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ascendancy, tend to regard Brazilians contemptuously as crass, ill-educated, racially inferior nouveaux-riches. Brazilians in turn frequently look upon Argentina as a nation of incompetent, supercilious has-beens.

In recent years, both countries have focused their attention on two issues in which their interests conflict: development of the Parana River and the Rio de la Plata basin (in which Brazil enjoys the advantage) and nuclear development (in which Argentina holds the lead).

The river dispute centers on the question of prior consultation on development of shared resources, a doctrine which Brazil rejects but which Argentina has pushed in international organizations from the Cuenca del Plata to the UN. Argentina insists that the mammoth Brazilian-Paraguayan Itaipu hydroelectric project on the Parana River will adversely affect planned Argentine projects downstream. Brazil opposes construction of an Argentine dam at a height that would reduce the generating potential of Itaipu. Paraguay, a relatively passive partner in all of the projects, has remained neutral in this ongoing dispute.

The nuclear issue is potentially more serious, and it strikes to the heart of the two countries' mutual fears. Argentina's lead of several years in nuclear development and its planned reprocessing facility have been a primary motivation for Brazil's attempt to close the gap by acquiring a full nuclear fuel cycle from West Germany. Each suspects that the ultimate objective of the other is to develop nuclear weapons technology for which it would be the most logical target. This suspicion in turn feeds the desire for nuclear weapons development in both countries.

US efforts to forestall implementation of enrichment and reprocessing facilities in Brazil have inspired some degree of Argentine support for Brazil's position. Argentina sees its own interests threatened by additional restrictions and safeguards placed upon nuclear facilities by supplier countries. The similar positions of Brazil and Argentina on external controls do not, at least at present, suggest that there is any significant movement toward cooperation in the nuclear field between them, however, and there would be strong opposition in both countries to any such proposals.

Brazil and Argentina also differ over strategic cooperation for defense of the South Atlantic, specifically regarding

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a proposed South Atlantic Treaty Organization (SATO). Brazil, which has significant interests and larger pretensions for influence in Africa, has been consistently negative about the SATO idea. Speculation has included South Africa as a prospective SATO partner, and such an alliance would certainly inhibit the success of Brazil's African policy. More fundamentally, Brazil sees few security advantages in such an arrangement, with or without South African participation. Argentina has refrained from any official commentary, but the persistence of speculation on the subject suggests that some support exists within the Argentine military. (Uruguay, which has the most to gain and the least to contribute, has been the most active proponent of such a scheme.)

#### Argentine-Chilean Disputes

As in the case of Brazil, Argentina's prickly relationship with Chile dates back to the 19th century, and its abrasive character derives largely from a series of boundary disputes. Most of these have long since been resolved, but a few controversies persist.

The most important of these is the Beagle Channel dispute involving sovereignty over three small islands south of Tierra del Fuego. While the islands themselves are of little value, their possession has a direct bearing on claims to the continental shelf, which Argentines believe contains significant oil deposits. The dispute was submitted to international arbitration, and a recent decision (May 1977) favored Chilean claims. Argentina, however, does not seem inclined to accept the ruling, and discussions with Chile continue. Chilean and Argentine territorial claims to Antarctica (related in some ways to the Beagle Channel dispute) also conflict, and there is little prospect for an amicable settlement there.

In some respects, Chile's territorial disputes with Argentina are merely symptomatic of its overall geopolitical outlook, in which Argentina looms as an overwhelming and potentially dangerous presence. Chile has traditionally tried to develop its relationship with Brazil as a means of partially offsetting Argentina's preponderance, and Brazil has found this link useful as well.

The smaller states of the region, particularly Paraguay and Uruguay, have over the past decade gradually gravitated

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toward Brazil and away from Argentina. Nevertheless, Argentina retains considerable influence, particularly in Uruguay, and the Videla government is attempting to regain ground lost during the Peronist years (1973-76). Brazilian-Argentine competition is an exploitable resource for the smaller countries, one they have used to obtain loans, investment funds, and trade concessions from their larger neighbors.

None of the bilateral conflicts in the region is severe enough to provoke open hostility, but neither are they likely to be submerged in the interest of regional solidarity, except perhaps temporarily and in pursuit of very limited goals.

#### IV. ECONOMIC FACTORS

While economic interests of the Southern Cone countries are less divisive than individual political concerns, they do not provide a strong incentive for intensified regional cooperation. As in political matters, Brazilian-Argentine competition (primarily in manufactured products) is a major complicating factor.

The Southern Cone countries maintain trade links that are determined primarily by bilateral agreements and motivations, even though all are members of LAFTA (the Latin American Free Trade Association) and, except for Chile, partners in the Cuenca del Rio de la Plata, a regional infrastructure development pact. These associations give rise, however, as much to friction as to harmony in the members' relationships with each other.

Argentina and Brazil compete overwhelmingly with their smaller LAFTA partners so far as trade in industrial products is concerned, thereby undercutting the main development objective of the free trade association. LAFTA's cumbersome item-by-item system of tariff concession negotiation has virtually broken down owing to the reluctance of the larger LAFTA members to accord meaningful trade advantages to the smaller member economies.

Commerce among the Southern Cone countries (including Bolivia) is significant, nonetheless, accounting for perhaps 15-20 percent of the countries' combined trade if Brazil is

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excluded; including Brazil, the group's world trade giant, the total is perhaps 10 percent.\* Argentina is the chief cone trade partner for Brazil, Chile, and Bolivia, while Uruguay, and to a lesser extent, Paraguay trade more with Brazil.

Chile's economic interest in closer ties with Southern Cone countries is based on its greater complementarity with Argentina and Brazil than with other South American countries. In addition, Chile's change in economic philosophy after the coup in 1973 brought it into conflict with its more protectionistic Andean Group partners (with which it never had developed significant trade in any case) and led to Chile's withdrawal from the Andean sub-group in 1976. Moreover, Chile has a traditional trade bond with Argentina based on its need to import foodstuffs, a requirement that has tended to rise significantly over the past decade. At times, Argentine willingness to provide foodstuffs on credit terms has been vital to Chile. Chile also perceives possibilities for closer trade ties with Brazil based on the expanding copper and mineral needs of Brazil's burgeoning industrial plant.

The increasing ability of Argentina and, particularly, Brazil to provide their neighbors with capital goods, technology, credit, and some direct investment funds adds to the network of commercial links within the Southern Cone. At the same time, closer economic ties tend to enhance the rivalry between the two larger countries and intensify the search by the smaller partners for further advantages. Nowhere is this more evident than in the fractious relationships and stalemated situation existing within the regional pact known familiarly as the Cuenca del Plata.

The Cuenca agreement, signed in 1969 between Argentina, Bolivia, Brazil, Paraguay, and Uruguay, provides for regional development of natural resources among countries bordering the River Plate Basin. (Chile recently made overtures to join the pact but was accorded only observer status.) A requirement

\* Estimates of regional trade are impaired by statistical deficiencies stemming from Bolivia's and Paraguay's land-locked positions. Reported trade with Brazil or Argentina, in particular, may actually represent transactions with countries outside the region.

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for unanimous approval of project proposals and a clear Brazilian preference for bilateral development agreements are among the factors that have limited Cuenca activity to the study of possible infrastructure undertakings in such fields as water power and river transportation, forestry exploitation, and industrialization based on mineral resources of the region.

A \$20 million development fund established within the Cuenca del Plata framework in 1975 may eventually lend some vitality to regional project undertakings. So far, however, the pact has been more a focal point of dissension than of harmony between Brazil and Argentina, with the three smaller partners tending to maneuver for bilateral developmental cooperation deals.

V. IMPLICATIONS FOR RELATIONS WITH THE US

As indicated by the foregoing discussion, the probable areas of Southern Cone cooperation that would adversely affect US interests are confined nearly exclusively to human rights and internal security questions and (almost as a corollary) military sales and cooperation.

All of these countries will continue to have serious human rights problems for the foreseeable future, and it cannot be assumed that limited improvement in, for example, Chile or Argentina will diminish their resistance to and resentment of US policies. Indeed, the effect may be precisely the reverse as attention shifts from primary abuses, such as torture and other forms of physical mistreatment, to the much more difficult area of political liberties and legal guarantees--the full implementation of which would probably threaten the viability of all the regimes in the region.

Moreover, should Chile (and to a lesser extent Argentina) shed its pariah image by accomplishing real or cosmetic improvements in its human rights situation, its value as a diplomatic ally would be enhanced, and its neighbors would be less reluctant about becoming publicly associated with it.

There is, therefore, a clear potential for further collaboration among regimes that share a belief that US policies



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are inimical to their security. For the US, the most important consequence of such activity would probably be the negative tone it would impart to other aspects of US bilateral and multilateral relationships.

Formation of a Southern Cone caucus to oppose US human rights initiatives would marginally reinforce anti-US tendencies already present in each country, particularly if Brazil were to weigh in decisively in favor of such a response. But it would not be likely to increase significantly US problems in dealing with the Southern Cone countries on a bilateral basis, since internal politics and external needs and vulnerabilities will continue to determine the posture of each on human rights and other issues.

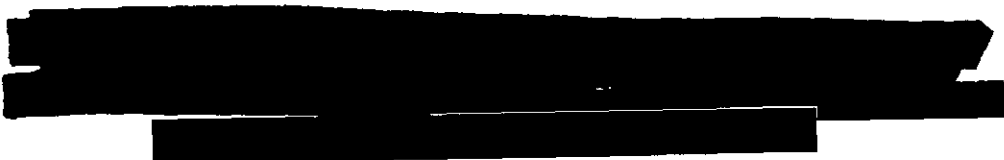
--Argentina, for example, may well decide that it can benefit by contrasting its relatively forthcoming and "reasonable" approach to discussion of human rights problems with Brazil's stonewalling position.

--Uruguay, on the other hand, seems convinced that the US has exhausted its instruments of leverage, but it would nevertheless like to have a larger ally, or preferably several, to back up its intransigent stance.

--Chile, after several years of virtual isolation, would undoubtedly welcome the formation of an ad hoc Southern Cone bloc as a sort of diplomatic security blanket, but it remains vulnerable to US economic pressures and cannot afford--if it wanted--the luxury of a stridently anti-US public posture.

--Paraguay, whose ties with Brazil and Argentina outweigh those with the US, is likely to vacillate according to pressures and incentives from outside, but it seems generally inclined to discuss the subject of human rights and permit an inspection visit without, however, doing much to alter the situation within its borders.

In much the same way, Southern Cone opinion about the status of bilateral military relationships with the US varies from country to country and is divided even within the individual armed forces. The probability of a collective action to confront the US (e.g., other countries following Argentina's lead and withdrawing from UNITAS, the annual US-Latin American



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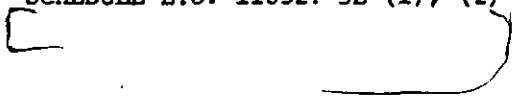
naval training exercise) does not appear very great, though individual countries may further reduce military ties with the US as Brazil has done. The question of arms purchases has largely been decided already by the major countries' rejection of FMS assistance.

Within the region, only Brazil is in a position to retaliate against US pressures with economic measures, and its decision on whether or not to discriminate against US investors or (somewhat more feasibly) capital equipment purchases from the US will not depend on interaction with its Southern Cone neighbors.

In sum, cooperation among the Southern Cone countries appears much more likely to be intermittent and ad hoc than continuous and self-reinforcing. Aside from a (largely superficial) similarity in form of government, the five countries have little in common except geographical proximity. The movement toward collaboration stems largely from their negative response to external pressures on human rights and probably is not strong enough in the long run to overcome rivalries and mistrusts that work against regional unity.



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