

POLITICAL AND ECONOMIC ASPECTS: HOW TO THINK ABOUT LATIN AMERICA

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What I would like to do today is to identify some of the factors and dynamics that condition and shape relations among the United States and the countries of Latin America and the Caribbean, and which add up to a special context within which that relationship unfolds. Let me start with what I think is a fundamental characteristic of the inter-American relationship, and one which has shaped and determined it, namely, the asymmetry of power.

The nations of the region have had to relate and interact—for most of their history in relative isolation from the rest of the world—with a single country that was by far the most powerful and richest nation in the hemisphere, and in modern times, a super-power. Most of the history of United States-Latin American relations can be written in terms of the process by which the United States sought to legitimize its power and the use of it, and how Latin America sought to cope with that power and even benefit from it.

This power asymmetry gave rise to two consistent, if somewhat contradictory, foreign policy goals in Latin America's approach to the United States throughout its modern history: (1) to constrain what Latin Americans perceive as the interventionist tendencies of our power (and I use the adjective to indicate not just physical intervention, but the whole set of consequences and effects that flow from the mere existence of our predominant margin of power—all that was summed up in Trudeau's famous metaphor of being in bed with an elephant) and (2) to harness United States power in behalf of their own development and modernization.¹

Given the disparities in bilateral leverage, Latin American nations have consistently used a strategy of resorting to international fora and to juridical obligations and commitments to secure con-

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1. *Latin America and the Caribbean*, 1981 WORLD BANK ANN. REP. 62.

straints and commitments from the United States. In the early part of this century, Latin American fears centered on direct United States military intervention, and their strategy brought about the *de jure* acceptance by the United States in the '30s and '40s of the legal principle of non-intervention. In more recent times, Latin American concerns have focused primarily on the uses and ramifications of United States' economic power, and this has led to the prevailing concern—and fear—of “dependency” *cum* vulnerability.

This prevailing concern parallels and reflects long-standing differences in concepts of sovereignty and their juridical ramifications, which have resulted in such things as the Calvo Doctrine,² arguments over the relationship of the State to foreign nationals and foreign owned property, and conditions that should or should not attach to foreign assistance and aid. In the Latin American view, for example, actions by a state to control foreign business within its borders or define territorial sea limits are acts of complete sovereignty. On the other hand, extension of trade and aid benefits to underdeveloped countries by developed countries are viewed as matters of international obligation. The United States view is almost the reverse: the rights of a state to control foreign business enterprises within its borders, or to define its seaward limits are contingent upon international law. The extensions of aid or trade benefits are unilateral acts of complete sovereignty.

In the face of Latin American insistence on the unconditional nature of sovereignty in regard to such questions as foreign investment, the United States has resorted in the past to the denial of assistance or other economic benefits as a means of obtaining a hearing for United States rights. The Hickenlooper³ and Gonzales amendments, and more recently some Trade Act provisions, were in this tradition.

In Latin America, such actions have been viewed as forms of coercion or intervention. Resorting to their strategy of attempting to constrain our power juridically, Latin Americans have sought to modify economic behavior and create commitments to limit the use of economic power to achieve political or economic ends. Peru, for example, sponsored moves to amend the Rio Pact⁴ to include arti-

2. C. CALVO, 3 CARLOS LE DROIT INTERNATIONAL THEORIQUE ET PRATIQUE. 1276 (5th ed. 1896).

3. 22 U.S.C. § 2370(c)(1) (1979).

4. Inter-American Treaty of Reciprocal Assistance (Rio Treaty), Sept. 2, 1947 62 Stat. 1681, T.I.A.S. No. 1838, 21 U.N.T.S. 77.

cles on collective economic security, i.e. legally binding agreements proscribing acts of economic coercion.

More recently, the historic reaction to intervention and dependency in Latin America and the efforts to deal with the economic power of the United States merged with similar rising concepts and aspirations in the Third World, which in effect has challenged the legitimacy of the established rules of the game in the international economic system. Once again, Latin Americans utilized legal fora, turning to the United Nations Conference on Trade and Development (UNCTAD), the Group of 77, the North-South dialogue and the concept of a New International Economic Order.⁵

Latin Americans have been aware that the economic power of the United States can provide benefits as well as problems. But here too, Latin Americans have felt vulnerable to the uncertainties (they might say the unreliabilities) of this relationship. Appropriations go up and down, trade barriers come and go, pressures are placed on international lending agencies for certain ends, and economic policy decisions are often taken which may deeply affect Latin America without taking that into account.

Again the Latin American response to dealing with the precarious nature of economic benefits from the United States has been to seek juridical commitments; that is, to make cooperation on economic matters obligatory rather than discretionary. This was the thrust of such things as the Mexican-sponsored United Nations Charter of the Economic Rights and Duties of Man,⁶ and, of course, the heart of the current North-South debate.

Differences in power exist in perceptions as well as in fact, of course. I want to stress this psychological or perceptual dimension because it so often passes unnoticed and unrealized. Because we Americans have been so persistently on the beneficial side of an unequal power situation, we often simply fail to realize how power asymmetry affects the weaker side's perceptions and beliefs. Therefore, we often ascribe the wrong motives or analysis to a given situation. Humans are egocentric. It is very easy for us to believe that the facts and circumstances we must take into account in Washington constitute the "universe" within which all actors must act, as well as the objective reality which everyone else must surely see and understand in the same way we do.

5. *Latin America and the Caribbean*, *supra* note 1, at 63.

6. BUREAU OF PUBLIC AFFAIRS, U.S. DEP'T OF STATE, BACKGROUND NOTES OF MEXICO, 5 (April, 1981).

The truth, of course, is much different. Something marginally important to Washington—and which may, therefore, go unattended—may also be, and often is, crucial to a given Latin American country. What seems mutually advantageous from Washington's perspective may genuinely seem exploitative when considered from a Latin American perspective. What seems to a rich consumer nation to be a fair price for a particular resource, may genuinely seem paltry to a country with few other resources.

Differences in power, the history of previous bargaining, the lingering fear that onerous terms may be imposed, and the perception of continuing power disparities can hinder efforts to obtain an "objectively" fair result through bargaining. Sometimes the opposite of what the United States intends can happen. Instead of a sense of consultation and the building of a common structure which the United States might honestly be seeking, the United States may convey the appearance of a large power imposing its will and telling others what to do.

Misunderstandings of this kind are particularly likely when a United States decision which significantly affects Latin America is not made as a Latin American policy decision. Examples are plentiful: the 1971 import surcharge, the Trade Act of 1974, and more recently policies regarding sugar, tin and other commodities. Some of these actions are domestic policy decisions taken with little reference to their international effects. Other actions are recognized as foreign policy decisions, but are made independently of Latin American policy. In situations such as these, the ramifications for Latin America are either not perceived or are traded off for other goals.

Hemisphere affairs, in short, have been conditioned by fundamental differences in perceptions of reality, in notions of what is just or proper, and in the conceptions of our relationship. At their core, these differences reflect the persistent asymmetry of power that has historically characterized relations in this hemisphere.

I. DYNAMICS AT WORK

But in the last two decades, something very interesting has happened. Structural conditions on both ends of the equation have significantly changed. The loss by the United States of its predominant global margin of strategic superiority, technological leadership and economic power has meant a decline in the relative power of the United States throughout the world and in its capacity to domi-

nate the region. On the other hand, significant and cumulative growth sustained over three decades has transformed Latin American societies and institutions, as well as the very nature of United States-Latin American relations. Power asymmetry still exists, of course. The United States is still Latin America's largest single trading partner, supplier of technology, and creditor, and is looked to for solutions to major problems. But the overall context, the nature of the dynamics, the relative relationships and the regional trends have all changed so profoundly that the nature of the relations has been fundamentally altered. Neither the scenery nor the actors are quite the same.

Latin America is the most highly industrialized region in the developing world. The region has more than tripled its real product since 1950. Latin America's population is now almost two-thirds urban and almost three-fourths literate. Life expectancy at birth has increased from below 40 years in 1948 to over 60 years today. In 1960, total gross investment in the region represented 20 percent of gross domestic product (GDP); by the end of the 1970s, that figure had risen to almost 30 percent.⁷ Latin American women have moved massively into the labor force. Industry now accounts for a share of the gross national product (GNP) similar to agriculture. Dramatic improvements in transportation and communication are bringing the region together in unprecedented intimacy, as well as incorporating the entire region into the world economy.

Latin American economies have become integrated into the world political economy through trade patterns, expanded investment, capital flows and international debt; thereby creating new and interlocking relationships with the international economic system. With an average per capita GNP of over \$1,000, Latin America is pulling apart from the less-developed countries that constitute the bulk of the Third World. Latin American living standards are approaching those of Southern Europe. Public bureaucracies are gaining in strength, responsibility and capacity; universities have grown and diversified; public administration schools and technical faculties have proliferated; professional associations have grown in diversity and sophistication; and finally, military establishments have become more professional.

But something even more profound has occurred which we need to understand: Economic and social progress have been

7. INTER-AMERICAN DEVELOPMENT BANK, 1980-1981, ECONOMIC AND SOCIAL PROGRESS IN LATIN AMERICA 9.

brought to the center of the Latin American political agendas. Whether it is called modernization, development, or even national security (in a number of countries economic development is conceived of in security terms and objectives), economic development has become the paramount national objective throughout Latin America. Economic modernization and policies to achieve it are serious—even grim business for all the countries of Latin America. Why is this so? The answer, I think lies in what “modernization” is all about.

The process called economic development is not primarily economic at all. We tend to think of development as a campaign of production to be fought with budgets and monetary policies, and measured with indices of output and income. But the development process is much wider and deeper. To be sure, in the end what is hoped for is a rise in output and productivity. But growth will not come to pass until a series of changes, at once more basic and more delicate, has been carried along a certain distance. To overcome poverty, industrialize, achieve greater social justice and develop and deepen productive economic sectors, most of these countries will have to modernize their entire societal structure in very deep ways. Modernization thus frequently results in a substantial redistribution of political and economic power. It is the touching of power structures and patterns that makes modernization so politically difficult and volatile, because existing patterns of organization and values are often resistant to change. Hence, modernization for many Latin American countries involves a process of basic change and re-organization in the values, attitudes, and behavioral norms of these cultures.

And that, in a nutshell, is what political dynamics and processes are all about in Latin America today. Political struggles and debates now center on how these societies are to organize themselves to deal with such matters as the efficiency of systems, welfare maximization, productivity, conflicts over the distribution of national product, and the power and bargaining elements that enter into these things. What models of governance are best? What kind of priorities ought government to give to such things as social grievances, material progress, human rights, fiscal stability, job creation, inflation, order, liberty?

In those nations where political processes are brittle, or where transitional systems are in effect, these are literally life and death matters for governments; and the perilous path between the pitfalls

of repression and demagoguery leaves a very narrow margin for error. Painful dilemmas are posed: growth vs. equity; state planning vs. market forces; import-substitution vs. export-led growth models; and, debates over the relative need for authoritarian, corporatist or democratic models of national governance (or eclectic versions thereof). Some of the political questions that may thus lie ahead for Latin American countries are: Can economic efficiency be achieved in a democratic framework? Can social justice and equity be achieved without it? Where economic growth has been accomplished in an authoritarian setting, is democratization likely? If the redistribution of income and the correction of social inequities are long delayed, will the resulting inequalities lead to instability or violence?

II. CURRENT TRENDS

A. Population

How do all of these circumstances manifest themselves in operational terms? Probably the single most serious political vulnerability for most of these countries is the employment challenge. In the next 20 years the labor force in Latin America is expected to increase by about 100 million. Even if population growth were to drop to zero tomorrow, past population growth has already put factors in place which will lead to unprecedented growth in the labor forces over the next decade. And in those societies where the bulk of the population is under twenty-one, there is obviously a built-in momentum for future population growth as these persons reach child-bearing ages.

Given the already high levels of underemployment and absolute poverty, the task of expanding productive employment and income opportunities cannot be over dramatized. Obviously over the next decade or two, the adequacy of the response to the employment challenge will depend upon the design and implementation of appropriate agricultural, industrial and fiscal policies to sustain economic growth. But if the dimensions of growth in the labor force are to be more manageable beyond the next generation, population planning policies will have to play a central role.

B. Urbanization

Latin America also has one of the most dramatic rates of urbanization in the world. Urbanization rates exceed population

growth rates in every country in the region. About 40 percent of Latin America's population lived in urban areas in 1950; over 60 percent do so now, and about 80 percent will be urbanized by the turn of the century. The expansion of large cities has been particularly dramatic. In the mid-1970s for example, Mexico City and Sao Paulo each grew by over half a million people annually.⁸ By the year 2000, the World Bank projects that at its present rate of urbanization, Mexico City will have a population of 30 million inhabitants,⁹ three times the present population of the New York metropolitan area.

Modern industrial and service activities benefit from the economies of scale, and to the extent that industrialization and structural change are a necessary adjunct of economic development, the impetus for urban growth is probably inexorable. Thus the policy problem will not be how to stop urbanization—that will probably not be possible—but rather how to promote the equitable growth of cities. Sociologists point out that internal migration and urbanization are not intrinsically good or bad; they may be functional for the migrant, and they may in fact increase the division of labor and thus the fuller integration of the population into the market economy. The existence of large urban masses not apparently involved in the formal sector of the economy may not be the negative factor it appears to be on the surface. Almost half of the urban migrants are absorbed into an “informal system of employment.”¹⁰ This informal sector is much more than a survival system. It is linked to the formal sector, and many sociologists argue that it has within it some dynamic features relating to accumulation, innovation, productivity and entrepreneurship. Obviously more study of the nature and meaning of the informal economy is essential.¹¹

8. *Latin America and the Caribbean*, *supra* note 1, at 63.

9. *Id.*

10. “Informal Sector [also referred to as the informal system of employment] refers to the large volume of self-employed in a developing country who are engaged in small-scale labor-intensive work such as tailoring, food preparation, trading, shoe-repairing, etc. These people are often regarded as unemployed or underemployed as they cannot be included in national employment statistics, but they are often highly productive and make a significant contribution to national income.” D. PEARCE, *THE DICTIONARY OF MODERN ECONOMICS* 209-10 (1981). For a further explanation of the informal sector, see Sethuraman, *The Urban Informal Sector: Concept, Measurement and Policy*, 114 INT'L LAB. REV. 69 (1976).

11. For a discussion of the informal sector and developing countries, see O. J. FAPOHUNDA & H. LUBELL, *LAGOS: URBAN DEVELOPMENT AND EMPLOYMENT* 57-61 (1978); H. JOSHI, H. LUBELL & J. MOULY, *ABIDJAN: URBAN DEVELOPMENT AND EMPLOYMENT IN THE IVORY COAST* 49-62 (1978); K. SCHAEFER, assisted by C. R. SPINDEL, *SÃO PAULO: URBAN DEVELOPMENT AND EMPLOYMENT* 63-80 (1976); INT'L LABOUR ORGANIZATION, *IM-*

Rapid urban growth does, of course, have negative aspects such as peripheral or precarious settlements, housing shortages, problems of providing basic services, deterioration of environment and services, and, if the agglomeration is in one or two major cities, the political dangers exist of making them unmanageable. The phenomenon of urbanization is subtle and intricate and subject to myths; it thus requires considerable further study and analysis, including the testing of conventional theories.

C. Migration

Another serious issue is the problem of external migration and refugees. International migration has surged upward dramatically in the last decade. Migration is a multi-faceted phenomenon: poverty-stricken refugees as well as professionals seeking better opportunities, or merely workers filling labor shortages. A hemisphere map of migration would reveal numerous crisscrossing flows throughout the region: Mexico-United States; Caribbean-United States; Colombia-Venezuela; Colombia-Ecuador; and Bolivia-Argentina. The pace of external labor migration will probably accelerate in the near-term, with the direction toward traditional, higher-wage countries. The flow will also get entwined with political refugee flows, such as that from Haiti and Central America, thereby complicating its management.

Such migration flows constitute new strains on the international system and can create serious international complications. In the past, legal migration has been a source of creativity and much needed diversity for the receiving country. One problem is that such movements have often denuded sending countries of relative scarce skills. The greatest problems, however, have come from the illegal flow of people seeking economic opportunity or the large flows of people fleeing repressive political conditions. In these cases families are divided, people are endangered by hazardous transits by sea and land, and are subject to arrest and exploitation in the receiving countries. These immigration and refugee issues confront many of the countries of the Americas, and their potential

PROVEMENT OF THE CONDITIONS OF LIFE AND WORK OF PEASANTS, AGRICULTURE WORKERS AND OTHER COMPARABLE GROUPS: EMPLOYMENT, INCOMES AND EQUALITY IN LATIN AMERICA AND THE CARIBBEAN 4-17 (1974); Weeks, *Policies for Expanding Employment in the Informal Urban Sector of Developing Economies*, 111 INT'L LAB. REV. 1 (1975); Sethuraman, *Urbanization and Employment: A Case Study of Djakarta*, 112 INT'L LAB. REV. 191 (1975); Souza & Tokman, *The Informal Sector in Latin America*, 114 INT'L LAB. REV. 355 (1976).

seriousness makes them issues requiring immediate multinational attention.

D. Redistribution of Income

The income distribution question will also become an increasingly controversial source of political debate. Statistics show that the distribution of benefits to the poorest fifth of the population has been lower in Latin America than for developing countries in any other geographic area. Clearly, if the hemisphere's poor (especially the marginal and specifically the burgeoning numbers of youth) are not enabled to become productive and enter their nation's active life, serious instabilities will result. Thus poverty, relative and absolute, even in the middle-level countries with relatively advanced economic and institutional systems, is likely to be a continuing source of some political tension. There are, after all, political limits as to how much inequality a society can tolerate.

In short, human development (the realization of human potential) is a prerequisite for the hemisphere's stability and progress in the years ahead. It is important to understand human development, not as just a nice humanitarian gesture, but as a vital investment necessary to economic growth and national well-being. The "redistributive" actions that are required are not redistribution of existing income from haves to have-nots; but rather the distribution to those who do not have income of basic means to become productive, to create wealth, to survive. The means to achieve this span the range from nutrition, education and health services, to available credit, appropriate technology, and managerial assistance.

The issue of "redistribution" raises the frequently cited dilemma of "growth vs. equity", about which a word is necessary here. To a great degree, I believe that this is a false dilemma. The goals of growth and equity are *not* antagonistic. Absolute trade-offs are unlikely, even though some trade-offs may occur at the margins. In fact, empirical data suggest that, far from curtailing growth to improve income distribution, growth should be accelerated to bring into play the economic and institutional forces that insure more economically egalitarian societies.

Equity and growth strategies, in short, are interacting poles. Pure growth and free market play will not automatically result in

equity. But resolution of social problems, human development, and achievement of structural change are not possible without growth.

E. International Trade

If there is a direct correlation between economic growth and internal political dynamics, an equally direct connection exists between the prospects for such growth and the state of the world economy. Latin America's emergence into the world arena had the advantage of broadening access to resources and increasing opportunities for development. But this growth also made the region more vulnerable to development elsewhere. Global economic issues are thus being driven to the top of Latin America's agenda. Long-range objectives are being superseded by such pressing problems as the financing of current imports and the servicing of the foreign debt.

Probably nowhere is this link between domestic matters and political stability on the one hand, and the interdependence of the world system on the other, more evident than in the matter of trade. Clearly, trade liberalization and output growth are mutually reinforcing. The capacity of the political systems in all of these countries to manage political, social and economic pressures will depend, as has already been indicated, on the prospects for economic growth. If, as seems to be the case, that growth in turn depends largely upon export growth, then the capacity to export becomes literally crucial to all of the Latin American countries.

The conclusion is, therefore, inescapable. The fate of the developing countries lies in the capacity of the developed markets to absorb the exports of developing countries. For Latin America, it is the United States which will matter the most. Even though dependence on the United States' market has diminished, the United States still takes more than one-third of the region's total exports. For individual countries the figure is considerably higher. In Mexico, for example, two-thirds of its exports go to the United States.¹²

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| | <i>Percentage of Total Exports to the U.S.</i> | | |
|-----------|--|-------|-------|
| | 1970 | 1973 | 1978 |
| Mexico | 63.70 | 62.94 | 60.37 |
| Guatemala | 35.31 | 31.74 | 34.86 |
| Belize | 33.70 | 33.59 | 41.60 |

The export growth of many Latin American countries has become essential for their overall growth in another way as well; namely, to permit them to earn the wherewithal to meet the interest cost of their external debt. Much of the growth of the Latin American countries in the last ten years was financed by foreign loans. As a consequence, the region's debt accumulation has been more rapid than that of any other part of the developing world; ballooning from \$10 billion in 1965 to a staggering \$150 billion last year. Brazil, alone, has the largest foreign debt burden of any developing country in the world—an estimated \$65 billion. A number of countries, notably, Mexico, Peru, Colombia, Chile, Argentina and Venezuela, have significant debt burdens in terms of percentages of their GNP.

Debt has, in fact, become the principal form of capital inflow into the region. Direct investment, a major capital source a decade ago, now accounts for only 10 percent of capital inflow. Private commercial banks, moreover, have become the region's principal creditors, being responsible for 40 percent of the officially guaranteed debt, compared to 10 percent just ten years ago.

Obviously, the ability to service this debt and refinance loans depends upon the growth of exports and on total growth. Indeed, the viability of Latin America's debt structure, which is now interlocked with the money markets of the developed countries, especially those of the United States, rests on the bedrock of expanded exports.

| | | | |
|-------------|-------|-------|-------|
| El Salvador | 29.64 | 29.16 | 30.99 |
| Honduras | 41.47 | 40.89 | 41.92 |
| Nicaragua | 36.53 | 34.59 | 31.36 |
| Costa Rica | 34.83 | 35.17 | 34.06 |
| Panama | 39.77 | 34.70 | 33.00 |
| Columbia | 46.29 | 39.60 | 35.17 |
| Venezuela | 48.87 | 41.98 | 41.41 |
| Ecuador | 42.67 | 33.79 | 38.70 |
| Guyana | 23.87 | 24.31 | 22.66 |
| Suriname | 35.63 | 33.67 | 35.78 |
| Peru | 32.17 | 30.03 | 29.58 |
| Brazil | 32.27 | 28.67 | 21.16 |
| Bolivia | 31.06 | 24.30 | 25.67 |
| Paraguay | 23.44 | 16.26 | 11.12 |
| Uruguay | 12.88 | 8.74 | 10.67 |
| Chile | 37.01 | 16.86 | 24.56 |
| Argentina | 24.90 | 21.47 | 18.59 |

Source: 1979-1980 STATISTICAL Y.B. 502-10, U.N. Doc. ST/ESA/ STAT/SER.S/7 (1981).

Trade questions, in my judgement, are going to be among the most difficult and neuralgic issues facing the United States over the next ten years. The commitment of the United States to liberal trade practices will be sorely tested. Furthermore, the United States will not just be asked to admit the importation of raw materials and textiles as it has in the past. It will soon have to face the export from Latin America of high-technology goods such as steel, motor vehicles, chemicals, and electronic products. Thus, one of the real emerging issues that the United States will face in the 1980s is nothing less than the redeployment of industrial capacity within the hemisphere and the specialization of labor with all that this implies. This evolution will involve not only division of labor with industrial countries in the production of manufactured items, but also the vertical integration of industrial sectors across national boundaries.

Latin American countries, in sum, will increasingly need to adjust to payment imbalances, higher energy costs, development needs, and all at a time when demand for many of their exports has slowed and the outlook for capital flows is unpromising. In addition, many developing countries must deal as well with serious problems of poverty in all of their socio-political aspects. Most nations, therefore, necessarily face a very difficult agenda that encompasses the *simultaneous need* to industrialize, raise productivity, maintain export-growth, increase agricultural production, create an internal market infrastructure, expand education and training programs, and confront vast needs on the health and welfare front. None of these problems are likely to be managed very successfully over the long haul without economic growth.

III. INTERNATIONAL INTERDEPENDENCE

Three other factors have significantly changed the context of inter-American relations, especially intra-Latin American relations, and hence are worth brief note. One is the fact that global economic indicators conceal marked differences in the rate and structure of development among hemisphere nations.

While all countries have improved in absolute terms, the relative gap between the richer and poorer nations has increased, and

has implications of its own. The larger countries have new industrial muscle and significant institutional growth. They are, therefore, better able both to adjust to external economic crises and to continue growth. The interests, viewpoints and perspectives of these countries, and therefore, their policies, goals and objectives, are increasingly different from the smaller, poorer countries. These advanced developing countries can now, themselves, play roles of assistance and influence, as Mexico and Venezuela have demonstrated in Central America and the Caribbean.

A second factor is the remarkable proliferation and intensity of transnational contacts among elements in the various societies, for instance: the institutional and personal links created by increased trade and investment; scientific exchanges and academic links; professional associations; labor union cooperation; and, increased tourism. These contacts have clearly existed for some time, but advances in transportation and communication technology have multiplied and solidified them to the point where they are almost international interest groups. What is significant here is that such transnational actors now can and do operate cooperatively. Hence, the nonofficial or nongovernmental patterns of transnational interest groups and societal links establish a new context and framework for hemisphere relations.

A third factor consists of a particular kind of transnational link that is especially significant—the link among political parties. Effective cooperation has been established among parties of similar ideology to a degree more intense than before. Latin American political parties do not have either links or relationships with the two United States parties, but they do have ideological affinities and links with European parties, namely with the Christian Democrats and the Social Democrats.¹³

There is an organized, international association of Christian Democrat parties. The Social Democrats and Socialist Parties of Europe and Latin America are also grouped together in a formal organization wherein representatives meet periodically. Their relationships have at least two important consequences. First, they mean that a party that comes to power, such as the Christian Democrats in El Salvador, or the Social Democrats in the Dominican Republic, can expect to look to sister parties in other countries for

13. For a discussion of Latin American Politics, see J. BERNARD, S. CERQUEIRA, P. GILHODES, H. GRILLOT, L. MANIGAL & H. NEIRA, *GUIDE TO THE POLITICAL PARTIES OF SOUTH AMERICA* (1973); and R. ALEXANDER, *LATIN AMERICAN POLITICAL PARTIES* (1973).

support and help. Second, they have made these party groupings international actors with foreign policy effect, and that is what is happening in Central America today. Party links have existed before, of course; for example, the *Figueres-Munoz Marin-Betancourt* links.¹⁴ But the networking with European parties and among Latin American parties is more formal and widespread than before, and this is a new element in Latin American politics.

IV. CARIBBEAN BASIN

Not all countries in the region, of course, have shared in the progress and increasing capacity to modernize. Central America and the Caribbean exhibit the kinds of turmoil and dynamics reminiscent of the sixties. The two areas have essentially the same generic problem but in quite different political contexts. The generic problem is that severe economic and social inequities and maladjustments translate into political strains, instability and the potential for radicalization.

In Central America, the problem is that the old order of essentially authoritarian, stratified systems is eroding under the combined pressure of endemic socio-economic problems and inequities, growing popular demands for change and the inability of traditional elites to meet them, and of destabilizing external influences ranging from Cuba to energy costs and inflation. But if the old order is passing, a new balance has yet to take hold and the struggle is developing into violence and bitterness.

In the Caribbean, the problem is how essentially open democratic systems (with the exception of Haiti) cope with serious economic and social problems such as massive unemployment and economically nonviable mini-states. Violence is not traditional in the region, but generational conflicts lead younger leaders into deep frustration, making radical models tempting to them.

All of these issues are immensely complicated. Other speakers at this conference will deal with them in greater detail. I will simply limit my comments to a brief observation: The problems of both the Caribbean and Central America obviously constitute classically troubled waters in which mischief-makers can fish as Cuba is doing. Cuba is not the cause of problems in either area but it clearly seeks to become a major beneficiary of turmoil. In the

14. See, C. AMERINGER & D. PEPE, *A POLITICAL BIOGRAPHY OF JOSE FIGUERES OF COSTA RICA* (1978).

context of the serious problems that exist, Cuba's longstanding ties with indigenous revolutionaries, and the concrete assistance it provides some of them could make a critical difference, especially if there is no countering influence or help from anywhere else. If the region is left in isolation, Cuba's potential to increase its influence grows accordingly. By the same token, concentration on just the exogenous factors without also dealing with the internal, domestic situations in truly remedial ways will provide no basis for long-term stability and progress.

V. NEW RELATIONSHIPS

Finally, let me lay out briefly three other threads in this complex picture of hemisphere relationships. Nuclear power is becoming a major new item. Brazil and Argentina have undertaken massive new programs to acquire technology for the production of nuclear power. Other nations will undoubtedly soon follow. In the current state of the art, the nuclear fuel cycle for electricity production also produces plutonium, which means the capacity to produce weapons. Both Argentina and Brazil have insisted on having full access to and control of the entire fuel cycle, which would give them the potential to produce weapons. Hence, nuclear proliferation has become a major question in the area and a major agenda item in our relationship with both countries. Brazil and Argentina have the capacity to complicate the global proliferation picture, or both can be key elements in developing international agreements on satisfactory safeguards.

A second development is the matter of regional governance and subregional cooperation. No region of the world has a longer history of international organization and cooperation. The hemisphere has the most elaborate system of international governance in the world outside of Europe. In addition to the region-wide organizations of the inter-American system, growing instances of subregional groupings suggest that new patterns may be developing around such subregional "building blocks." The Andean Group, formed around the Andean Common Market, is a prime example¹⁵—but there are others. The Caribbean has economic coopera-

15. The Andean Group refers to the countries of Bolivia, Chile, Columbia, Ecuador, Peru, and Venezuela, who were signatories to the "Andean Agreement of Subregional Integration," commonly referred to as the Cartagena Agreement. The objective of the Cartagena Agreement was to improve the economic conditions of the Andean region through economic subregional integration. The Cartagena Agreement was signed in Bogata, Columbia on May

tion institutionalized in some four different organizations, including a subregional development bank. Even in strife-ridden Central America, the pull of subregional association remains strong. Last year, eleven nations (Spanish-speaking South America, Mexico and Brazil), signed a treaty establishing a new organization; the Latin American Integration Association to replace the defunct Latin American Free Trade Association.¹⁶ Two weeks ago, member countries of the Latin American Economic System (SELA) met in Panama to discuss economic relations with the United States. Last spring, senior economic officials from all the Latin American countries, meeting under the auspices of the United Nation's Economic Commission for Latin America (ECLA), discussed a regional development strategy that puts new stress on self-help and cooperation among themselves, including help from the more advanced to the less advanced. South-South (or horizontal cooperation) is becoming an increasingly discussed, as well as feasible strategy. Finally, concrete joint needs have resulted in specific, active, subregional cooperation around river basin development, as in the case of the River Plate Basin¹⁷ and the Amazon Pact.¹⁸

Third, four decades of international peace in Latin America have made this region the most peaceful developing area in the world by far. But there is no assurance that peace will continue. There are a number of deep border disputes between various countries. Nationalism is still strong. Arms expenditures are at record levels for Latin America. Several initiatives for arms restraints for the region have not prospered. With an increase in national capacities, and internal tensions in some cases, conflict is not inconceivable in the 1980s. A realistic view would seem to be that, for the

26. 1969, by Bolivia, Chile, Columbia, Ecuador, and Peru. 8 I.L.M. 910 (1969). On February 13, 1973, Venezuela became a member of the Andean Group. Final Act of the Negotiations Between The Commission of the Cartagena Agreement and the Government of Venezuela for the Adherence of That Country to the Agreement, 12 I.L.M. 344 (1973). For a further discussion of the Andean Group, see R. FONTAINE, *THE ANDEAN PACT: A POLITICAL ANALYSIS* (1977); L. MYTELKA, *REGIONAL DEVELOPMENT IN A GLOBAL ECONOMY* (1979). Ferris, *The Andean Pact: A Selected Bibliography* 13 *LATIN AM. RESEARCH REV.* No. 3 at 108 (1978); Grosse, *Foreign Investment Regulation in the Andean Pact: The First Ten Years*, 33 *Inter-Am. Econ. Aff.* 77 (Spring 1980).

16. Treaty of Montevideo Establishing the Latin American Integration Association, August 12, 1980, 20 I.L.M. 672 (1981). See generally Montevideo Treaty, February 18, 1960, *INTER-AMERICAN INSTITUTE OF INTERNATIONAL LEGAL STUDIES, INSTRUMENTS RELATING TO THE ECONOMIC INTEGRATION OF LATIN AMERICA* 207 (1968).

17. Treaty on the River Plate Basin, April 23, 1969, 8 I.L.M. 905 (1969).

18. Treaty for Amazonian Cooperation, July 3, 1978, I.L.M. 1045 (1978).

decade ahead, it will be more important than ever that the effectiveness and efficiency of the inter-American system's peacekeeping and dispute settlement mechanisms be improved.

VI. CONCLUSION

To summarize: change and growth in the region and in the world have fundamentally altered the societies and institutions of Latin American nations and transformed the nature and meaning of inter-American relationships. Deep changes are occurring in all of the countries of Latin America and the Caribbean. They have different meanings and take different forms in different countries. In the larger, more differentiated and institutionalized national contexts, for example Brazil and Mexico, the dynamics are of a more conventional and less volatile kind. In more primitive and smaller contexts, as in Central America, the manifestations are more volatile, more conflictive and uncertain. But in all cases, geographic and historic factors, and the international role these dynamic countries can play, make a constructive relationship with them of profound consequence to the United States.

Indeed, as one looks at Latin America in the 1980s, particularly the larger countries such as Mexico, Brazil and Venezuela, one could argue that Latin America is a coming force in the world. The larger countries particularly are likely to continue relative dynamic progress and growth. Some of them will, over the next generation, be increasingly able to compete with the First World, not only in the production of agriculture and industrial items, but in science and technological innovation as well. Basing their growth on exports, these nations will press the industrialized countries hard for market access. The larger ones, like Brazil, will probably do well competing with industrialized countries in Third World markets. These countries will stimulate South-South relationships and be leaders therein. They will have ambitious ideas and the increasing ability to fulfill them.

Latin America and the Caribbean, in short, are becoming increasingly important to the prosperity and security of the United States, and more relevant to the domestic lives of Americans than ever before. The strains of global interdependence, the economic uncertainties now plaguing the developed and developing alike, and global balance of power considerations, make relationships within the Western Hemisphere more important than ever before. Hence, increased cooperation on a regional and subregional basis is

vital both to good bilateral relations in the Americas and to the building of a more effective global order.

And that brings me full circle to my opening remarks. The problem most of us Americans have in thinking about Latin America is that we have come to consider the overwhelming dominance which the United States exercised in the hemisphere after World War II as the "normal" state of affairs. We are tempted to believe, therefore, that if there has been a relative decline in United States' power, especially in the sense of the power to control events, it is because of mistakes *we* have made. Consequently, we conclude that with our own will and effort we can reverse this trend and reinstate the normal state of affairs. And North Americans do tend, almost reflexively, to believe that Latin Americans surely see the world the way we do, and will surely follow the lead of the United States and be responsive to us if we are definite enough.

However, as this presentation has sought to indicate, irreversible structural changes and diversity in the world, in the United States, and in the hemisphere, have complicated and transformed inter-American relations, and thereby have made the penalties of behaving as though nothing changed in the past twenty years too high. The emergence of Latin American nations as economic and political entities in their own right, with extensive international contacts and complex international roles, all make the traditional United States claim to hegemony and dominance, or to being the unilateral definer of hemisphere interests, both incongruent with current reality and intolerable to Latin American nationalism. Diversification of political and economic relations is a major goal for all countries in the region. As Latin American countries develop (politically and economically) and emerge into the world scene, the perceptions and conceptions of national interests, security threats and goals held by the United States and Latin America will almost surely diverge.

Therefore, in this context, Latin America's new capabilities represent both a challenge and an opportunity for the United States. The challenge lies in achieving a definition and understanding of respective national interests among Latin American states that are congruent with and complementary to that of the United States. The opportunity lies in the obvious advantages the United States can accrue by having constructive relationships and sharing responsibilities with the nations of the hemisphere.

It is, therefore, necessary to reach back into that well-spring of

past association and mutual cooperation and redefine the new relationship. Future relations between the United States and Latin America must be based upon respect for the diverse perceptions and aspirations that will grow between the two. There is no longer any tolerance for hegemony, paternalism or dependence. The United States must be seen as *relevant* to the interest of Latin America and the Caribbean, if the possibility for cooperation and friendship is to be maximized. In a very real sense, what is good for the hemisphere is good for the United States.

But relevance requires vision and a sense of purpose. It will mean attention to the region, sensitivity, compassion, commitment and understanding. It will also mean having available an adequate array of tools and resources, adequate commercial policies, and help in assuring international liquidity.

And this brings us up against a basic dilemma; namely, that there may be a fundamental contradiction between what a wise foreign policy for the region requires and what domestic policy will permit. The current United States recession makes certain measures unavoidable if our economy is to be revived. What this means for Latin American policy can be sensed if one thinks of how the need to combat domestic inflation, curtail government expenditures, and increase productivity will all relate to the simultaneous need to encourage Latin America's export growth, cope with migration and refugees, and provide the United States' required share of resources to stimulate development and improve international liquidity.

Like it or not, the United States must face these contradictions. A leadership role in the world simply cannot be carried out on the cheap. If the United States is to continue to be a leader in the world, then it must be prepared to pay the costs that leadership requires. After all, as Peter Jay wrote in *Foreign Affairs*: "Good regionalism is good geopolitics."¹⁹

19. Jay, *Regionalism as Geopolitics*, 58 FOREIGN AFFAIRS: AM. AND THE WORLD 485 (1979).