>

Existence of increasingly activist regional foreign policies of the Latin American powers necessitates a recognition of the complexity of foreign policy behavior on a regional as well a global level. Pursuit of domestic goals reflecting national strategic and economic objectives effect not only regional, but global policy formation. Patterns of cooperation between Argentina and Brazil illustrate changes occurring in bilateral relationships as the result of developments in the domestic political situations of both countries as well as the impact of international pressures. New forms of cooperation within the region have developed which are superimposed on persistent patterns of conflict and hostility. Regional competition will continue to exist between Argentina and Brazil, but future Brazilian influence will surpass Argentine influence in the neighboring states. Greater cooperation between Argentina and Brazil could provide the impetus needed for greater South American integration and economic development. Additionally, Argentine and Brazilian cooperation can be viewed as a regional counterweight to United States influence in the southern hemisphere.

2. Beagle Islands Dispute (Chile vs Argentina)

Argentina and Chile have been priming for war over islands in the Beagle Channel for a long time. The

underlying sources of this dispute, which have been subjected to international mediation, relate to mineral and fishing rights, off-shore oil and portions of the Antarctica. It led each country to spend over \$1 billion a piece for new ships and weapons in the late 1970s and to the deployment of forces along their borders.<sup>56</sup>

The Treaty of 1881 provided that the boundary lines in Tierra del Fuego would proceed until it "touched the Beagle Channel". Initially Argentina tried to establish the boundary in the channel itself, but this claim failed. Argentina then attempted to prove that the Beagle Channel was really located south of the islands of Picton, Nevva, and Lennox, which would have given it control of the islands. However, the islands have been occupied and governed by Chile since before the turn of the century. This gives Chile effective control of the channel and the approaches to the Argentina naval base located at Ushuaia. The matter was placed in arbitration in 1971 after repeated incidents and protests between Argentina and Chile. In May, 1977, under Britain's arbitration a new boundary line was drawn in the center of the Beagle Channel. Chile was awarded the three disputed islands, but Argentina received clear title to a navigable channel to the port of Ushuaia. Chile accepted the mediation, Argentina refused and declared the award "null". After Argentine attempts to achieve its goals through bilateral negotiations failed, it mobilized

reserves, deployed forces to the border and threatened war. Chile resisted Argentine threats and prepared its own defenses. Towards the end of 1978, a truce was achieved at the very brink of war between Argentina and Chile.<sup>57</sup>

While the reasons for the crisis are both strategic and economic, the principle issues between Argentina and Chile are "(1) the ownership of the islands, (2) maritime limits that island ownership affects, (3) navigational rights in the Magellan Straits, (4) exploitation of the sea, including subsoil hydrocarbon deposits, and (5) territorial claims in the Antarctic."<sup>58</sup> The dispute centers over control and sovereignty over maritime space and the idea of maritime space being treated as territory of a country. Under the 1977 arbitration, Chile claimed that the award, together with the 200-mile limit, give it control of maritime space, which according to Argentina not only deprives Argentina of the economic use of this portion of the sea, but also cuts across communication lines to its Antarctic claim and bases therein. Additional actions taken by Chile involving acts of sovereignty aroused violent protest and reaction in Argentina. Chile established the so-called *lineas de base rectas*, which enclosed the islands confirmed by the award and constructed a basis for extending the 200mile limit, and appointed *alcaldes de mar* for the island areas.<sup>59</sup>

The Argentines have always feared strategic "encirclement" by Brazil and Chile, both on land and sea. To prevent a maritime linkage between Brazil and Chile, Argentina strives to confine Chile to the Pacific, and to exercise control of the Drake Passage from bases in the south of the continent and in its Antarctic claim. This same concept accounts for Argentina's effort to recover the Malvinas Islands, for bases in these strategic islands could ensure control of both the Strait of Magellan and the Drake Passage. Argentina argues in terms of sovereignty over essential maritime space in reaction to Chilean acts of sovereignty in the disputed area. President Pinochet of Chile noted that the principle divergence between Argentina and Chile resulted from "the necessity to delimit the maritime jurisdiction of our states in the southeastern zone of the continent" and emphasized "that these areas, although covered with water, are a prolongation of this territory beneath the sea."<sup>60</sup>

Both Argentina and Chile agreed to accept Papal mediation over the disputed three islands in the Beagle Channel by signing an agreement in Montevideo in early January, 1979.<sup>61</sup> The Pope's proposals on the issue were formally made on 12 December, 1980, but never published.<sup>62</sup> Chile readily accepted the Vatical proposals in January, 1981.<sup>63</sup>

As of early 1979, the Argentine government willingly approved a motion to accept an adverse verdict on the ownership of the islands on the condition that the off-shore waters on the Atlantic side are accepted as Argentine by a special protocol. This position was not necessarily favorable to Chile or acceptable to them. The Chilean Ambassador to Argentina, Sergio Orotre Jorpas Reyes, declared that "Chile needs an outlet to the Atlantic in order to trade with Africa" and that "the concept of the absolute division of the oceans has evolved a great deal."<sup>64</sup>

As a whole, the Argentine military has been unable to swallow the Vatican proposals. The military wants the frontier between the two countries to have a "base on terra firma" at Cape Horn and that in awarding the disputed islands to Chile too much of the surrounding waters are given away. Additionally, they object that the so-called 'sea of peace', which is a proposed demilitarized zone covered by special cooperation treaties, is located only in the Atlantic without any counterpart on the Pacific. The Argentine government has internally been unable to resolve these objections and has pursued no definite policy regarding the Vatican proposals, other than to stall.

The government of Argentina has been aware that in 1979 it agreed to accept Papal mediation and that any use of force to recapture the disputed territory after the Falklands War would be a suicidal proposal in political



terms. The military junta appears willing to let the decision to accept the Vatican proposals pass on to the next civilian government. Argentine politicians fear that if the next civilian government accepts the Vatican proposals, the armed forces may rise up in fury over the damage to national sovereignty and use the issue to prepare yet another military coup.<sup>65</sup>

When Argentina's newly elected civilian government takes over in January, 1984, it will have to deal with the issue of accepting the Vatican's mediation over the Beagle Channel dispute with Chile. There will likely be some hard questioning of the exact terms of the Pope's proposals but speedy progress towards an agreement is necessary. Realistic deduction concludes that to end the dispute peacefully, the Vatican is just about the only route left. The new civilian government must search for the best possible result within the Vatican framework.

### 3. Regional Effect of the Falklands War

The Argentineans have long felt that Britain acquired this distant territory on their continental shelf by force in an era of colonial expansion. British public and political opinion had persistently underrated the strength of feeling in Argentina about the Falklands. The British did not believe that Argentina would seek to take by force what had been denied to them by negotiation. The Argentineans, on the other hand, misjudged that the British

would not react in turn with force and that America would not support Argentina. As a result of the defeat in the Falklands War some 1,000 Argentinean men died.<sup>66</sup>

In 1965, Argentina registered at the United Nations its desire to negotiate a transfer of sovereignty for the Falkland (Malvinas) Islands. The United Nations instructed both sides to begin talks, which were conducted roughly once a year. Each round of talks was usually preceded by fierce sabre-rattling in Buenos Aires, including threats of invasion. Military action was suppressed by the promise of successive negotiations until Argentina took action by force and invaded the Falkland Islands on April 2, 1982. The islands have since been defended by more than a token force of British Marines.<sup>67</sup>

Specific actions taken by the British government were made to encourage Argentina to pursue a negotiated settlement. Almost every British minister which Argentina dwelt with came to recognize at least the de facto force of Argentina's claim. The first Wilson government refused to deny the claim and the Heath government signed a communications agreement with Buenos Aires which effectively ensured Argentine control over air access to the islands. The Argentineans extended the Stanley airstrip, ran the islands' oil supplies and thus developed psychological links with the mainland meant to overcome the islanders' determination to remain British. Falklanders themselves made increasing use

of Argentine schools and hospitals. Both sides assumed that a mechanism eventually would be found to formalize these links allowing Argentina to claim "recovery of sovereignty, while Britain protected the rights and lifestyles of the inhabitants."<sup>68</sup>

The British have always stressed that the principle of self-determination be given to the islanders. The Argentineans have always insisted that the islanders' interests of necessity lie with the nearest mainland. After the islands were captured by Argentina, the United Nations Security Council voted by 10-1 that Argentina should withdraw from the islands. The United States voted in favor and the Soviet Union abstained. Argentina felt isolated when the Third World did not applaud its attempt to overcome colonialism, and even Latin American nations refused to endorse Argentina. The United States would not rush to defend Argentina if the Falklands were attacked by the British. The British launched their fleet, imposed a blockade around the islands and persuaded the European Economic Community (EEC) to impose trade sanctions against Argentina. In Buenos Aires, Mr. Haig was told: "We have only taken back what is ours, peacefully, after 150 years of British rule."<sup>69</sup>

In Latin America, the great majority of countries publicly stated their support of Argentina's claim to the Falkland Islands, as they often had in the past. However,

they did totally support Argentina's methods for enforcing it.<sup>70</sup> The Argentine foreign minister requested a special meeting under the InterAmerican Treaty of Reciprocal Assistance, or Rio Pact, on April 23, 1982. Argentina won support for the calling of a special meeting to be held at the OAS. Argentina, perceiving the mood of most Latin American countries, simply asked for the British forces to leave the interAmerican defense zone and that sanctions be lifted by the Europeans.<sup>71</sup> It is interesting to note that before it signed the Rio treaty years ago, Argentina noted its claim to the Falklands, South Georgia, and the Sandwich Islands, but Americans claimed at the time that the treaty had no bearing on sovereignty.<sup>72</sup>

The final resolution of the OAS, on April 28, 1982, recognized Argentina's claims to sovereignty, but called for a truce and settlement which would take the wishes of the islanders into account. Brazil told Argentina that it could expect no military aid, but the British recapture of South Georgia and subsequent events brought a change of mood in Brazil. Brazil then agreed to supply Argentina with reconnaissance aircraft. Brazil has a strong interest in preserving regional stability and in maintenance of political stability in Argentina.<sup>73</sup> Throughout most of this crisis, the Brazilians sought to preserve their neutrality and they tactfully offered to represent Argentine interests

in Britain after the closure of Argentina's embassy in London.<sup>74</sup>

Venezuela gave Argentina strong backing during the Falkland Islands War. Venezuela has quarrels with ex-British Guyana and disapproves of the big-power veto in the United Nations Security Council. Bolivia offered Argentina military aid. Panama supported Argentine claims to sovereignty and the Guatemalan delegate to the OAS meeting spoke of the "fictitious independence" of Belize, a formerly British country, it has its eye on. Peru called for an international solution to the problem.<sup>75</sup> Chile closed its border with Argentina during the crisis, however, officially the Chilean government merely disapproved of Argentina's seizure by force of the islands. Chile fears that Argentina may someday invade the three islands involved in the Beagle Channel dispute. Mexico quietly disapproved of Argentina's grabbing of the islands. Mexico, like many Latin Americans, feels that Argentina may have set a precedence for using force in other regional territorial claims. Ecuador, Colombia, and Costa Rica offered their service through the OAS as mediators. Paraguay and Uruguay offered unequivocal support to their southern neighbor. There was little backing for Argentina in the English-speaking Caribbean.<sup>76</sup>

The American delegate to the OAS, Mr. William Middendorf, felt that it was inappropriate for Argentina's

request to invoke provisions of the Rio Treaty and that the OAS was the incorrect forum. The Latin American signatories to the treaty were hard pressed to agree with the sentiment as the United States had so often used the organization as a forum for its own complaints against Cuba and more recently Nicaragua. The United States had a weak contention that Argentina was misusing the OAS as an arena for settlement of the issue.<sup>77</sup>

Successive governments have indoctrinated the Argentineans with the idea that the Malvinas are theirs as an undisputed right. Even after the defeat at Port Stanley, Argentine sentiment indicated that it would never give up its struggle to obtain sovereignty over the Falklands.<sup>78</sup> At the conclusion of the Falklands War, one Argentine politician commented:

We are witnessing the end of another military regime, the sixth since the process began in 1930. And like all the military regimes that promised a solution, it has wound up by seeking a way out.

These words do not totally capture the discouragement and frustration that gripped many Argentineans in the aftermath of military defeat, profound economic deterioration, and political uncertainties. Whether the military government would be able to bring off free elections as it promised in 1984 was uncertain.<sup>79</sup>

After the War, Argentina again moved to schedule talks with Britain. The United States and the Latin

countries supported Argentina in its call for negotiations in the United Nations on the status of the islands. Although Argentineans knew that Great Britain was their enemy during the war, some felt far more anger and bitterness toward the United States. Latin Americans prize loyalty much more deeply than North Americans seem to and they deeply resented the fact that the United States did not maintain a stance of neutrality and provided aid to the enemy when war finally came. Argentine leaders said that United States support for Britain might force them to turn toward the Soviet Union or Cuba for aid, but no such alignment took place. Argentina has remained firmly a Western nation.<sup>80</sup>

"The shock waves from the Falklands (Malvinas) jolt to United States-Latin American relations continue to reverberate throughout the hemisphere, and only time will tell the extent of the damage." Latin American resentment has taken largely symbolic gestures like the recent election of Nicaragua to a United Nations Security Council seat, the spokespersonship of the Latin American group in the World Bank, and talk of establishing an OAS for "Latins only".<sup>81</sup> The struggle against a major European power made Argentineans acutely aware of the need for hemispheric solidarity (already a traditional thrust of its foreign policy) and sharpened its appreciation of what it means to be a Third World nation.<sup>82</sup>

Politically the war brought in a new president and civilian politicians demanded a return to civilian rule. Additionally, the war caused lasting splits within the military establishment itself. The newly elected administration when it comes to power in January, 1984 will have to contend with many fundamental conflicts that defeat in the war only sharpened. It will be difficult for the new civilian government in Argentina to survive if it cannot get the British to the negotiating table. Latin American needs a politically stable Argentina.

#### C. BRAZILIAN AND ARGENTINE RELATIONS

Argentina and Brazilian foreign policy has been characterized by ambivalence as a result of the tendency to identify with Europe and the United States, while attempting to exert leadership or influence over South America. Past rivalry between the two giants of South America has been intense, especially in regards to the River Plata Basin. Territorial conflicts in that area were initially instigated by Spain and Portugal. Paraguay achieved its political independence in 1811 by its ability to play off one of its large neighbors against the other. Uruguay, a buffer state, has maintained independence since its creation in 1838 by countering the pressure of one neighbor by leaning on the other.<sup>83</sup>



Great Britain maintained influence over both Argentina and Brazil during the nineteenth century. Both countries experienced a large influx of European immigrants and each increased its power position vis-a-vis the other South American nations. Argentina achieved this through economic advances, while Brazil increased its power through the expansion of its territory at the expense of each of its contiguous neighbors.<sup>84</sup>

As the twentieth century emerged the international relationships of the two countries diverged. Brazil assumed a role of intermediary between the United States and the other Latin American states. Argentine leaders resented what they viewed as United States favoritism toward Brazil, and consequently chose not to compete with Brazil for the favor of the United States. Argentina advocated a policy of Latin Americanism and universalism as opposed to Pan Americanism. Argentina maintained closer ties with Europe.<sup>85</sup>

Argentina maintained a neutral stance during World War I, while Brazil declared war against the central powers. During World War II, Argentina maintained what the United States considered a "pro-Axis Neutrality" while Brazil contributed bases and troops to the allied support. During the 1950s, however, both countries were under the prevailing influence of the United States.<sup>86</sup>

In 1961, Presidents Frondizi of Argentina and Janio Quadros of Brazil stated they would coordinate their

policies vis-a-vis the United States, the socialist countries, and the Third World in defense of their democracy and civil liberties and to enhance their independence from the United States. The military establishments in a coup d'etat in Argentina in 1962 and Brazil in 1964 reversed these tendencies. By 1965, the military leaders of Argentina and Brazil established an accord that provided for cooperative efforts in counter insurgency operations. The two countries worked closely together, in conjunction with Uruguay, Paraguay and Bolivia, to eliminate insurgent movements which they assumed to be operating across national frontiers.<sup>87</sup>

The two countries competed for public and private capital from the United States and for the favor of international lending agencies. During the 1973 elections in Argentina, Peron proposed a foreign policy of "continentalism", and accused Brazil of being an agent of the United States. Despite all this rhetoric, Argentina continued to approach Brazil on a basis of accommodation rather than of confrontation.<sup>88</sup>

Points of disagreement and concurrence characterized Argentine-Brazilian relations in the 1970s. The spectacular development of Brazil and the process of integration of the La Plata Basin produced friction in their bilateral relations. Fishing incidents taking place within the Argentine 200-mile limit and bitter negotiations aimed at reconciling their differences on the big dams at Corpus and Itaipa were

finally resolved. Additionally, denunciations of "dumping" and threats of reprisals against subsidized exports of Brazilian products to the Argentina market were finally resolved by the zigzagging of currencies.<sup>89</sup>

Argentine-Brazilian rivalry over the controversial issue of the use of international waterways formed part of the Plata Basin integration process. The object of that integration process has finally achieved harmony within a geographic and political system that encompasses five countries in the region and where success rests on the close cooperation that developed over the issue between the two largest countries, Argentina and Brazil. This cooperation signalled success for future cooperative efforts between them.<sup>90</sup>

Competition in the field of international trade relations has been present for many years between Argentina and Brazil. Each country must stretch its resources to the utmost in order to gain markets in the South-South direction. Brazil's advance has been exceptional and Brazil's exports to Latin America have surpassed in value those to the United States, traditionally Brazil's best commercial customer. Brazil has absorbed much of Argentina's export of beef to the European Economic Community (EEC).<sup>91</sup> During 1980, Argentina lost 35 percent of its volume of corned beef exported to the United States, while Brazil increased its exports to that market by 61 percent. Meatpacking plant owners from Argentina and Brazil met to discuss their

different export policies and jointly agreed to stimulate consumer markets for corned beef. This type of cooperative effort would not have occurred ten years ago, but recently has been encouraged by both governments.<sup>92</sup>

President Joao Figueiredo's visit to Buenos Aires in May, 1980, marked the first time a Brazilian president had visited Argentina in forty-five years. Ten agreements were signed at that time which provided for cooperation between Argentine and Brazilian hydroelectric utilization, science and technology, political consultations, coordination of grain exports, nuclear energy, and military equipment manufactures, among other sectors. Both parties took pains to disavow hegemonic intentions in South America.<sup>93</sup>

Figueiredo also visited Chile as a counterbalance in 1980. On this visit Brazilian officials were careful to avoid anything that could be considered as interference in the internal political process of the host nation. Brazilian officials also had no desire to become involved in the Beagle Channel dispute between Argentina and Chile. Brazil has shown little interest in Argentina's proposal for a southern zone security organization and views it as incompatible with its political goals. While on his trip to Chile, Figueiredo stressed the need for peaceful coexistence and developmental cooperation.<sup>94</sup>

In 1981 an important seminar organized by the Argentine Council for International Relations was held in Buenos Aires

to discuss relations between Argentina and Brazil during the decade of the 1980s. The Brazilian minister of foreign relations, Ambassador Saraiva Guerreiro, upon completion of the meeting spoke of the importance given to Argentina in formulation of Brazilian foreign policy. He further emphasized: "that Brazilian foreign policy is not based on the presumption of mutually exclusive options or roads leading in just one direction..." Brazil has recognized by implication that it is not yet a part of the First World and that it must preserve ties that can be mutually beneficial.<sup>95</sup>

More recently, the interchange between Argentina and Brazil was strengthened by joint naval maneuvers called "Fraterno", which occurred in early 1982. For a long time Argentina has shown an interest in the Antarctic; Brazil only more recently. The military ministers of both countries have characterized development of joint cooperation efforts as extremely feasible. There has been some concern in Argentine naval circles, who welcome the joint venture but are suspicious of Brazil's true interests.<sup>96</sup>

Argentina and Brazil have been able to overcome part of their historical rivalry in Latin America in order to further their own national interests. Both Argentina and Brazil realistically and objectively acknowledge the benefits to be gained from political and economic cooperation. Brazil has surpassed Argentina as the strongest power in Latin America, but both as regional powers can use their

cooperative relationship to strengthen the position of other Latin American nations. If this line of reasoning were put into effect it would have dramatic ramifications, but both Argentina and Brazil will be looking out for themselves first. Their individual pursuit of independent foreign policies has led them to cooperative endeavors between themselves, but regional benefits derived from this relationship will be a sidelight to their individual pursuit of their national interests.

1. Argentine-Brazilian Convergence over Nuclear Issues

Argentina and Brazil have refused to sign or ratify the Nuclear Nonproliferation Treaty (NPT) and base their refusal on similar grounds. Argentina, during a 1968 United Nations debate on the then proposed NPT, stated that Argentina:

...cannot accept remaining subordinate to a continuing dependence on the great powers nuclear technology for peaceful ends, especially when our country has laid the foundations for a nuclear technology need for economic development.<sup>97</sup>

The Argentine delegate coined the phrase that NPT would "disarm one unarmed", while at the same time impose no restrictions on the superpowers' arms race. The Brazilians have seen the NPT as an attempt to "freeze" the international power structure in an attempt to contain emerging powers such as Brazil.<sup>98</sup>

Argentina and Brazil have each spearheaded nuclear development in Latin America and are nearing a technical

capability which could develop a nuclear explosive device in the 1980s. They both have similar concerns for energy security, but Brazil's heavier burden of imported oil enhances nuclear power's attraction. For both Argentina and Brazil nuclear power brings prestige.<sup>99</sup>

Regionally, Argentina and Brazil signed the Tlatelolco Treaty, which establishes a Latin American nuclear weapons free zone. Both Argentina and Brazil view detonation of a Peaceful Nuclear Explosive (PNE) as legitimate under the provisions of this treaty. India's example of development and testing of PNE's has provided an attractive model for Argentina and Brazil. Its military application has definite importance to certain sectors within Argentina and Brazil. Both these nations are presently working on their own approaches to full mastery of the nuclear fuel cycle and thereby ultimately establishing independence of action.<sup>100</sup>

Until fairly recently, the United States experienced close nuclear cooperation with both Argentina and Brazil. The United States is no longer a principle supplier to either nation and its ability to influence their nuclear programs has been significantly diminished because of this. Both Argentina and Brazil have been pursuing independent nuclear policy programs.

When Argentine President Juan Peron announced an ambitious nuclear program, Brazilian uneasiness grew with

regards to Argentine strategic objectives. The Argentine program led to the building of a research program in 1958, which was followed by power reactor development in the 1960s and 1970s. Argentina pursued a more independent foreign policy line than Brazil, who turned to an American-sponsored nuclear strategy under the Atoms for Peace Program. Table 4 compares the original Argentine and Brazilian plans. From 1960 to 1964, Brazil began to move away from involvement with the United States and sought to diversify its technological dependence. Brazil set up limited cooperative agreements with Canada, France, and West Germany between 1967 and 1972. Brazilian nuclear policy received renewed impetus during the energy crisis of 1973, which dramatically underscored the vulnerability of Brazil's dependency on foreign energy sources. Brazil's 1980 oil bill represented 54 percent of the country's export earning.<sup>101</sup>

Brazil has sought European cooperation for its nuclear development, making it less dependent on United States nuclear policy. Brazil signed a major nuclear agreement with the Federal Republic of Germany in 1975 for the expansion of nuclear industry in Brazil. The United States had attempted to block this agreement. Despite contractual arrangements and major policy commitments by the West Germans to nuclear development in Brazil, 1981 was marked by many reversals which finally ended in postponing completion of the West German program. Since its conception Brazil's



TABLE 4

## PLANNED NUCLEAR PLANTS: ARGENTINA AND BRAZIL

		Construction Start	Original Goal for Operation	Electric Output gross MW
<u>Argentina</u>	Atucha I	1968	1974	367
	Embalse	1974	1981	648
	Atucha II	1979	1987	600
	-	-	1991	600
	-	-	1994	600
	-	-	1997	600
<u>Brazil</u>	Angra 1	1971	1981	657
	Angra 2	1976	1983	1325
	Angra 3	1976	1984	1325
	Nuclear 4	-	1990	1325
	Nuclear 5	-	1990	1325
	-	-	1990	1325
	-	-	1990	1325
	-	-	1990	1325

Source: International Atomic Energy Agency, 1978

nuclear power program has run into problems ranging from massive cost overruns to United States opposition. In contrast, the Argentine program has advanced rapidly, partly due to the choice of using natural uranium technology. This has freed Argentina from outside dependence. Presently, Argentina possesses the most advanced nuclear energy program in Latin America.<sup>102</sup>

Scientific and industrial resources combined with available uranium resources give Argentina and Brazil very strong advantages in nuclear development. Argentina is pursuing an active effort to promote its heavy water/natural uranium technology in cooperation with other Latin American nations. An agreement was signed with Peru in March, 1977, which has established a close working relationship between the nuclear energy commissions of the two nations. Similar agreements for nuclear cooperation exist with Paraguay, Colombia and Uruguay. If Argentina gets other regional nations to adopt natural uranium/heavy water technology, then they would become dependent upon Argentina as a regional supplier. Brazil has placed less emphasis on bilateral relationships and concentrated on its own national nuclear efforts. Brazil does have a program of nuclear cooperation with Uruguay and an agreement to supply a subcritical nuclear unit and other equipment to Paraguay.<sup>103</sup> In 1979, Brazil initiated a cooperative program with Venezuela which marked the first tangible

indication of its interest in reexporting nuclear technology and equipment received in part from more advanced nations. In response to this, Argentina also signed an agreement with them for nuclear cooperation in the same year. Both countries also have an established a nuclear cooperative relationship with Chile.<sup>104</sup> Argentina and Brazil have established bilateral cooperative efforts outside the Latin American regions (Argentina-India, Argentina-Libya, Brazil-India, Argentina-South Korea, and Brazil-Iraq).<sup>105</sup>

In May, 1980, Argentina and Brazil signed an agreement between themselves for nuclear cooperation. This dampened the long nuclear rivalry between the two countries. Both have tended to view nuclear energy as a major contributing factor for their national development effort and from the context of bilateral competition. Nuclear power application has remained the one important area that Argentina still maintains clear superiority over Brazil. Argentina and Brazil, in contrast to other regions of the world facing potential proliferation, have shown considerable mutual restraint. Nevertheless, competition for influence with other Latin American nations will probably be a continuing factor affecting decision makers of both nations.<sup>106</sup>

Nuclear cooperative attempts between Argentina and Brazil were made possible once a final settlement of the protracted dam disputes on the Parana River were resolved in

1979. A number of factors have contributed to the recent trend toward Argentine-Brazilian nuclear convergence. There have been economic incentives which impelled the Brazilian nuclear establishment to favor linkage with Argentina. Budgetary pressures in Brazil have caused diversion of resources toward other energy sources (such as hydroelectric development) and pressure from private industry has increased Brazilian incentive to cooperate with Argentina. In addition, both nations perceive that they will have a greater capability to resist nuclear supplier pressure and to counter restrictions on advanced technology. The Argentine-Brazilian nuclear relationship may have security payoffs as both nations learn to appreciate the need to avoid destabilizing expensive nuclear competition between themselves.<sup>107</sup>

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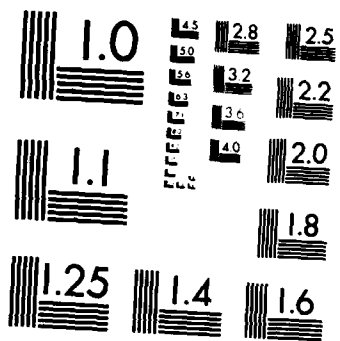
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#### IV. DIVERSIFICATIONS OF INTERNATIONAL RELATIONSHIPS

Argentina and Brazil have sought a new relationship with the United States which has led their governments to take a more active international role in searching for Third World allies and to increase their interactions with economically powerful nations other than the United States. Brazil has primarily sought to increase its power through greatly expanded activist foreign policies. Brazilian foreign policies on the global scale are manifested by its growing ties with Third World nations, with Europe, and its Latin American neighbors. Argentina and Brazil, due to their size, are in a better bargaining position than their smaller and less powerful neighbors. Intensification of nationalistic ideologies at development and the increase in their government's capabilities brought about foreign policies which imposed minor restrictions and controls on foreign investment; increased multilateral diplomacy in the region; and increased diplomatic and economic relations beyond the South American hemisphere.

##### A. DIVERSIFICATIONS OF CONTACTS

Brazil has one of the more developed foreign policies in the Latin American region. Brazil is involved in a wider range of issues and with a greater number of partners beyond the continent than any other Latin American country.

Brazilian interests are flexibly framed on an operational case by case basis and are backed up with sophisticated diplomatic and organizational skill. Brazil has also demonstrated more policy continuity between administrations than is typical for most Latin American nations as a whole.<sup>1</sup>

The Brazilian autonomy in conducting its foreign affairs can be highlighted by several recent events. In early 1982, a group of Brazil's leading businessmen made a trip to Cuba which proved to be very successful politically. The incumbent foreign minister of Brazil has stated that Cuban troops are in Angola because they were requested by the government of that country.<sup>2</sup> The Angolan Foreign Minister Paulo Jorge while on a scheduled visit to Brazil in November, 1981 held talks with Brazilian Foreign Minister Guerreiro, as well as meetings with the minister of economic areas to discuss mechanisms to activate bilateral trade and to launch technological cooperation programs. Brazil seems interested in establishing closer political and economic ties with Angola, but has strongly denied that any type of military cooperation or arms sales would be desired. Brazil has normally followed a policy of refusing to export arms to potentially explosive areas of the world (such as South Africa). Angola exports oil to Brazil (30,000 barrels per day in 1981). Brasperto (Petrobras International Incorporated) has been prospecting for oil in Angolan territory and Brazil wants to broaden the cooperative effort

so it can refine Angolan oil for export and to sell both equipment and technology for the oil sector.<sup>3</sup>

Argentina maintains diplomatic relations with most countries regardless of political organization or ideological issue. Even the fervant anti-communism of the military governments who ruled Argentina between 1966 and 1973 did not preclude commercial and cultural exchanges with the Soviet Union and other East European countries.<sup>4</sup> The government established relations with Cuba, Albania, the German Democratic Republic, and North Korea in May and June of 1973. The successor government of Juan Peron recognized North Vietnam and Bulgaria, the People's Republic of China, and Cuba; and Romania opened up trade offices in Argentina. Argentina was the first country to extend medium trade credit to Cuba, which provided for the furnishing of \$200 million worth of equipment on an annual basis for a period of six years.<sup>5</sup> More recently, a three-year extension was signed in February, 1982, to the presently existing trade agreement between Argentina and the Soviet Union. Argentina has become a principle supplier of wheat to the Soviets ever since Argentina refused to acknowledge the United States grain embargo to the Soviet Union.<sup>6</sup>

Although the old basis of relations in Western Europe has declined, for Argentina the European Economy Community (EEC) still provides the largest market for its beef. Germany, Italy, and France offer primary sources of



technology, weapons and investment capital. These countries provide Argentina's major sources of imports after the United States. Argentina has been hurt by protectionist inclinations imposed on Argentina's agricultural exports by the EEC.<sup>7</sup> The EEC became Brazil's chief economic partner in the 1970s, with West Germany the most important, followed by the United Kingdom and France. The EEC provided a market for 30.5 percent of Brazil's exports in 1979, but Brazil only received 0.8 percent of the EEC's exports.<sup>8</sup>

Both Argentina and Brazil have extensive economic ties with Japan. Japan appears as a natural market for Argentine agricultural products, while Brazil has major appeal to Japanese investors who are searching for raw materials.<sup>9</sup> In March, 1981, a broad agreement was signed between Japan and Argentina regarding Japan's investment in an Argentina steel mill expansion project. Other identified Japanese consortia include negotiated sales of plants and equipment for electrification of the Roca Railroad on the outskirts of Buenos Aires, for modernization of a communications network, and for construction of a hydroelectric power plant on the Rio Parana between Argentina and Paraguay.<sup>10</sup> Japan's Deputy Finance Minister Watanabe Kiichi was said to say while in Sao Paulo that Brazil will continue to be the third best option for Japanese investments, following that of the United States and Indonesia.<sup>11</sup>

Brazil, who seeks markets both for her raw products and manufactured goods, will deal with any African nation regardless of ideology, race or political organization. Cultivation of the friendship of the African nations has been seen as a means for obtaining new Brazilian markets.<sup>12</sup> In addition, the importance of political and economic coordination among members of the Third World was stressed as a side issue by the Brazil-Nigeria-Ivory Coast-Senegal Trade Relation Seminar sponsored in Sao Paulo. Brazilian-Nigerian trade has developed from \$22 million to \$1.5 billion in the last ten years.<sup>13</sup> Zambia has expressed interest in establishing agricultural trade with Brazil and receiving scientific cooperation for the production of cattle and foodstuffs.<sup>14</sup> Brazil's Foreign Minister Guerreiro has led trade delegations to Mozambique, Angola, Tanzania, Zambia, Zimbabwe, Nigeria, and Senegal. In the last decade, Brazilian trade with Africa has increased six fold.<sup>15</sup>

United States bilateral economic assistance to Latin American countries has decreased since the mid 1960s, when the United States Agency for International Development (USAID) programs played an important role in Latin American trade capacity. In 1967, when Brazil's total imports amounted to \$1,496 million, USAID's \$329 million totalled 22 percent of Brazil's foreign exchange import requirements. By 1979, the situation had changed dramatically; Brazil

imported over \$17 billion worth of goods, and along with Mexico and Venezuela, it received no USAID funds. The United States recognized Brazil as an emerging middle power, and as a power center in its own right.<sup>16</sup>

Argentina and Brazil, by diversification of economic relations were able to increase their bargaining power. Brazil has been more successful at this policy than Argentina. The United States share of Brazilian trade in 1967-68 was 32.2 percent; in 1974, it was only 21.5 percent. The United States still remains the largest foreign investor in Brazil, but its share of total investment is down. It accounted for nearly 50 percent in the middle and late 1960s, but in 1974 accounted for only 37 percent.<sup>17</sup> Table 5 demonstrates the extent of diversification of Brazilian exports achieved over the decade.

TABLE 5

Distribution of Brazilian Exports, 1970, 1979

Region	Percent of Brazil's Exports	
	1970	1979
United States	24.7	19.0
Western Europe	44.1	37.4
Latin American Free Trade Association	11.1	15.2
Asia and Oceania	8.4	9.6
Middle East	0.6	3.7
Africa	2.1	6.3
Canada	1.5	1.3
Rest of World		

Source: Infobrazil bulletin, Center of Brazilian Studies, SAIS, The John Hopkins University. Vol. 1, No. 3 (March, 1980), from the Jornal do Brazil.

Argentina pursued a policy which attempted to avoid becoming overly dependent on United States capital and products much earlier than Brazil. Argentina has attempted to balance the import-export situation by buying from more countries with which it had a favorable trade balance.<sup>18</sup> The United States investment in Argentina stood at \$1.5 billion at the end of 1977 and the United States trade surplus with Argentina totalled \$348 million in 1977, the largest in Latin America.<sup>19</sup>

Latin American countries have expanded their bilateral and multilateral ties to developed and developing nations worldwide. In turn, countries beyond the region have increased their interactions with Latin American nations. Argentina and Brazil are prepared to cooperate as necessary with a wide variety of countries which they perceive share interests relevant to their developmental and security goals. They seek viable international and economic relationships which balance their need to trade and expand their export markets. Diversification of international economic relationships and the drive for economic independence influence both Argentine and Brazilian diplomatic efforts and foreign policy goals.

Even though strong economic ties still exist between the United States with both Argentina and Brazil, their increased trade and investment relationships with other countries have allowed them to become less dependent on the

United States. Measured globally Argentina and Brazil are both more interdependent in their relationships with other nations of the world.

#### B. RELATIONS WITH THE SUPERPOWERS

Independence in foreign policy has been a long standing tradition for Argentina. Argentina sought to restrain American influence much earlier than Brazil. Schemes to organize a Pan American system were seen by Argentina as an attempt to threaten free trade and vital extrahemispheric relationships. In the League of Nations, Argentina quickly adopted an independent and forceful course, striving to extend its view on nonintervention and the sovereign equality of states to the global level. Argentina's traditional policies of independence and pursuit of national greatness proved to be liabilities after World War II. During the war, it opposed successive United States efforts to organize first, Latin American neutrality, and then, support for the allied cause. Argentina opted for noncooperation while Brazil joined the war effort. When Brazil received lend-lease aid which it used to modernize its armed forces and create steel and shipbuilding industries as a reward for supporting the United States, the local balance of power became unsettled. Out of this a resentment grew in Argentina toward the United States, as did a determination to regain Argentina's rightful place. Only after Argentina

perceived that it might be excluded from the United Nations did it finally declare war on Germany. Argentine governments have continued to pursue international recognition, influence, and the recovery of what is regarded as their important and rightful place in world councils.<sup>20</sup>

Brazil's foreign relations have surpassed those of Argentina in terms of national capabilities, and it ranks at the top of both the less developed countries (LDC's) and the middle powers.<sup>21</sup> Brazilian authoritarianism, though well-established, has been characterized by a willingness to compromise, to be flexible, to respond pragmatically, and to avoid open and disruptive conflict. Brazil's rising international autonomy both politically and economically has given it a wide range of policy options. One consequence of this has been Brazil's deviation from United States foreign policy objectives in recent years. Brazil supported a 200-mile territorial limit and voted against Zionism in 1975 in the United Nations.<sup>22</sup> Yet the United States still remains Brazil's largest source of bank finance, and largest foreign investor. Brazil is careful to avoid conflicts, as is Argentina, that will hurt their primary interest overall.<sup>23</sup>

The United States is Argentina's largest source of capital, technology, private and intergovernmental loans and credits, imports, and the third largest market. Argentina has learned to relate to the United States and now uses the

interAmerican system it once opposed to build diplomatic support on critical economic issues such as preferable treatment for the exports of less developed countries. Argentina suffers from the fortune and misfortune of having become a semi-industrialized nation with conflicting internal and external interests. These conflicts have been reflected in its alternative foreign policies. It seeks trade and investment from the industrial powers and yet joins the underdeveloped nations to force changes in the rules. Argentina, and less so Brazil, seek to be alternate, or simultaneously western and Third World, a developed country and an advanced underdeveloped country.<sup>24</sup>

The petroleum price rises of the 1970s forced Brazil to look closely at its bilateral relationship with the United States. Either Washington refused or was unwilling to help a desperate Brazil confront the energy crisis. In 1974, Brazil was told that the United States could not guarantee processed fuel for Brazilian nuclear reactors that Westinghouse was constructing at the time. Since energy was vital for Brazil's existence, nuclear energy played an important role in Brazil's struggle to cope with the 1973 OPEC crisis. Brazil turned away from Washington for assistance and established the West German nuclear deal. Brazil has been actively involved in seeking energy alternatives such as hydroelectricity and alcohol to make itself more self-sufficient.<sup>25</sup>

One of the greatest sources of friction during the 1970s for Brazil was its relations with the United States. The Nixon and Ford administrations sought to court Brazil as the chief United States ally in South America, but they made the erroneous assumption that Brazil was willing to be subservient to Washington's wishes. A 1976 Memorandum of Understanding was signed between Brazil and the United States establishing the guidelines for mutual consultation and cooperation. Although Brazil responded positively to the promotion in status which this agreement implied, the agreement floundered because Brazil refused to play the role of American protege.<sup>26</sup>

The Carter administration recognized the country of Brazil as a growing power but soured the relationship in 1977 through 1978 over the issues of nuclear power and human rights. Unresolved trade disagreements further aggravated the relationship. In response to American auditing of human rights performance as a precondition for continued foreign aid, Brazil cancelled a 1954 military assistance agreement with the United States and refused further American military aid. The period of coolness which developed was not alleviated by Carter's April, 1978 trip to Brazil. Both Presidents Geisel and Figueiredo declined to include a visit to Washington in their foreign travels. Toward the end of the Carter administration, America began to view Brazil from



a new perspective, and both sides looked toward resuming a closer relationship based on a more equal partnership.<sup>27</sup>

The Carter administration's criticism of the Argentine regime of General Jorge Rafael Videla, in its human rights report to Congress in 1977, and the subsequent cut in military assistance credits affected relations between Argentina and the United States. A formal ban on arms sales to Argentina was passed by the United States Congress in 1978. The Reagan administration urged the Congress to lift the ban in 1981 on grounds that there had been a reduction in human rights abuses and that the cooperation of Argentina was essential for the collective defense of the hemisphere.<sup>28</sup>

The Argentine government hoped that the close of the Carter administration would end United States human rights policies and relieve Argentina of foreign criticism over the issue. President Videla's successor, Roberto Viola, warmly welcomed the Reagan administration and Viola was similarly received by President Reagan when he visited the United States just before his inauguration. President Reagan promised not to make human rights a public issue.<sup>29</sup> Argentina and Brazil were alienated by the human rights standard as applied by the Carter administration toward American arms sales. Both countries viewed it as an act of foreign interference in their internal affairs and an affront to their nation's dignity. The United States lost arms sales as an instrument of influence and leverage.<sup>30</sup>

When Washington decided to impose a ban on grain sales to the Soviet Union following the invasion of Afghanistan, Lieutenant General Andrew J. Goodpastor, Superintendent of the United States Military Academy and former supreme allied commander in Europe, was sent to Argentina to speak to General Videla about Argentina joining the United States in its sanctions against the Soviet Union. Goodpastor was flatly turned down despite the fact that Argentine military leaders are no friends of the Soviets. Videla pointedly asked when the United States would restore military equipment sales and stop denouncing human rights violations. Soon after, Buenos Aires signed a five-year agreement with the Soviet Union to provide grain. The United States has also been equally ineffective in persuading Argentina to follow its nuclear nonproliferation policy. Completing a three-year stay in Argentina, American Ambassador Raoul H. Castro complained that "we keep asking Argentina to do things for us, but we don't offer anything in return."<sup>31</sup>

Both Argentina and Brazil have found commercial relations with the Soviet bloc to be very profitable and desires for greater trade will probably increase. In July 1981, Soviet traders signed a contract with Brazil to import annually 600,000 tons of soy, virtually wiping out the need to import from America. Although the Soviet Union cut back on its oil deliveries to Eastern Europe in 1981, Moscow tripled its oil sales to Brazil to 30,000 barrels a day.

The oil deal is part of a five-year, \$5 billion trade package signed in July, 1981. In return for soy, corn, soccerballs, and one million pairs of blue jeans, the Brazilians will receive a wood ethanol factory, five hydroelectric turbines, and Soviet expertise in petroleum exploration. Permanent trade missions have been established in both Moscow and Brasilia and plans have been discussed for joint Brazil-USSR highway and hydroelectric projects in Peru, Angola, and Ethopia.<sup>32</sup>

Brazilian Foreign Minister Guerreiro, regarding the international behaviour of the "super poteneras", stated:

...they seek to reinvigorate alliances and blocks and to reaffirm vertically dependent relationships. The idea of an international community is replaced by a dichotomy of friend and enemy, in which the very concept of friendship is utilized as an instrument to further reinforce vertical dependence and the concept of loyal friend is corrupted to mean docile ally or satellite. There have reappeared, at times very subtly, the concepts of zones of influence and areas of vital interest, within which the different countries are viewed as homogeneous pieces in a game of power, exposed to the different strategies of the contenders, without any serious consideration of the interest of the other countries.<sup>33</sup>

During the Falklands dispute, Argentina and the Soviet Union were both using each others relationship to maximum advantage. Argentina presented an open-minded attitude about Moscow and one influential Argentine military officer was reportedly heard to say: "We will have to take the support from those who offer it. If that has to come from the Soviets, that does not frighten me." Moscow was given an opportunity to weaken the Argentine support for El Salvador

which the United States cultivated. Relations between Argentina and the USSR have steadily improved since Argentina refused to honor the grain embargo. In terms of trade, the Soviet Union has become Argentina's largest customer for grain and oil-seed exports. A separate five-year accord between Argentina and the Soviet Union specifies that the Soviets will also buy between 60,000 and 100,000 tons of boneless Argentine beef a year. The Soviets have also reportedly agreed to supply 220 pounds of enriched uranium and one ton of reactor coolant heavy water for Argentina's nuclear program. During the Falklands dispute, Argentina was careful not to draw too close to the Soviet Union. While American-owned businesses have a book value of \$1.85 billion in Argentina, the Soviets have no investments there.<sup>34</sup>

Both Argentina and Brazil claim the right to be autonomous international actors. They both will continue to maintain their own kind of relationship with the United States, but are not afraid to strike out on their own international objectives, which may or may not come on line with United States objectives. They have both developed an independent foreign policy and intend to maintain it. Argentina and Brazil need good relationships with the superpowers, but neither Argentina or Brazil desires their interference in the formulation of their foreign policies. Argentina and Brazil have the inclination and the ability to resist being

the pawns of either superpower, the United States or Soviet Union, but that does not preclude relations with both.

### C. RELATIONS WITH THE DEVELOPING WORLD

Argentina and Brazil do not display a consistent policy of supporting nonalignment association with Third World nations. The Brazilian foreign minister, while addressing the Atlantic General Assembly of the OAS in 1974, expressed the view that the era of automatic alignment had passed. For instance, Brazil does not favor the debt moratorium advocated by the less successful Third World nations.<sup>35</sup> Although both Argentina and Brazil identify with some Third World causes, they have sought the best that both the underdeveloped and the developed world have to offer. Brazil has followed a pragmatic course which allowed it to evaluate individual issues, yet this course of action often eschewed its high visibility as an advocate of Third World causes. Brazil favored individual proposals that are most important for its own purposes. Brazil has been selective in the causes it endorses, and its position as the largest single importer among the LDC's, as the largest exporter, and the third largest LDC in terms of population, places it in a natural leadership position.<sup>36</sup>

Argentina has never been afraid to champion the cause of the Third World and has often used the United Nations as a forum for its expressions of solidarity with the Third World.

Argentina suffered some setback with regards to Third World countries' support for Britain during the Falklands War, and the day Argentina invaded the Falklands its rugby team was playing in South Africa. Argentina has sought to challenge the international political and economic status quo and to benefit from it. While Argentina needs trade and investment from the industrial powers, it joins the underdeveloped nations to force changes in the rules. Argentina's foreign policy reflects this conflict as it alternately or simultaneously seeks to be a Western and a Third World nation.<sup>37</sup>

Argentina and Brazil will continue to identify with Third World countries, but their foreign policies, as always, will be guided by what is good for them. Argentina and Brazil have ceded some of their sovereignty gladly in their efforts to gain the economic benefits of global interdependence. Both countries will find themselves more and more committed to forums and agencies pursuing the cooperative and peaceful management of their international and regional problems of economic and physical welfare. However, time only will tell if Argentina has learned a lesson in the aftermath of the Falklands War and whether Brazil will be able to remain uninvolved in regional and Third World causes. Argentina and Brazil will continue to be influenced by the superpowers, but they both will attempt to show them that they make their own decisions. Argentina

and Brazil have achieved certain autonomy of action and independence, but their increased interactions with other nations make them more interdependent.

#### D. WORLD ORDER ISSUES

##### 1. New International Economic Order (NIEO)

Many Third World countries have sought to restructure the present international economic system and their blueprint for a brighter future is the New International Economic Order. A group of seventy-seven nations (The Group of 77) detailed the outline for the NIEO in 1974 in the Declaration and Action Programme adopted by the Sixth Special Session of the United Nations General Assembly. Since 1974, the proposals have been reworded and debated at innumerable international conferences, but many proposals of the NIEO, while sounding fine, are unrelated to the real world of the present and near-future international system. Some reforms have been accepted by the industrial states that reflect sentiments expressed in the Group of 77's proposals. Industrial states have expanded multilateral aid and long-term export credits, and the International Monetary Fund (IMF) has established an extended fund facility to help nations adjust gradually to balance of payment problems. The industrial states judged that the reforms would strengthen the whole international system. Industrial states were not threatened by the Group of 77, but they

recognized that capital-short developing nations needed more external credit if they were to be able to continue to import the industrial world's goods, while still meeting payments on past debts.<sup>38</sup>

Most NIEO proposals do not threaten to drastically change the existing international system, yet some proposals pressing for higher commodity prices and more official development assistance would transfer resources to the Third World. Additionally, some proposals would affect the global power balance by transferring decisionmaking power to official bodies, such as the United Nations, where the Third World is influential or dominant. The industrial states have consistently and successfully parried these by the Group of 77. The North-South dialogue will not significantly alter the world system if the industrial states are unwilling to change it.<sup>39</sup>

Latin American states have endorsed the NIEO, but many remain for the most part only token members of the non-aligned movement and Group of 77. Many differences separate Latin American countries from those of Africa and Asia. These differences include their European ethnic composition, Western cultural values, and traditional trans-Atlantic trading patterns. Latin American states have been described as the "Achilles heel" of the Third World movement because of their willingness to break ranks if self-interests and Third World solidarity pose conflicting demands.<sup>40</sup> The



higher level of development of most Latin American countries puts the region in a special status in the North-South relationship. Until recently, Latin America was a guiding force in the Third World and most of its ideas about the relationship between the rich and poor countries emanated from the region, as did most of the demands of the Group of 77. With the establishment of the Organization of Petroleum Exporting countries (OPEC) and the nonaligned nations movement, Third World issues became clouded to the point that Latin American countries found their interests coinciding less clearly with those of other LDCs.<sup>41</sup>

Argentina and Brazil would gain little by joining membership in the Organization for Economic Cooperation and Development (OECD), which consists of the world's developed countries. On the other hand, the industrial countries of the OECD are ambivalent about Brazil's status. Some have classified Brazil as an industrial country in the clothing of an LDC and, therefore, not deserving of special treatment as an LDC. Argentina and Brazil, as economically more advanced Third World countries, could reap benefits from the NIEO. The more economically advanced Third World countries could take immediate advantage of cheaper technology, greater control over capital and financial resources, and improved market access for their manufacturers.<sup>42</sup>

Brazil resists categorization with common labels such as Latin American, Third World, nonaligned, East-West,

or North-South because it has a diversity of interests and desires flexibility to pursue varied courses of action on different issues. Brazilians have trouble defining their country's basic international position. Brazil aspires to join the ranks of the industrial Western nations while it perceives itself as a developing country with strong foreign trade, financial and technological and important ethnic ties to, and common interests with, the Third World. Generally, Brazil leans toward strenuous activism as a champion of LDC rights when leading from a weak hand, and when it needs to supplement its unilateral or bilateral efforts to gain specific goals, such as, improving price parity or expanding export markets. Brazilian foreign policy guards against multilateral measures which could threaten its own freedom of action or access to resources. Brazil has not been willing to be tied either to the interests common to industrial states or to the proposals reflected in the strategy formulated by the Group of 77. Brazil will face future problems in trying to bridge the gap between developing countries and LDCs.<sup>43</sup> Brazil's best option lies in finding a viable and accepted role between the have and have-not countries which does not involve competing for leadership in any contending bloc.

The demands for an NIEO presented Argentina's foreign policy community with a real dilemma. Argentina can neither stand aloof or ignore new centers of economic,

political, and financial powers, nor can it antagonize the major industrial powers which so strongly affect its economic destiny. Argentina became a member of the nonaligned nation bloc during the Algiers Conference of September, 1973. Membership reflected an independent foreign policy and demonstrated that Argentina was equidistant from the two imperialisms. The bloc also offered Argentina an opportunity to associate with a group seeking reform of the international economic system, to curry favor with oil-exporting countries, and to obtain diplomatic backing on specific issues. Argentina sought to avoid entanglements with the memberships' interest in political issues. Argentina has acted with the Third World through the Group of 77, to promote restructuring of world economic and monetary relations in its favor. Argentina, as a nearly developed country, has real, probably unbridgeable policy differences with the vast majority of the LDCs. However, its economic dependence and desire to obtain whatever preferential treatment is given to LDCs keeps it within the bloc. Argentina has interests in, and identifies with, both the developed and developing world, but possesses allies in neither.<sup>44</sup>

Eventually, Argentina and Brazil may be forced to side with the group which they perceive best serves their own national interests, yet preserves their independent foreign policy action.

## 2. Law of the Sea (LOS)

Unilateral claims to deep seabed resources, claims of 200-mile territorial seas, oil spills over large areas of ocean and coastlines, and the demands of the Third World for an NIEO have focussed global attention on the world's oceans. Increased use of ocean space has resulted in conflicts over ocean resources and access to ocean space. Technological breakthroughs in ocean exploration and exploitation techniques since World War II and the demands of developing countries have forced a reexamination of the Laws of the Sea.<sup>45</sup>

The United Nations' Law of the Sea Conferences have convened since 1958, when the first conference (UNCLOS I) dealt with the issues of territorial seas, the contiguous zone, and fishery zones. Four draft conventions were ratified by a sufficient number of states, which effectively codified the traditional Law of the Sea. The conference was unsuccessful, however, in determining the breadth of the territorial sea and in establishing exclusive fishing zones. UNCLOS II met in the Spring of 1960, and eighty-seven countries unsuccessfully tried to "tie up the loose ends" left by the first conference. On June 24, 1974, the first session of UNCLOS III began.<sup>46</sup>

On December 6, 1982, representatives of 119 nations culminated fifteen years of labor when they signed the United Nations Convention on the Law of the Sea. The

Convention "replaces the traditional laissez faire system of freedom of the seas with an emerging system of management." It puts 40 percent of the ocean and its bottom adjacent to the coasts of the continents and islands under the management of the states in possession of those coasts. 60 percent of the surface area and water below has been reserved for the traditional freedom of the seas, but the wealth of the ocean floor has been deeded to the Common Heritage of Mankind. The resources of the ocean floor are placed under the management of an International Seabed Authority, which has the capacity to generate income, the power of taxation and a kind of imminent domain over ocean-exploiting technology. The United States, the Soviet Union and fifteen other major industrial nations withheld their signatures from the Convention out of opposition to the Seabed Authority. These nations did sign the Final Act of the Conference. The Convention has not been ratified by the majority of nations necessary to give it the force of law.<sup>47</sup>

Argentina, regarding law of the sea issues, sought support in a Latin American bloc of like-minded states. Specific positions taken by Latin American countries originated in disputes between the Pacific coast countries and the United States over fisheries. Peru, Chile, and Ecuador pledged support of a 200-mile maritime zone and sovereignty over the seabed and continental shelf to 200 miles in the Declaration of Santiago, signed August, 1952. Peron had

previously declared the continental shelf subject to national jurisdiction in 1946, but the Argentine government did not adhere to this position strongly or attempt to enforce this ruling. There was no Latin American multi-lateral consensus at the first conference of the LOS in 1958.<sup>48</sup>

The scramble for jurisdiction and the sustained diplomacy of Peru ultimately led to the creation of a Latin American bloc by the UNCLOS III in 1974. Argentina, provoked by a similar Brazilian claim, had declared an ill-defined 200-mile zone of coastal waters in 1966. Four years later on Peru's instigation Argentina, Peru, Ecuador, Chile, Brazil, El Salvador, Nicaragua, and Uruguay at Montevideo declared that the coastal state controlled all natural resources out to 200 miles. In contrast to Brazil, Panama and Ecuador, which recognized innocent passage, Argentina expanded its claim to full sovereignty. Argentina did later indicate it might be willing to seek a twelve-mile territorial sea and a less restrictive economic zone to 200 miles.<sup>49</sup>

Brazil has demonstrated an independent law of the sea position and its aggressiveness led to a 1970 decree extending national maritime jurisdiction to 200 miles. This claim was stimulated by concern over national security as well as protection of natural resources. This decree included jurisdiction of the airspace, ocean surface, ocean

body, ocean floor, and the seabed. Brazil has some 4,500 miles of coastline and this measure represented assertion of control of over 900,000 square miles. Brazil allowed innocent passage, but required foreign fishing vessels to obtain licenses.<sup>50</sup>

By 1972, Brazil saw itself as an LDC front runner in its defense of full sovereignty for coastal states over resources from the ocean's surface down through the seabed. By the start of UNCLOS III in 1974, the Brazilian position with its demand of control of navigation within 200 miles of the coast was supported by only ten countries (mostly Spanish American, except Somalia, Sierra Leone, the Philippines, and South Korea). The Mexican concept of a patrimonial sea (200 miles of economic rights, only twelve miles of full sovereignty) had gained so much ground that Brazil had nearly isolated itself in its extreme total sovereignty position. Brazil demonstrated great flexibility during the conference on the issue of navigation and overflights, but continued to maintain its sovereignty position over live and mineral resources and pollution and research matters within 200 miles.<sup>51</sup>

Brazil was well within the consensus of the LDCs as a sponsor of the United Nations Assembly Resolution 2574 D (1969), prohibiting exploitation of or claim of the seabed and ocean floor until an international regime not subject to great power veto had established licenses and management of

exploration, research, and use for general international benefit and technology transfer to the LDCs. Over time Brazil willingly moved somewhat toward the American position which favors private companies for seabed mining, but was always careful to emphasize an interest in the protection of LDCs' economies. In the area of seabed mining, Brazil has been making common cause with LDC mineral producers (Peru, Chile, Guyana, Zaire, Zambia, Gohan, Morocco, and China).<sup>52</sup>

By 1976, Brazil was willing to consider an exclusive economic zone. As a middle power and an emerging shipping power, Brazil had much more in common with the developed countries' position. By the end of the 1970s, Brazil quietly reversed its original position on a 200-mile territorial sea. At the UNCLOS III session in Geneva in late July, 1980, Brazil gave its support to a 12-mile territorial sea and a 188-mile exclusive economic zone. Brazil was willing to compromise its position and support the Exclusive Economic Zone because it conflicted with its own national interests.<sup>53</sup>

Argentina and Brazil signed the United Nations Convention on the Law of the Sea. Both nations pursued their own independent foreign policy in regards to law of the sea issues and refused to be influenced by the position advocated by the United States. Argentina and Brazil sought to expand their national jurisdiction into the ocean, but



realized international cooperation afforded the best opportunity to maintain their economic health.

### 3. Antarctica Claims

On December 1, 1959, the Antarctic Treaty was signed by the United States, the Soviet Union, and ten other nations. These nations pledged for a period of thirty years to make use of the Antarctic continent for peaceful purposes only and to ensure freedom for scientific research. Under the Treaty, existing territorial claims remained unaffected, but new claims and the enlargement of existing claims was prohibited.<sup>54</sup> The Antarctic Treaty went into force in June, 1961, and is subject to major review in 1991. The Treaty suspended resolution of territorial claims.

The South Atlantic region extending to Antarctic has become a new focus of international concern since the Falklands War. The area potentially represents untapped mineral and fishing resources; commerce between South America and Africa utilizes the southern sea lanes; and warships must use the Straits of Magellan as an alternative to the Panama Canal. Additionally, the future disposition of Antarctica could affect the global environment. All these factors are of great interest to those Latin American countries that have come "to regard Antarctica and its surrounding waters as a strategic zone, a potential resource, and the last economic and psychological frontier."<sup>55</sup>

The Latin American continent as a whole views the disposition of Antarctica as one of a series of key territorial and jurisdictional issues bearing on the sovereignty of developing countries. As these countries have shifted their outlook toward a global system, Antarctica has become a test case for the assertion of their distinct interests against superpower domination. Argentina, Brazil, and Chile have demonstrated the most active interest in Antarctica.<sup>56</sup>

In response to a series of British expeditions in Antarctica, successive Argentine governments in 1884 and 1900 declared the region was part of Patagonia, the country's southern most region. In 1904, Argentine meteorologists replaced a Scottish team at the observatory on Laurie Island in the South Orkneys. This meteorological station has remained in Argentina's possession. In 1927, through its own efforts, Argentina built a radio-telegraphic station in the South Orkneys. Argentina and Chile held inconclusive diplomatic talks concerning Antarctica delimitation in 1906, but until the 1940s neither regarded its territorial claims too seriously. Interest was stimulated by initiatives of countries outside the South Atlantic region. Norway delimited its claim to a portion of Antarctica in 1939 and invited interested parties to attend the International exhibition of Polar Exploration in 1940. In response to this, Argentina created its own interdepartmental Antarctic Commission.<sup>57</sup>

In November, 1940, Chile made formal claim to the area from West longitude 53 to 90 degrees. Representatives of Argentina and Chile agreed that a South American claim did exist and that their two governments held exclusive sovereign rights. In 1951, Argentina made formal claim to the sector from 25 to 74 degrees West longitude. This claim overlapped 21 degrees of the Chilean claim. Argentina and Chile established bases in the late 1940s, and despite adherence to the Antarctica Treaty, both have continued to maintain their respective bases and claims. Strategically, control of the Drake Passage and the Strait of Magellan have intensified the dispute over the Beagle Channel between Argentina and Chile.<sup>58</sup>

Argentina's claim has been based on extending the meridians of its frontier to the pole. The acronym, La Atlantartida, defines recent Argentine geopolitical thinking as: "that geopolitical space which integrates eastern South America, Southwest Africa, the Antarctic continent and the vast sea which lands demarcate...a geopolitical challenge to Argentina from now into the twenty-first century." Brazilian geopolitical thought, based on the theory of *de frontacao* has argued that countries "facing" Antarctica should have a claim to the opposite coast therein.<sup>59</sup>

Brazilian foreign policy theorists generally have not accepted Argentinean and Chilean claims, but have addressed the idea of a general "American or Latin American"

sector between 0 and 120 degrees East latitude. Brazil has studiously ignored national claims in Antarctica. Brazil has expressed growing interest in the potential mineral and natural resources of the Antarctic region and had made preparations for its first expedition to the area in late 1982.<sup>60</sup> Brazil has made no formal claim to Antarctica, but has left its options open. In 1975, Brazil became the nineteenth member to agree to adhere to the Treaty of Antarctica. By participating in the Treaty, Brazil reserved for itself the option of an active role in the conference and joint programs which are likely to occur as international interest in Antarctica's resources grows. It also gives sufficient time for Brazil to determine its own interests.<sup>61</sup> Brazil has opened the door to a possible claim in the future.

A major review of the Antarctica Treaty in 1991 most likely will occur and it will present a difficult task. Long-standing border disputes and territorial conflicts in South America will be an obstacle to more effective integration and cooperation in a variety of areas and organizations, including the OAS. Argentina's disputes with Chile over the Beagle Channel and with Great Britain over the Falkland Islands have direct relevance for the future disposition of South American claims in Antarctica. Another serious complicating factor in a review process will be the play of interests of many nations outside South America, not

just consultative members of the Treaty. Growing international interest in Antarctica has been further stimulated by the global search for scarce and marketable resources.<sup>62</sup>

Uncompromising positions on sovereign rights by Argentina or Chile could hamper any negotiations. Argentina and Chile both have supplemented their territorial claims in recent years. Argentina has provided quarters for women and children at one of its Antarctica bases. Buenos Aires has appointed a governor for the area it has referred to as its Antarctica territory on all national maps, and since 1968 has officially promoted tourist visits to the Argentine sector. The Argentine military has established an Antarctica airbase, which Aerolinas Argentina, its national airline, uses as a stopping point in transpolar air service. Recent Chilean efforts have been limited to krill fishing, but it has linked its Antarctic claims to settlement of the boundary between Argentina and itself in the Beagle Channel below Tierra del Fuego and to the delimitation of the 200-mile resource zone that both countries claim in surrounding seas. Brazil, ignoring Chilean and Argentine territorial claims, asserts an unfettered right to exploration and scientific research.<sup>63</sup>

In final analysis, the greatest interest of Argentina, Chile, and Brazil in Antarctica may be stimulated by the strategic implications control the maritime zones at the tip of South America represents. Argentina and Brazil

aware of the growing strategic problem posed by the African based Soviet naval presence in the South Atlantic and the importance of the southern passage as the only route for larger warships and submarines. "The Falklands War is a reminder that major powers can project their influence over vast areas with minimal reliance on land bases." The more useable sub-Antarctic and South Atlantic islands could be used as potential bases by outside powers, or for Argentine and Chilean points of influence against such powers.<sup>64</sup>

Argentina, Brazil, and Chile have established either territorial claims or declarations of national interest in Antarctic and surrounding waters. All three are studying how to exploit the economic resources of the area. Conflicting claims and attempts to exercise sovereignty and exploitation of Antarctic resources will inevitably lead to future conflict of interests. Hopefully, a major review of the Antarctic Treaty in 1991 will provide a system or instrument to resolve conflict of interests between consultative parties and protect their interests from the outside world. It is unlikely that Argentina and Chile will be able to hold exclusive rights to their claim, especially with Brazil's developing interests in the region.

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## V. CONCLUSION

### A. FUTURE PERSPECTIVES FOR ARGENTINA AND BRAZIL

Argentina and Brazilian prospects for continued development are affected by the internal questions raised by social and economic factors in conjunction with the tensions that are created by international goals and national constraints. Brazil's capacity to steer its own development course has increased and is greater than Argentina's. The following statement by the late J.A. de Aruajo Castro, a career diplomat who served for many years as Brazil's Ambassador to Washington, reflects the Brazilian attitude:

No country can escape its destiny and fortunately, or unfortunately, Brazil is condemned to greatness.... Small mediocre solutions are neither appropriate nor interesting to Brazil.... We have to think big and plan on a grand scale.... In a word: the primordial objective of the Foreign Policy of Brazil is the neutralization of all external factors which might limit its national power. This policy could be neither more authentic nor more Brazilian. Nationalism is not, for us, an attitude of isolation, of prevention, or of hostility. It is on the contrary, a strong impulse toward international participation.'

Major hindrances which continue to affect Brazil's development are escalating cost for energy (85 percent of the petroleum used is imported), a drop in economic growth rates, lagging social welfare levels, inflation, and a huge foreign debt. In July, 1983, Brazil recorded 13 percent inflation for that one month and close to 170 percent over the previous twelve months. Brazil expects to pay off \$11

billion US of its external debt in 1983 based on: 1) the strength of a \$6 billion US trade surplus; 2) having withheld payments of principle since June; and 3) postponing repayment of government-to-government loans. Brazil then plans to pay off another \$11 billion US next year, and in 1986 some \$26 billion US. Whether or not these targets are attainable or even realistic is questionable. Some experts reckon that in the meantime Brazil's debt will rise from \$90 billion US to \$130 billion US.<sup>2</sup> It is unlikely that Brazil will achieve imminent major power status as many had predicted a few years ago. Brazil's voice on the international scene is listened to, but its economic resilience and future capabilities for economic expansion will become more and more dependent on its diplomatic ability to find energy resources. Brazil is exploring alternate forms of energy resources, but as in the case of Japan, Brazil's vulnerability strongly influences its foreign policy determination. In the past, Brazil's hope for oil supplies led it to be one of the first noncommunist countries to recognize the pro-Soviet faction of Angola as the official government, and to dramatically change its Middle East policy towards support of the Arab nations during the OPEC crisis.<sup>3</sup>

If energy production and consumption were used as measures of development, then Argentina would rank as developed. Argentina's per capita consumption exceeds Brazil. Argentina ranked thirteenth in world usage per capita and

Brazil placed far behind. Argentina has adequate oil reserves and is not dependent on petroleum imports for its well-being as Brazil is. Argentina has projects underway to tap the hydroelectric potential of the Plata River system and has a well-established nuclear energy program. Argentina is more immune to an international energy crisis than Brazil, which suffers more severe petroleum-induced balance of payment drains and the hazards of greater dependence of Arab oil.<sup>4</sup>

Argentina's exports are less diversified than Brazil's. Argentina's foreign trade position is more volatile in the short term than Brazil's. This is because of dependence on a few export products and the linkages between semi-controllable internal factors, such as industrialization, and the political struggle between urban and rural groups, organized labor and other sectors. On the other hand, Brazilian industrial expansion has been secured at the price of a rising oil import bill and foreign debt.<sup>5</sup> Both Argentine and Brazilian dependence on the world economy and their international search for prestige and influence are primary determinants to their foreign policy decisions. Both have sought to diversify their trading partners and markets, while maintaining traditional cultural ties with Europe and the United States. These diversified economic opportunities have the long range policy objectives of establishing international importance and independence.

Both Argentina and Brazil are concerned about their mounting international debt. Brazil's Finance Minister Galveas has stated that there is a need to attract foreign funds to make up the balance of payments deficit, while curtailing foreign purchases. According to Galveas, the resumption of economic growth is being aided by the government which is: "doing all it can to promote economic growth as long as it does not increase inflation and threaten the balance of payments."<sup>6</sup>

Argentine Foreign Minister Oscar Camilion, when he addressed a speech to the Ninth OAS General Assembly, remarked that countries are moving toward an economic disaster because they are unable to curb the sustained increase of their already huge foreign debt, stop inflation and balance off their trade and payment balance. He heavily scorned the protectionist attitudes of developed nations; and pointed out that most Latin American countries are moving toward the abyss of insolvency at the foreign level. He further indicated that integration has ceased to be a medium-term prospect.<sup>7</sup>

The political instability in Argentina and the fighting in the Falklands did much to damage Argentina's image and economic position. Argentina may face trouble if it wishes to purchase arms from some European countries in the future, and the tight embargo imposed by the EEC on Argentina during the crisis caused damage to Argentina's export market.

However, Argentina has been primarily hurt by the increased lending rates necessary to finance its existing outstanding external debts, which stood at \$34 billion in late 1982.<sup>8</sup> Indications are that Argentina will double its presently projected 160 percent inflation figure for 1983. Argentina is expected to show a substantial trade surplus (around \$3 billion US), but this will not suffice to cover interest payments. There have been delays in the refinancing of \$7 billion US in public indebtedness that matures this year, and next year Argentina will have to refinance close to \$10 billion US. Political uncertainty, the threat of hyperinflation and a potentially volatile social situation make Argentina a worrisome proposition for the banks.<sup>9</sup>

The possibility for future cooperative endeavors on the South American continent are clearly important for both Argentina's and Brazil's national security and development considerations. Rapprochement between these two giants has opened up numerous other opportunities for relationships and joint ventures with other Latin American countries.

For Brazil, access to markets, stable suppliers of required energy and raw materials, and the ability of capital will continue to be a driving force in national decision making. For Argentina, a new government will be faced with reestablishing political stability in the aftermath of the Falklands War. The new junta, which took office in September, 1982 has said it is committed to restoring



democracy by 1984.<sup>10</sup> Brazil has also shown a tendency toward liberalization of some of its internal policies but both countries' economic troubles hamper this development. The world needs both a steady Argentina and Brazil.

#### B. CONCLUSIONS

Developing countries like Argentina and Brazil continue to face domestic and external constraints that restrict the available options for their foreign policy. The political and economic power they have achieved within recent decades has enabled them to make their own decisions regardless of the desires of the United States. Argentina and Brazil still value friendly ties with the United States, but they no longer look to Washington for guidance in choosing their foreign policy priorities. They are confident in how they deploy their political, economic and military resources in pursuit of their policy objectives. They have produced new opportunities for international and regional cooperation that will benefit them. They have converged bilaterally, but competition between Argentina and Brazil must always be counted on, as tension continues to exist in their joint relationship, especially within the sphere of economic relations.

The primary foreign policy goals for both Argentina and Brazil continue to be enhanced national security and greater economic development. Both Argentina and Brazil have been

severely affected by the world economic recession and the threat of rising debts have created havoc with their economic development policies. Argentina and Brazil both believe that their well-being depends on their individual economic development policies and their foreign policy priorities are geared with this in mind. Brazil is in a better position to deal with its current problems, but its continuing need for oil makes her position more vulnerable than Argentina's.

Both Argentina and Brazil continue to be ruled by authoritarian regimes, which possess the trappings of democratic nations. They both seek to be acknowledged as international players, but are cautious in their foreign policy objectives. Argentina, in light of her recent disastrous encounter with Great Britain, will probably endeavor to tone its policies down for the time being. Both countries, because of their relatively powerful positions as developing countries in Latin America, will give higher priority to bilateral relations than to regional economic cooperative efforts. They both have concerns with the Third World, but their orientation will turn more and more to interactions with the developed world. They perceive themselves as destined to play a world role. Brazil has surpassed Argentina as the strongest regional power and competition will remain in this arena. However, these two developing countries will

continue to cooperate more closely because they perceive it as a beneficial relationship for themselves.

Both Argentina and Brazil possess the economic and internal psychological unity necessary to support an independent stance on the international stage. At the same time, both Argentina and Brazil are astute enough to recognize the advantages to be gained by working together, and to stress their bilateral relations with other nations within the region. They are able to pursue as independent a foreign policy as they desire. If these two nations continue to steer this independent course they must be prepared to take the risks and pay the price. One may say that Argentina did not successfully evaluate the risks involved to the country when they began the Falklands conflict.

Finally, although Argentina and Brazil realistically acknowledge and appreciate their historical and cultural ties with the West neither country will be swayed by this influence. Each has often resorted to volatile polemics to display their dissatisfaction with their large neighbor to the North and their previous colonial overlords. In the world today, Argentina and Brazil prefer to operate from a position of strength and this above all represents their need to pursue independent foreign policies. As in the cases of all nations today, certain forms of dependency exists and Argentina and Brazil are certainly no exception

to the rule. Neither Argentina nor Brazil is truly an independent actor.

END NOTES FOR SECTION V

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