

Wellington refused on February 1 a US request for a port call by a navy destroyer on the ground that "the vessel requested was unable to meet the criteria of New Zealand's policy". The policy is that if a ship is nuclear-capable it will not be allowed into ports unless the government is assured that it does not carry nuclear arms. The US considered the rejection "a matter of grave concern which goes to the core of our mutual obligation as allies". In response, the US withdrew the invitation to New Zealand to participate in an exercise and indicated that its "entire security relationship with New Zealand was under review".

ANZUS as a security alliance dating back to 1951, even earlier than the now defunct SEATO, has come under strain. The Labour party government of David Lange swept into power in July 1984, with the anti-nuclear policy as a part of the election platform. This independent stance has created irritants with the US, but it has not as yet led to a total breakdown of ANZUS.

Taking these factors into account, one might say US policy towards East and Southeast Asia as such has not shown any marked departure since Reagan became President in 1980. Relations with China have improved particularly after 1982. Differences with Japan on political issues have not been critical, but economic disputes persist. The US along with China and ASEAN group of nations constitutes the main source of support—particularly ASEAN and China—for the anti-Vietnamese and anti-Heng Samrin forces in Kampuchea. The US has been providing assistance to the noncommunist groups with a low profile, with ASEAN and China in the forefront. However, the US is also faced with the problems of explaining its military linkages with China to the ASEAN countries which are, to varying degrees, suspicious of Chinese intentions. The strain in ANZUS is a new development which is yet to ripen into a full-fledged crisis.

UWI Libraries

World focus : monthly discussion  
journal # 61 Jan. 1985.

# LATIN AMERICA

## More Grenadas?

R. Narayanan

A RECENT handout of the United States Information Agency, entitled 'Latin America and the United States: A Commitment to Democracy', in its 16 pages length summarises that the major objective of the US in the western hemisphere is to "restore order and democracy" and to "press the governments of the hemisphere to join the family of free nations". It begins with an excerpt from a recent speech of President Reagan printed in bold letters: "In response to decades of inequity and indifference, we will support democracy, reform and human freedom. This means using our assistance, our powers of persuasion, and our legitimate 'leverage' to bolster humane democratic systems."

U S profession of commitment to democracy in Latin America, as elsewhere, is nothing new. Successive US administrations in the past have invariably harped on their commitment to democracy in the western hemisphere. However, there is a subtle difference in tone and tenor between the policy statements then and now. Earlier, including when Reagan assumed office as President for the first time, policymakers in Washington had asserted that US commitment to Latin American democracy had always been thwarted by the evil designs of the "totalitarian Marxists". During the presidential campaigning in 1980, Reagan himself repeatedly talked about how "totalitarian Marxist revolutionaries supported by Havana and Moscow are preventing the development of democratic government" in Latin America. But now, he too is of the view that age-long repression, injustice and inequity in Latin America, to which the US has in the past been indifferent, seem to impede the evolution of democratic traditions in the region. To that extent, in admitting that the root causes of political turmoil in the US backyard are indigenous, Reagan doubtless seemed to have made a departure. In assessing US policy towards Latin America during the last four years and its implications for Reagan's second term, the relevant question is how and why this change has

come about in Reagan's perspective. And a related question is what that "legitimate leverage" the US has with which Reagan wants to "bolster democratic systems" in the western hemisphere.

In early 1980, the Working Group of the prestigious Atlantic Council of the United States after carefully analysing the Central American situation made a candid recommendation. The Council contended that what must be deterred in the western hemisphere is not the "Soviet-inspired Cuban activity" but the indigenous sociopolitical institutions which, in fact, have "perpetuated poverty and discontent" in the region. Notwithstanding such perceptive policy framework, soon after becoming President, Reagan, however, mounted a spirited rhetorical offensive against the Soviet Union and described the raging political turmoil in Central America as nothing but the handiwork of "totalitarian thugs". It was a well orchestrated and to some extent a successful campaign, at least initially.

I n one sense, such a campaign began even during the final days of Jimmy Carter in the White House. For, the actual transition to such a policy and perspective were vaguely visible in the last phase of the Carter administration. From a "more detached attitude toward revolutionary processes" as Zbigniew Brzezinski aptly described Carter's earlier Latin America policy, following the fall of General Romero Carlos Humberto's government in El Salvador in 1979, President Carter initiated a policy of extensive military assistance "aimed at averting indiscriminate repression and creating a clean counter-insurgency force" there. Again, once Carter felt that the archaic Anastasio Somoza regime could not hold out, he discreetly let Israeli arms spill into Managua if only to provide succour to the beleaguered National Guard of Nicaragua.

T he Reagan administration, in turn, pursued the same policy with some new twists. Whereas Carter treated El Salvador and Nicaragua as regional

problems of maintaining control over client states, Reagan sought to raise the evolving twin crisis to a level of international confrontation, projecting both as unquestionable evidence of the Soviet Union's evil designs in the US backyard. The avowed purpose of the invidious US propaganda campaign was to inflame war hysteria and to mobilise both the allies and the client states in defence against its cold war adversary.

The first of such major propaganda effort of the Reagan administration was Alexander Haig's White Paper, released with great fanfare in February 1981. On the basis of a collection of "sensitive documents" the White Paper attempted to convince the world that the Soviet Union was engaged in aggression in Central America through the medium of its proxies in Cuba and elsewhere. Haig's maiden campaign however, met with derision and disregard. His "hit list" theory and the "talk tough" offensive that the US would not hesitate "going to the source" of aggression in Central America, in effect, convinced none. West European allies while admitting that the "source" of aggression rested outside the target area were candid enough to contend that it did not rest in Moscow or Havana alone. Equally unconvinced were the audience nearer home where Mexico's President Lopez Portillo drew an analogy between Poland and El Salvador as both "essentially internal conflicts" but added that to explain them as the result of outside aggression was "an insult to intelligence!"

Even in the United States the White Paper produced no desired results; it failed dismally in generating support for Reagan's Central America policy. The investigative American press before long raised a few "hard questions" on Haig's "hard" evidence. The Wall Street Journal publishing an extensive critical commentary by Jonathan Kwitny completely demolished the White Paper. The "only concrete instance of Soviet aid delivered to the Salvadoran rebels reported in the 19 documents", Kwitny reported, "was an airplane ticket from Moscow to Vietnam for one guerrilla". Other mainstream media such as Washington Post gave additional examples of "factual errors, misleading statements and unresolved ambiguities that raise questions about the administration's interpretation of participation by communist countries in the Salvadoran civil war". With that was buried the White Paper, and soon enough its author, Alexander Haig was dismissed.

Once it was evident that the White Paper had failed in its prime objective and to some extent had become counterproductive, the Reagan administration climbed down and concentrated on the US Congress to winning the necessary legislative support for its Central America policy. Frantic efforts were made to evolve a strategy that would give the desired backing to the administration's policy of escalating the Central American crisis to a responsible international status. In doing so, the administration felt that the policy must be couched in a manner

that it was the intention of the US to seek not merely a military solution. Aside from that, the new policy approach, if it could be presented in attractive terms, it was hoped, would buy support from the lesser client states in the Caribbean basin.

The upshot of this new thinking produced what Reagan called the Caribbean Basin Initiative in an Organisation of American States meeting in early 1982. As though remorseful of past US postures towards Latin America, Reagan while presenting the Caribbean Basin Initiative even admitted that his country "at times" had "behaved arrogantly and impatiently" toward its neighbours in the backyard. He went further; he acknowledged that the "extreme right" in Central America had contributed to "further expansion of political violence" underlining thereby that the political violence was not on account of the Soviet actions alone.

With such seemingly agonising appraisal, once more he pitched high traditional US commitment to serve as the generous big brother in the western hemisphere. It meant assuring economic aid coupled with other kinds of assistance to encourage "creativity, private entrepreneurship and self-help" and promised to open US markets on a selective basis for "free trade arrangement". Obviously after highlighting these attractive terms, Reagan made the final bid to sell the rusty White Paper thesis to distraught Congressmen and the Caribbean basin leaders. Forthrightly, Reagan pointed out that if the US did "not act promptly and decisively" against the "repression of Castro's Cuba, the tightening grip of the totalitarian left in Grenada and Nicaragua, and the expansion of Soviet-backed, Cuban-managed support for revolution in Central America" it was certain that "new Cubas will arise from the ruins of today". To meet this danger, he assured that the US "will do whatever is prudent and necessary to ensure the peace and security of the region. Congress bought the Caribbean Basin initiative, but with some qualifications. The Caribbean basin, however, received it with mixed responses ranging from muted enthusiasm to outright suspicion and misgivings.

In the end, the Caribbean Basin Initiative gave Reagan what he wanted—Congressional sanction to his efforts to internationalise the Central American turmoil. But that did not last for long. Pressures to negotiate a solution to the Salvadoran civil war were growing in Congress. The situation was further exacerbated by persistent reports of the dastardly performance of the Salvadoran military in indulging mass carnage in and around the country which included some American lives too. As conditions deteriorated in El Salvador, the administration's demand for military and economic assistance increased. Congressional hearings on these appropriations obviously produced a barrage of criticism. In sum, it was a turbulent going to Reagan's Central American stage show.

In these trying circumstances, yet another crisis erupted in the distant South Atlantic where the Argentine military junta, for whatever reasons, chose to deploy its forces to occupy the disputed Falkland/Malvinas islands. The raging costly naval war between Argentina and Britain caught the Reagan administration on the wrong foot. At a time when the US was expending energies to convince the world of an alleged extra-hemispheric intrusion violating the age-old Monroe dictum, the South Atlantic war between an extra-hemispheric country—Britain, and a Rio Treaty signatory—Argentina, befuddled and frustrated Washington. For Reagan, as General Wallace Nutting, head of the US Southern Command put it, the South Atlantic was a “wrong war in the wrong place at the wrong time with wrong participants”. If there was a right war in the hemisphere, for Reagan, admittedly it was the US-engineered intervention in Central America with the Argentine junta in the role of senior surrogate.

Consequently therefore, to Reagan the first casualty of the South Atlantic hostilities was his grand “alliance and attack against communism”. A more disastrous fallout of the *cono sur* hot war from the US view was the out-of-character appearance of Argentina in the Havana nonaligned meeting of foreign ministers in June to shed unrepentantly its Anglo-saxon orientation for the *tercer mundo* identity, contrary to what the US wanted of its Latin allies. In fact, the whole exercise of Washington since the advent of Reagan was to stem the precipitous erosion of its ability to impose its will among its allies and clients. Events in Afghanistan, Iran and Nicaragua had already brought home the painful reality that lesser states have come to exercise a degree of independent initiative in world affairs flouting thereby the very foundation of the rigid cold war international order.

Caught unawares, the obvious initial impulse of the US administration was to project the South Atlantic war as one more brutal example of communist conspiracy. But that effort did not wash much. For, the military junta of Argentina with its notorious record of having engaged in a “dirty war” over its civilian population could not be dubbed as the “revolutionary” Sandinistas acting at the behest of the Soviet Union in the western hemisphere nor, for that matter, could they be characterised as the subversive Salvadoran jungle guerrillas engaged in “international terrorism”. In the end, the only appropriate prism through which the US could see the South Atlantic war, should be to see it as a conflict between a nondemocratic country and democracy, and as Reagan put it: “Our proper place is with democracy”. Not that it was any rigid doctrinaire stance as much as that the US desired the earliest cessation of hostilities in *cono sur* before Britain lost the battle.

More frustrated than before over the “loss of US hegemony” and the increasing ability of lesser

Latin American states to exercise a degree of initiative in world affairs, Reagan in the wake of the South Atlantic truce moved quickly back to the Caribbean basin to continue his controlled experiment to regain United States’ lost prestige and pre-eminence. The situation by this time in Central America warranted some kind of “surgical” operation. Such an action should involve minimum loss of US resources in terms of men and money but at the same time should ensure total success. Given the unfavourable public opinion and mounting congressional criticism of Reagan’s Central American ventures, the contemplated “surgical strike” can not be conducted in the immediate backyard. What is more, there was a strong possibility that an active military intervention committing US marines in Central America would be a lot more costly and complicated especially in view of the fact that the European allies including Britain are unlikely to underwrite such an action. Also the regional peace initiatives symbolised in the efforts of the Contadora group of countries—Colombia, Mexico, Panama and Venezuela—already underway, military intervention in Central America could turn out to be even counterproductive. Above all, with the presidential election around the corner, Reagan could not afford to engage in a war that would bring the sad Vietnam memories in the minds of his voters.

It is against these constraints, one should cast Reagan’s decision to resort to military invasion of the remote island of Grenada at the southern end of the Caribbean chain in October 1983. Few could have taken seriously that an armed invasion in Grenada was contemplated in March 1983 when Reagan, in a televised speech defending his defence budget showed a reconnaissance photo of the 10,000 foot-long runway and pointedly queried that if “Grenada doesn’t even have an air force . . . who and what is it intended for?” Promptly answering his question, Reagan said: “Soviet-Cuban militarisation of Grenada, in short, can only be seen as power projection into the region” and all the more it was imperative for the US “to help” the people of the region “in their struggles for democracy against guerrillas supported through Cuba and Nicaragua”. The stage was thus set and a target already chosen for the “surgical strike” option. It was simply a question of time.

In a letter addressed to the Speaker of the House on October 25, the day the 10,000 strong US marines landed, Reagan gave the familiar explanation—protection of American lives and the restoration of democracy—for the invasion. Ostensibly, he was right. In retrospect, however, the Grenada gambit was a major success vindicating the tough Reagan approach, countering Cuban influence in the region and restoring American credibility throughout the Caribbean basin. As was expected Cuba, Guyana, and Nicaragua denounced the US invasion, but interestingly enough their vocabulary was milder. El Salvador and six eastern Caribbean states sided with the US and voted against the UN resolution of November “deploring” US action in Grenada.

Guatemala abstained from voting and generally expressed understanding of the US action.

More important, the Grenada episode made the Nicaraguan leaders adopt a more moderate and accommodating position. Also, Cuba made no move to come to the rescue of its Grenadian brethren. In fact, Fidel Castro backed away from the Sandinistas as well as admitting that "we do not have the means" to give direct military assistance to "comrades" attacked by the US.

**T**he tide admittedly turned in Reagan's favour but not quite. His administration faced multiple problems both at home and abroad. The Grenada episode revived the spectre of American armed intervention in the minds of both the Latin and European allies. The relative success of the Grenada operation, the Latins feared, might encourage the US to attempt a similar action in Central America. European allies feared that the invasion represented a growing disposition on the part of the US to use force to resolve international problems. At home, the division within the ranks of the administration and the increasing hostility of Congress posed a serious threat to the prospects of the Republicans in the presidential poll.

**R**eagan obviously had to act at once on a variety of issues such as disengaging and helping establish viable self-government in Grenada, working toward a new election in Salvador while seeking to bring the right-wing death-squads under control, and above all, addressing the policy issue of whether he would accept a continued Marxist regime in Nicaragua even under some negotiated structure of restraints on its external orientations. Inevitably, the administration's policies continued to chart a somewhat erratic course in response to perceived domestic, regional and international pressures. It ranged from military build-up in Honduras, intensifying the Operation Pine naval exercises in the Nicaraguan waters including mining the ports to initiating secret negotiations with the Sandinistas and appointing a bipartisan commission headed by Henry Kissinger to review the Central America policy of Reagan. The Kissinger findings, more or less, absolved Reagan of his stance, and to that extent helped take the Central American issue off the 1984 hustings. Washington's talks with the Sandinistas proved effective in getting Daniel Ortega to an election before long.

With these limited advances, Reagan then moved on to meet the Contadora demand which, among other things, called for withdrawal of all military involvement and ending support for efforts towards destabilisation in the region. By the beginning of 1984, the Contadora peace plan had received overwhelming support from all the Latin American countries and outside, with the nonaligned movement underlining its whole-hearted support. Given the changing situation in the region, particularly the evident conciliatory attitude now of both Nicaragua

and Cuba, the Contadora peace initiative is admittedly welcome to Reagan. However, any drastic shift in policy or posture especially during an election year could well have been politically disastrous to Reagan's re-election prospects. He could not afford to let the initiative slip from him. He had to continue to maintain that the resolution of the Central American crisis was entirely on his initiative. In any event, he could not let the Contadora take credit for its initiative in diffusing the crisis. It was here that he opted for what he called the "legitimate leverage" with which he said he would "bolster democratic systems" in Latin America.

**T**he current economic crisis consequent upon the external debt problem confronted by the Latin American neighbours offered an effective opportunity to Reagan in exercising the "legitimate leverage". Although external debt bedevilled the Latin American countries in the past, it had, however, assumed crisis proportion in 1984 with a chunk of it maturing for repayment. In meeting the critical economic bind, major Latin American countries moved defiantly in organising themselves into a debtors' cartel following the Quito economic summit in February 1984 for collective negotiations. To reinforce further their collective approach and give concrete shape to their idea of a debtors' cartel, they once again met in Cartagena in the following spring.

These confabulations of the Latin American countries to deal with the US to which most of them were indebted did not go unnoticed. In fact, the day prior to the Cartagena meeting, Reagan chose to press the first "leverage" by announcing a half per cent increase in the prime interest thereby swelling total Latin American debt burden overnight to an additional \$1.5 billion. The hike in the prime interest not only compounded the debt burden but even made repayment more problematical and unmanageable. Alongside, US contributions to multilateral agencies such as IMF and IDA over the past two years dwindling, and its attitude on trade issues hardening and becoming more protectionist—all had a negative bearing on Latin America's debt front, especially in view of the fact that more than two-thirds of Latin America's earnings on an average in the past two years have been going to meet their debt service.

Skyrocketing inflation and massive trade deficits together with huge debt burden especially at a time when most of Latin America was moving to democratic rule after long nights of the military generals created a near-panic situation. At this juncture, the second "leverage" was pressed in the form of what came to be known as the "Philadelphia formula" by a syndicate of American bankers to deal selectively with Latin America's debt problem. The formula offered among other things, deferment of payment of loan instalments and interest due to major Latin American countries. Once the formula was announced and Mexico was chosen for

renegotiation of its external debt, the debtors' cartel idea and with it the defiance of the Latin American countries melted into thin air. Ever since, more and more of the Latin American countries have turned their back to the collective initiative and are looking towards Washington for meaningful signals.

At the commencement of his second term,

Reagan is back in the saddle. The reins of his Latin America policy are firmly in his grip. To borrow Robert W. Tucker's phrase, Reagan can "return to a policy of the past" and play "a determining role in making and in unmaking governments" on the basis of what the US has "considered to be the acceptable behaviour of governments" in Latin America.

---

---

# **INDIAN ECONOMIC DIARY**

*Weekly Digest of Indian Economic Events*

## **AN INDISPENSABLE REFERENCE PUBLICATION**

*SUBSCRIBED BY:*

- **Business Houses, Chambers of Commerce, Banks etc.**
- **Chairmen, Directors, Secretaries and Public Relations Officers of Business Houses**
- **Universities & Colleges**
- **Public Libraries**
- **Research Institutions**
- **Government Departments**
- **Newspaper Offices**
- **Embassies & Foreign Offices**

# **INDIAN ECONOMIC DIARY**

F-15, BHAGAT SINGH MARKET  
NEW DELHI-1100

---

---