

# THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS

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## LATIN AMERICA IN THE INTERNATIONAL SYSTEM

Monday 13 May

### Opening Session

The Chairman (Mr Smart) welcomed participants to the conference, which was the culmination of a long period of Latin American studies by Chatham House under Ford Foundation sponsorship. The focus of the discussions was to be the dynamic relationship between Latin America and the rest of the world, in which Latin American countries' policies were shaped not only by internal needs but also by their interpretation of the changing relative status and role of the countries and regional groupings with which they came into contact, especially in the Northern Hemisphere. The conference would be a private meeting; nothing said in discussion would be attributed to named individuals.

In his opening address, Mr Shonfield drew attention to the apparent swiftness of recent change in the international system. Within the past few months, for example, the political leadership of Britain, France and Germany had altered, while that of the United States could hardly be considered stable. But these changes, dramatic as they were, seemed of less importance to Latin America than the general transformation of the balance of world power which had taken place over a somewhat longer period.

In comparison with the 1960s, the world position of the United States in the first three years of the 1970s had appeared distinctly enfeebled. Indications of weakness were:

- (i) the manner in which the United States acted during the closing stages of the Vietnam War, as it attempted to extricate itself but was unable to do so without giving more away than it wished;
- (ii) the increasing signs of domestic discord and unrest, which generated doubts as to whether the United States was sufficiently coherent to function effectively at the international level;
- (iii) the United States reaction to pressure on the dollar and deficits on current account, which appeared to be that of a country capable only of trying to patch up an international system.

By the spring of 1974, there had been a remarkable reassertion of United States power and position in the international system. The United States had successfully reasserted its power vis-à-vis Western Europe, particularly during the friction between Kissinger and West European leaders over a united stand towards oil producers, when Kissinger's demands were met by protests and excuses, rather than refusals. It had also re-asserted itself vis-à-vis China and Japan. In particular, Japan had, in the end, had to conform to United States policy despite the 'Nixonshocks' of dollar devaluation and Nixon's visit to China. The United States had taken all

the initiatives vis-à-vis the Soviet Union in the management of détente. The United States had played, and continued to play, the dominant role in negotiations pertaining to the Middle East crisis. The dollar was again a powerful and sought-after currency.

Given this remarkable turn-about in the United States posture, what was the current balance within the international system? To take one aspect, the position of the Soviet Union had altered in a manner which could be described as a 'taming of the USSR', partly as a result of the food and technology crises experienced in the early 1970s. The food problem was a continuing one; stocks had to be rebuilt and the possibility of periodic bad harvests must be faced. The technology problem, and the feeling that there was something fundamental to the Soviet system which inhibited the effective application of advanced technology, had also continued. These two factors had affected the mood in the USSR; current ways of thinking were different from those derived from the self-assertive posture of the 1960s.

The overwhelming importance of the policies and relationships linking the United States, West Germany and Japan had also become more widely recognized. Differences within this 'heavy triangle' were, in the last analysis, diversions which did not affect the essential substance of the union. The binding forces of the 'heavy triangle' were strong, strategically and economically. West Germany and Japan were dependent on the United States for defence. The economic strength of the United States was also indisputable, but Japan ranked third in the world in national product and West Germany was the world's biggest exporter. The 'triangle' counted for 50 per cent of world trade and 40 to 50 per cent of world national product. By comparison, the European Community had made only a relatively unimportant contribution to the functioning of the international system. However, the Community had shown some effectiveness in regard to, say, European security negotiations, and its future potential should not be ignored. Later in the decade, when the Community had worked through problems such as those of absorbing Britain and adjusting to changes of French and German leaders, its role in international affairs might grow.

Another factor in the 'balance' was the 'hiving off' of the resource-poor developing countries of the 'Fourth World' from the resource-rich developing countries of the 'Third World'. New attitudes to policy were rapidly emerging in the resource-rich developing countries, following their dramatic intervention to control the petroleum market. In contrast, the helplessness of the resource-poor 'Fourth World' countries had been reinforced by the rise in price of non-renewable resources, particularly oil. The 'Fourth World' now figured less and less in the thinking of the super-powers and the ex-colonial powers. Indeed, one of the characteristic features of East-West détente was that spheres of influence had become more precisely defined in areas which the super-powers felt to be important but less precisely defined elsewhere. Some sort of 'compact of reciprocal abstention' from intervention in these 'less important' areas seemed to exist, and the area which this compact covered was very much that of the poorer, developing countries. This withdrawal of the United States and the Soviet Union from active roles in the developing world had some parallel with the earlier withdrawal of the former European colonial powers. At the same time, one consequence of the 'compact of abstention' was that developing countries had more room for manoeuvre in the international system. Given this, there was a heightened risk of turbulence and warfare in the 'Third' and 'Fourth' worlds. Nationalism coupled with differences in resource holdings could lead to a resurgence there of 'little' wars.

Although the international system of the Northern Hemisphere seemed to display divisions, Latin America should not take these divisions too

seriously. Particularly in the light of the current economic and energy crises, there was within the system a widespread recognition of a real need for a relationship of interdependence which could face even more demanding problems in the future. The price of failure was seen to be great. If the Western world proved unable to work out new forms of agreement in reaction to current crises, a serious world recession could occur as early as 1975. Such a recession would deeply affect Latin America. On the other hand, Latin America would also be affected by any tightening of bonds within the Northern Hemisphere system in the interest of staving off this recession. It was important for Latin America to realize that a Northern Hemisphere system was forming which looked as if it would cohere in its dealings with the rest of the world.

Session I: Changes in the United States-Latin American Relationship  
since 1960

(Paper by Dr Mario Ojeda Gomez)

The initial commentary on the paper brought out two points of difference in the interpretation of the past. In the first place, the paper indicated that US policy had changed fundamentally after the Cuban revolution. But the US had already begun reformulating its Latin American policy during the Eisenhower Administration; that process would have continued even without the Cuban revolution. In the second place, the Alliance for Progress, rather than being a failure, had, in fact, had appreciable success in promoting the growth of social structures eager and able to resist social revolution. Alliance for Progress funds had been directed deliberately to particular countries with the political and strategic aim of creating anti-bodies to revolution. Indeed, that policy had continued; the arrival of the Nixon Administration had not marked the end of such funding but only the end of Alliance for Progress rhetoric.

It was argued that change should be considered in regard not only to Latin America but also to the United States, and that, in each case, domestic political dynamics must be taken into account. As an illustration, Mr Rusk, in the Kennedy Administration, had been able to play a relatively unobtrusive role in international relations exactly because it was a period in which the US was expanding its influence to replace that of the former colonial powers, in Africa and elsewhere, and was effectively exporting its ideology of development to the rest of the world. At that time, a self-confident government in Washington had a clear idea of the kind of world it wanted. Dr Kissinger, however, had to contend with a situation of much greater uncertainty in which 'jet-age diplomacy' was needed both to promote US policies effectively and to educate Americans about the nature of the world they now lived in. The present US Government was abandoning crude policies of imperialism and seeking more subtle methods and positions. Its overriding objective was 'stability', and it was prepared to work with any régime which would and could control 'the masses'. Thus, the Soviet Union had come to be regarded as a respectable business colleague in Latin America. There was, however, some concern about the possibility that purchases of Soviet (or European) arms would weaken US control of the Latin American military, and disagreements existed within the US establishment, for example over Panama, where Kissinger's approach had met opposition from the US military. (In addition, as another speaker pointed out, the Watergate affair might diminish President Nixon's power while increasing that of the US Congress - the representation in which of powerful business and labour interests might well entail US policies towards Latin America which would cause greater difficulties for Latin American governments in general.)

Within Latin America, it was said, the principal change in domestic political dynamics had taken the form of resurgent nationalism. However, the new 'nationalist' regimes - for example in Peru and Venezuela - still operated within the limits of an imported ideology of development, and thus shared the US interest in 'stability'. Given the degree to which Latin American countries were economically dependent, and consequently vulnerable, it was not clear, in fact, that the 'new nationalism' would bring any new freedom of manoeuvre.

The discussion turned to the assertion in the paper of a cyclical pattern in US policy towards Latin America, with relations being left largely to private finance and business interests in periods of regional and global stability, but with Washington seeking to exert a more direct political influence through governmental channels in periods of tension or crisis. Against that assertion, it was argued that there had now occurred a fundamental, rather than cyclical, change in the style and form of the relationship. The new style had been illustrated by two of President Nixon's statements: one in his first term, in which he indicated abandonment of the policy of withholding support from Latin American dictatorships, and one in his second, in which he indicated US determination to secure adequate compensation for the expropriation of US companies in Latin America. The fact was that the US Government, since the early 1960s, had developed a wider range of mechanisms through which it could exert effective pressure in Latin America without abandoning its overt 'low-profile' posture. The effort to construct social democracies had been abandoned, but ways had been found to overturn regimes without the sort of direct confrontation involved in the Dominican Republic intervention. That represented a basic change in the style of the US relationship to Latin America.

Another speaker remarked on the extent of the change in at least some US attitudes marked by the tenor of two reports by Governor Nelson Rockefeller, divided in time by 25 years. In the first, Rockefeller had proposed the creation of a regional organization - the OAS - within the UN, as a means of protecting US interests. In the second report, which provided the basis for the Nixon Administration's policy, he had resurrected the Communist menace, stressed the importance of US arms sales to particular Latin American countries and of national police forces as instruments of internal control, praised 'enlightened' military dictatorships and generally substantiated the development of 'special relationships' with selected Latin American states, thus effectively devaluing the role of the OAS as a regional organization. Academic analysts, it was said, had long resisted crude assertions of US imperialism in Latin America. The fact was, however, that, while the style of US policy had thus changed, this was the one area in which the substance of that policy had been constantly dominated by direct efforts to protect US economic interests.

Some doubt was expressed about the concentration of the discussion upon change (or lack of change) in US policy, as though this were the sole determinant. US policy could be seen as relatively unchanging, at least in its basic purpose of promoting economic interest. But change within Latin America itself had been considerable. The Cuban revolution had happened - and Cuba was now being integrated again into Latin America. Nationalism was a rising force - despite recent events in Chile - but its origins lay within Latin America - as the Argentine case demonstrated - and not in schemes conceived in Washington to keep Latin American countries within the capitalist system. Indeed, the force of nationalism was calculated to engender conflict, rather than co-operation, with the US.

A plea was made, in conclusion, not to oversimplify the issue of 'dependence' which the paper had addressed. On the one hand, the list of dependency factors there offered was neither exhaustive nor arranged in order of importance; foreign indebtedness, for example, was one factor which needed to be added. On the other hand, in this context as in all others, Latin American countries differed widely; the relevance of particular dependency factors thus varied just as widely from case to case.

Session II: West European and Japanese Involvement in Latin America

(Paper by Dr Arturo O'Connell)

The paper had emphasized that, if Latin American countries saw the capitalist economies of Western Europe and Japan to be in crisis, and if they perceived at the same time that the US-dominated capitalist system was declining while the Soviet-dominated socialist system prospered, then they would be driven to adopt radically different international policies themselves. Two factors, it was said, already operated in favour of such change: reaction to the resource exploitation and dependence which had long characterized Latin American relations with the capitalist world, and the currently dynamic growth of nationalism in Latin America. That nationalism might have indigenous roots, but its character and strength had been influenced by US involvement. Where foreign-owned (ie US) companies were most implicated, nationalism tended to find its broadest popular base. In almost all cases, in fact, Latin American nationalism was inextricably identified with anti-US sentiment.

It was argued that Latin American countries clearly needed to evolve development policies which could combine a better balance of inter-regional relationships with the satisfaction of internal needs. Most of the nationalist regimes which had recently come to power in Latin America were not inclined to base their policies on relations with the socialist bloc. Given the strength of anti-US sentiment, the logical course would therefore be a rapprochement with Western Europe and Japan. One difficulty, however, was that it was by no means clear that Western Europe and Japan were, in fact, an alternative to, rather than a part of, the US capitalist system. The question at issue was whether they were genuinely autonomous of the United States, and, if so, whether they were also willing to form closer relations with Latin America.

It was suggested that the autonomy of Western Europe and Japan might increase as a result of current economic tensions. Latin America could conceivably make use of these tensions to construct an alternative relationship to that with the US. But there remained the question of the capacity of Western Europe and Japan to replace the US in that way. In terms of trade and investment, relationships between Latin America and Western Europe or Japan were bound to be rather limited. They could certainly never rank with the US-Latin American relationship. At best, therefore, a stronger relationship with Western Europe and Japan could give Latin America a slightly wider margin of manoeuvre in its dealings with the United States.

A related question was said to be how far Japan and Western Europe would be prepared to countenance, and work with, the growing force of relatively left-wing nationalism in Latin America, particularly if this was being resisted by the US. It was pointed out that Europe had sometimes reacted less adversely than the US to left-wing groups in Latin America; Cuba and Chile were cited as examples. It was also noted that Europe and Japan were strategically weak vis-à-vis Latin America and, unlike the United States, could not exert military pressure in support of their own policy interests there.

Attention turned to the growing diversification of Latin America's trade relations. The fact of such diversification was illustrated by the case of trade with Japan. The turning point in that case had been the change in the US-Japanese commercial relationship caused by the US levying of import surcharges in August 1971 and the subsequent US ban on the export of soya beans. Those measures had raised serious long-range questions for Japan about the stability of supply of her raw materials. One response had been to turn to Brazil for soya beans, beef and iron ore and to Peru for copper and other minerals. Japan had now, in fact, become the single largest source of capital investment in Peru. Meanwhile, the Latin American trade and investment of West European countries, especially within the European Community, had also been increasing, although to a much less spectacular extent. In part, these movements towards trade diversification reflected the fact that the strategic position of Latin American countries as trading partners had recently improved. Latin America had emerged as an increasingly important supplier of strategic and other raw materials which were elsewhere in short supply, while the industrialization process in some Latin American countries was now generating exports of manufactured goods at costs which were strongly competitive with sharply rising prices from other sources. The long-term desire of Japan and Western Europe to have more flexibility in the supply of essential raw materials would sustain and increase their interest in trading with Latin America, and would thus contribute to Latin American commercial independence of the United States. Paradoxically, however, it was noted that the growing diversification in Latin America's markets and the increasing control by Latin American countries over economically valuable technology had actually been accompanied by a relative increase in the US ownership of capital stock in Latin America.

In considering Latin American relations with Western Europe in more detail, it was argued that the European Community had done relatively little for Latin America in absolute terms and even less in relation to its statements of intent. What it had done was not, however, negligible. It had instituted generalized preferences which could aid Latin America. It had made trade agreements with Argentina and Uruguay which did not demand reciprocity. It had supported the idea of commodity agreements which covered commodities of importance to Latin America. Its food aid policy, while not primarily directed towards Latin America, would clearly be valuable to Latin America in times of scarcity. For instance, the recent European Community proposal in the United Nations for \$3 billion of food aid to help the countries hardest hit by payments deficits caused by increases in the price of oil and raw materials could involve as much financial aid to Latin America as to Africa. In the long run, it was nevertheless Asia, and not Latin America, which European Community aid would probably favour in developing policies of trade and aid.

The current energy crisis, it was suggested, might drastically alter the present situation, in that it was possible that Japan and Western Europe would not be able to stand up to the economic strategies which the US would be inclined to adopt in dealing with this crisis. Europe and Japan were already at a disadvantage in regard to terms of trade and economic bargaining power. The effect of the crisis over the next few years could well be to increase the relative economic strength of the US, to give the US a greater ability to invest in Latin America, and thus to reinforce the traditional US dominance of Latin American markets. Against this, it was argued that the current oil crisis was not a long-term crisis and that it was, in fact, the US which was suffering most at present, in that US GNP was going down while that of at least the stronger West European countries continued to rise.

The discussion turned finally to the type of nationalism which was emerging in Latin America and to the question of whether this nationalism necessarily implied a major change in development strategy. Styles of nationalism differed considerably within Latin America. The economic nationalism associated with the trade unions and the Peronista movement in Argentina was quite different from the nationalism of the present Peruvian regime. In some cases, more assertive nationalism was not incompatible with current patterns of economic structure. Much depended, however, on whether nationalist sentiments were strongest in the working and lower classes or in the bourgeoisie.

#### Discussion on Sessions I and II

##### Latin America and the 'Western' World

It was suggested that the discussion be addressed to specific questions, in an attempt to link up the two papers and the opening speech heard during the course of the day. Are new forms of relationship emerging between the developing and developed worlds, especially with regard to Latin America? Is the US trying to redefine its relations with the rest of the capitalist world, in terms of the sharing of power, costs and responsibilities? Will US dominance persist within the West, or will a primus inter pares situation develop with regard to Europe and Japan? In this situation, is a trade or investment 'war' likely between the US and other Western countries, or are we moving towards a third kind of imperialism: financial imperialism? Is the energy crisis a temporary phenomenon, or is it here to stay?

While it was considered likely by some that the oil crisis would pass, it was inconceivable that oil prices would return to their former level. This would entail changes in the world capitalist economy by changing, for example, patterns of consumption. Others suggested that higher oil prices would result in rising prices for industrial products, with inflationary results. The eventual impact was unpredictable, since the industrialized countries would not permit a permanent reversal of the terms of trade, nor a permanent transfer of resources to the under-developed world.

The oil crisis had affected different countries to a different extent, but in general it was the poorest countries which were most affected, especially those for whose own primary products prices had not risen. In Latin America, the country most affected was in fact Brazil, the largest single importing country of petroleum products, but this could be resolved by the exploitation of Brazil's own fuel resources, which military leaders had hitherto insisted on retaining as a strategic reserve.

Within Latin America, Venezuela found itself in a key position as a result of increased oil prices. It now had the opportunity to reach a level of internal development unattainable by any of the Middle Eastern oil producers, simply because it possessed a class structure and an economic and administrative infrastructure which the Arab countries lacked. At the same time, Venezuela could invest in petrochemical industries and other industries requiring a large petroleum input, the products of which would be able to compete in European and world markets.

Venezuela's entry into the Andean Pact was considered very significant, in that it opened up new areas for Venezuelan investment. In his 1 May speech, the Venezuelan President had proposed diverting a significant proportion of Venezuela's increased income to investment in Latin America and to the strengthening of Andean Pact markets. The country was thus moving towards a new role as an aid giver in Latin America.

One participant suggested that Venezuela was now in a position to take over from Brazil a 'sub-imperialist' role. Its wealth and the fact that it had a population which was both smaller and Spanish-speaking, combined with its social democratic government, made it much more likely to be acceptable in that role than Brazil. Venezuela was therefore being offered, and was accepting, a position as the US 'deputy' in Latin America. Other participants considered this unlikely, given that Venezuela had readily accepted Clause 24, regulating foreign investments, on its entry into the Andean Pact. It was nevertheless argued that, as the process of import substitution in Venezuela came to an end and more sophisticated industries were established there, the US might seek influence within the Andean Pact through the setting up of subsidiaries of US corporations in Venezuela. However, the Venezuelan mode of development was very different from that of Brazil, and it was difficult to see it simply taking over Brazil's role.

Latin American relations with Western Europe were also discussed, especially with reference to the possibility and desirability of attracting European investment to Latin America. Given that Western Europe faced a much larger total balance of payments deficit than either Japan or the US as a result of the rise in ore prices, the prospect for attracting any large amount of West European investment to Latin America was remote. Prospects for increasing trade were better, although Japan was likely to seek to off-set its own oil deficit through more aggressive export promotion, which could possibly lead to a trade war between Japan and Western Europe.

The possible scale of aid from the European Community to Latin America was thought to be of the order of US \$500 million per annum. Much depended, however, on the British position in the European Community and on whether Britain continued to favour aid to Asian countries. In general, the interest of individual European Community countries in aid to Latin America was probably proportional to their investments there. Thus, it was not surprising that the Italians were those most in favour of aid to Latin America.

It was suggested by one speaker that the Andean Pact's Clause 24 might be modified to give certain privileges to West European investors, on some basis of reciprocity. The subsequent discussion revolved around whether Andean Pact countries considered that West European investors would behave differently from US multinational corporations, and whether the investment terms proposed by the Andean Pact's Clause 24 would not be equally unacceptable to European corporations. There was general agreement that Andean Pact countries did not expect European investors to behave any differently from US investors, but it was suggested that, although European corporations might have the same influence on European governments as their US counterparts had on the US Government, the influence of European governments within Latin America was itself much less. One participant suggested that European businessmen were likely to be even more conservative than North American businessmen, simply because they had less experience of handling the political problems involved in investing in Latin America. Others argued that West European capital would be easier for Latin American countries to absorb without losing control, and in that sense would be preferable to US capital.

On the assumption that foreign capital would always tend to behave in a similar way, doubts were expressed about the possibility of combining Latin American nationalism with the absorption of foreign capital. In that context, Argentina's policy of strengthening national capital formation and promoting industrial exports was designed to reduce the need for foreign capital. At the same time, the new political climate in Argentina and the activities of the urban guerrilla movements were resulting in the withdrawal of some 90 per cent of United States companies from Argentina. More generally, the existence of a rising tide of nationalism in Latin America was doubted by one participant, who thought that there was in fact a wave of

- (iv) The Venezuelan Interior Minister had been talking in Peru about the possibility of a Latin American summit conference, to which Cuba would be invited.
- (v) An Argentine economic mission was now in Moscow.
- (vi) The only plan for a foreign visit by President Peron confirmed so far was for a visit to Moscow in September/October 1974.
- (vii) Brazil had sent an official mission to China, which was to be reciprocated.
- (viii) Venezuela had initiated a new policy of rapprochement with socialist countries.

At the same time, despite many such signs of increasing relations between Latin America and the socialist world, a great deal depended on a very few countries, such as Peru and Argentina. If anything happened to change the policies of these key countries, a general set-back in the relations between Latin American and socialist countries would inevitably follow.

In discussion, it was argued that United States dominance in Latin America was often exaggerated. Apart from anything else, internal Latin American forces might imitate the United States without being subordinate to US influence. Thus, it was difficult to determine whether any one of the recent military coups cited in the paper had been directly engineered by the United States, as opposed to being indirectly inspired by US ideology. The recent Chilean coup, for example, had been blamed on economic hardship caused deliberately by the US aid boycott, despite the fact that the socialist countries had offered Allende \$400 million of aid (although only \$90 million was actually disbursed). The fact was that there were many purely internal Chilean reasons for economic disruption. Similarly, the role of US military aid in strengthening the hand of the Chilean military would have been insignificant if the military had not already been united. Significantly, most people believed the increased efforts of the American Institute for Free Labor Development in Chile to have been almost totally ineffective. As to allegations of US financing of right wing organizations in Chile and of the "bosses' strikes", there were quite enough people in Chile opposed to Allende who would have acted as they did in those contexts without US intervention. US influence arising from increased US investment in Latin America might become more significant as investment increased, but direct US Government intervention in Latin American internal politics seemed, if anything, to be becoming less significant.

The expansion of Latin American relationships with the Soviet Union, China and Eastern Europe was said to be not necessarily in direct relation to any contraction of US influence in Latin America. On the contrary, the reasons for increased Latin American trade with the socialist countries had very little to do with anti-US sentiment, while the interest of the Soviet bloc in Latin America was not exclusively based on anti-US political motives. Increasing commercial contacts between Latin American and socialist countries were primarily the result of pragmatism on both sides. They might give Latin American countries a new range of options, but their growth could not be taken as an index of Latin American independence of US influence.

A brief historical analysis was given of general Soviet policy towards the Third World. It was seen to have passed through four phases. In the first, policy followed the thesis stated by Bukharin at the 6th Congress of the Communist International: that the appropriate classes in under-developed countries must be aided in order to create a proletariat through industrialization. The second phase was that of the Mikoyan thesis of 'two camps', which

emerged in 1945 when the balance of power had changed in favour of the Soviet Union and in which the differences between under-developed, developing and developed countries was minimized. There followed Khrushchev's policy, as expressed by Professor Potekhin, which was in a sense a combination of previous policies to which was added the political concept of national democracy, as exemplified, for instance, by Indonesia under Sukarno, Algeria under Ben Bella, Ghana under Nkrumah. All of these national democracies failed, however, and were overthrown by the military. After 1964, in the fourth phase, there thus emerged the new policy of Brezhnev and Kosygin, which abandoned the Khrushchev/Potekhin thesis of national democracy, resurrected the pragmatic economic policies pursued in 1922-1928 and downgraded the political dimension. The new policy tended, in fact, to fall into line with Western theory and practice. Its adoption was believed to be largely the result of Soviet experience in Cuba and was marked by changes in a number of characteristic Soviet attitudes to Third World countries. The insistence on the expropriation and nationalization of Western assets was dropped. The source of aid was no longer advertized as important. Small business enterprises were encouraged. Soviet trade with developing countries was included in 5-year plans only to the extent justified by a simple cost-benefit analysis.

The group next discussed the policies of Argentina vis-à-vis the socialist countries. Internal reasons were adduced for Argentina's overtures to the Soviet bloc. It was politically expedient for a right-wing government to give an impression that it was broad-minded. At the same time, socialist countries were particularly good markets for Argentine industrial goods. (Hence the recent Argentine initiative to export cars to Cuba and the despatch of an Argentine economic mission to Moscow, as well as the plans for a Czechoslovak/Argentine joint industrial venture in Argentina.) In addition a third reason suggested was the desire of US corporations to use a base (or a precedent) in Latin America to build up their own trade with socialist countries. It was interesting, for example, that, a few weeks after the Argentine deal with Cuba, a United States corporation based in Canada had itself sold locomotives to Cuba.

Trade of other Latin American countries with the socialist bloc was briefly discussed in terms of the options which it opened up. There was, for instance, a market for bananas in the Soviet Union and Eastern Europe, so that banana producing countries such as Honduras could see there the opportunity of alternative markets to Standard Fruit. It was also suggested that the great expansion of public sector economic activity in Latin American countries during recent years had led to a preference for dealing with highly centralized state enterprises, such as those in Eastern Europe, as opposed to private companies. Bureaucrats were said to prefer to deal with bureaucrats. This was cited as one explanation for the expansion of commodity trade between China and Peru.

A question was raised about the effect on Latin American trade with the socialist bloc of the fact that East European, Soviet, and Chinese industrial goods involved designs and techniques unfamiliar in Latin America. On the one hand, this might tend to retard the growth of trade for some time. On the other hand, exposure to new and different technologies might eventually benefit Latin America, especially as equipment produced in the socialist bloc might be more appropriate to local conditions in Latin America than that previously purchased from the United States. (Oil industry equipment was cited as an example.) Technology agreements had already been signed with this in mind between Argentina and the Soviet Union and Between Peru and the Soviet Union. Moreover, an acquired familiarity with Soviet technology might be of political benefit to a government in Latin America. Without such familiarity, a Latin American country subjected to a United States embargo but offered Soviet equipment as an alternative would not be able to adapt or

use the latter effectively. More generally, an ability to use Soviet equipment properly could enhance a country's bargaining position vis-à-vis the United States, since it would clearly be less vulnerable to the threat of an embargo.

It was pointed out that the evolution of the policy of other countries towards Cuba should not be taken as an index of their relations with the Soviet bloc. Cuba was a Latin American country, and recent Argentine overtures to Cuba, to take one example, had been based on Latin American political and economic considerations. The political considerations, incidentally, included the desire to involve Cuba in some sort of Latin American system distinct from OAS.

The whole of this discussion, it was said, finally, should be seen in the wider context of an international 'division of labour' and of trends discernible within it. Since 1953, socialist countries had increased their trade with the West more rapidly than with each other, and this trend had accelerated in the last few years. The pattern of this trade was one in which advanced technology was imported from the West and the products manufactured with this imported technology, as well as some of the technology itself, thereafter exported to other countries, especially in the Third World. The balance of payments deficits which socialist countries ran with the industrial West were partly met by their balance of payments surpluses with the Third World, from which they imported raw materials and to which they exported manufactured goods. In 1968-69, for example, 32% of all socialist exports of machinery and transport went to the Third World, but only 7% to the developed world. This pattern was more clearly marked in the case of Eastern Europe than in that of the Soviet Union. Latin America nevertheless fitted into the picture as part of the Third World market for socialist countries as a whole.

#### Session IV: Latin America and the Development of International Trade

(Paper by Francisco Javier Alejo Lopez and Jose Manuel Suarez Mier)

The statistics and interpretations presented in the paper raised many questions. An initial caveat was entered concerning the difficulty of discussing trade at a continental level when the experience of individual countries was so varied. It was suggested also that the use of quantum values, or at least some reference to relative prices, would have been helpful.

A central question, with major policy implications, was recognized to be whether the main arguments in support of pessimism about Latin America's export potential were justified. The figures certainly gave cause for concern. Between 1951 and 1973, Latin America's share of world export trade had declined from 10.2% to 3.9%, while its share of world population rose from 6% to 8%. Exports per capita had thus declined from about 50% above world average to half the world average. If Latin America's oil exports were excluded, the situation looked even worse - falling from 7.5% of world trade in 1951 to 2.5% in 1973.

One view was that conditions favourable to Latin American exports had continued well beyond the end of the Korean war and into the 1960s, which suggested that Latin American countries' policies on trade should be examined as a possible cause of export weakness, instead of merely blaming post-Korean war conditions. Other traditional arguments for Latin America's relative export decline had also been overplayed in the paper. A low

elasticity of demand for meat and oil was implausible. Moreover, Latin America could have produced many of the synthetic substitutes which allegedly affected developing countries' trade, since they were hydrocarbon based. In contrast, another participant argued that increased attention to commercial policy might have made a difference to exports of some products, but that in the critical case of coffee, Latin America could only have maintained its share of the world market by cutting prices to an intolerable extent. On the whole, it was difficult, in fact, to see from where the extra exports needed to balance trade figures could have been obtained.

It was suggested that a closer study was required of Latin America's exports of manufactures, which had grown rapidly in relation to other product groups. How far did this reflect a high level of Latin American efficiency, as opposed to specially privileged conditions (subsidies, etc) for a few industries in a limited number of countries? Especially in a period of high commodity prices, such as the present, it was particularly important to consider how far Latin America's future lay in the export of manufactures, rather than of primary products.

With reference to this last point, one view was that the structural change towards manufactured exports which had occurred in the trade of some Latin American countries - particularly Brazil, Mexico, Argentina and, recently, Colombia - would prove to be a durable phenomenon and would continue to exert a significant longer-term influence on the region's access to, and need for, foreign exchange.

On the question of the recent commodity boom and the improvement in the terms of trade for primary producers, the general feeling was one of caution. Not only was the international oil market one in which a small number of producing countries could act as a quasi-monopoly but the structure of the oil industry was peculiarly favourable to monopolistic practices, in that both producers and oil companies had a common interest in high prices. Similar conditions did not exist for other minerals. Except in the long run, it was impossible to substitute other fuels for oil in a wide range of uses. Unlike non-ferrous metals, oil could not be recycled. Moreover, high oil prices encouraged the recycling of non-ferrous metals such as copper and aluminium, since the ratios of the energy needed to produce primary copper and primary aluminium from copper and bauxite ores, as against that needed to recycle copper and aluminium scrap, were respectively about 10:1 and 5:1. Alternative sources to Middle Eastern, North African and Venezuelan oil were no longer, however, uncompetitive at the current high world price for oil. There were therefore many new oil sources, including offshore reserves, shales and tar sands, which could be developed economically. On this basis, it was suggested that the current world price for oil was probably above the real long-term supply price. In the shorter term, however, it was unlikely to fall significantly.

With respect to copper and aluminium, it was said that the price curve had been much smoother, with supply elasticities ranging between 0.5 and 1.8. It was also recognized that it was not so easy to form cartels for these products as it had been for oil. Some participants were nevertheless optimistic that developing countries would be able to acquire greater bargaining power in the cases of copper, aluminium and some other metals, where the number of suppliers was small.

With respect to likely trends in other commodity prices, it was pointed out that, due to the rise in the price of oil, synthetic rubber and synthetic fibre prices would also rise. As a result, there would be a higher demand, and probably substantially higher prices, for natural rubber, cotton, sisal, jute, wool and natural textiles.

There was doubt as to whether some of the recent gains in commodity prices were permanent. Medium-term predictions suggested it would be a mistake to expect a continuation of high prices, and a World Bank Report was cited in support of the view that the current raw materials price boom was temporary. In fact, World Bank experts had forecast a substantial decline up to 1980. The real question, therefore, was not whether commodity prices would fall, but how far they would fall. All agreed that this depended on the general world economic situation, and on whether present national crises heralded some sort of world crisis.

A longer perspective was called for by one speaker. Criticizing forward extrapolation of commodity prices on the basis of a 20-year historical period, he argued that the longer Kondratiev-type cycles of capitalist development should be kept in mind. The relative importance during the last 20 years of trade in industrial products, compared to that in commodities, bore similarities to the inter-War period and to 1873-1895. Furthermore, the increasingly rapid changes in the international division of labour made it particularly difficult to extrapolate from the experience of the last 20 years. Japan's policy of shifting the production of steel to Brazil and Australia was based on an assessment of profitability and could not be explained merely in terms of avoiding pollution. It was likely that other heavy industries would be exported to less developed parts of the world, while industrial countries would expand their own production of raw materials. Copper production, for example, would probably be expanded in the USA, Canada and Australia by more capital intensive methods. At the same time, developed countries' production of sea-bed raw materials was likely to increase.

Latin America's effort to industrialize was asserted as a major factor to be taken into account when discussing the area's international trade performance. Account also had to be taken of the increasing control exercised by multinational corporations over this transformation process. Industrialization based on investment by multinationals had been essentially designed, in the first instance, to supply local markets. The increasing control by companies over the process of industrialization had thus given rise to balance of payments problems, to which ever increasing foreign indebtedness had been a response. Latin American countries were now trying to solve these problems by increasing their exports of manufactured goods. Meanwhile, the multinationals themselves were attempting to find extra-regional export markets to overcome the problems of small markets and high production costs in Latin America itself. As a result, the corporations were acquiring increasing control over both exports and imports. That tended to mean that both trade and market prices were controlled by them too and, in effect, constituted administered prices. Thus, prices were now a political problem of considerable concern to Latin American governments. Governments had begun to intervene in this sphere. Their experience in how to intervene in price determination was still relatively limited, if growing. Nevertheless, current coffee and copper prices were not solely due to speculation, but partly reflected the ability of producers to intervene in order to raise prices.

Still on the question of the relationship between Latin American industrialization and trade, it was pointed out that Brazil's large scale industrialization, involving a substantial capacity for capital goods' production, had been achieved through a high degree of integration with world capital - coming from the World Bank and multinational corporations - and that this case therefore contradicted earlier arguments that genuinely national development within such an integrated system was impossible. Another participant argued, however, that development such as that in Brazil should not be confused with truly nationalist development, since it was part and parcel of the changing pattern of the international division of labour within the international capitalist system.

Session V: Latin America in the International Monetary System

(Paper by David Huelin)

At the outset of the session, a number of the central points in the paper were recalled and underlined. One particularly important factor influencing the future, for Latin Americans as for everyone else, was said to be the problem of energy costs. The rising price of petroleum, caused in part by inflation, was itself an inflationary factor of major importance. Developed countries might seek to offset the high cost of energy by deliberately contrived economies in the import and use of other primary commodities. Moreover, the speculative activities which contributed to the present high prices of commodities would ultimately unwind. For these reasons, the current commodities boom was unstable, and commodity prices were unlikely to maintain their present artificially high levels, especially as producers of other primary products would not be able to cartelize themselves in the way the oil producers had done. The only way commodity prices could be stabilized within the next five years was by an improbably massive degree of government intervention, requiring co-ordinated action by governments, including those of industrial countries in Western Europe, North America and Japan. Meanwhile, the effect of rising industrial costs in the Northern Hemisphere would be to raise the prices of industrial exports; hence, even if commodity prices did not fall, the 'Prebisch Gap' would not disappear. It also seemed possible that industrial countries in the Northern Hemisphere would impose trade restrictions or pursue otherwise restrictive economic policies. If Latin America's terms of trade ceased to improve, or even deteriorated, the region might thus increasingly be driven to seek industrial autonomy, which was well within the reach of the larger countries, but carried with it the danger of isolation. It was relevant to this that Dr Rinaldo Ossola, Chairman of the Committee of Twenty, had proposed a theory of the formation of monetary blocs in the context of trade restrictions. Currently, Latin American currencies were pegged to the dollar, but, in common with the growing tendency in Western Europe, the Latin Americans might also be tempted in such a context to form a monetary bloc of their own. To achieve this, all they would need would be to pool their reserves in the creation of a monetary fund (a sort of mini-IMF), largely financed by oil revenues and forming a small monetary area in quasi-isolation from the rest of the world. One effect would be to encourage the creation of new capital markets. Caracas, for example, might emerge as the leading capital market in Latin America - with the ability to play a crucial role in Latin America's future development.

At present, the pattern of Latin American trade with the rest of the world was far from encouraging. Even if commodity exports increased in value, imports would also increase in price. Changes in the overall pattern of trade were therefore unlikely unless Latin Americans could pool their resources regionally in order to create and command new markets. During the next decade, there would be a continuing need for such energy-intensive products as refined metals, rubber, glass and newsprint. The necessary raw materials for all these, including fuels, existed in Latin America as a whole, though not in any single country. Efficient integration of production could thus place the continent in a strong position economically. Unfortunately, even within the Andean Group, integration was still a long way off, while the need to exploit the present situation was immediate. In a decade or so, the present resources crisis would be over. In the interim, however, one additional point to note was that Latin American countries had an obvious interest in making friends in the Middle East. Libya and Algeria, for instance, were interested in acquiring industrial know-how and technological expertise. In this respect, the Argentine and Brazil would be regarded as more acceptable partners than the USA or Russia.

Commenting upon the paper, one participant said that, during the 1960s, a number of Latin American countries had begun to question current monetary arrangements. There had been a rapid increase in public and private debt. Then, in 1971, President Nixon had taken certain measures to protect United States markets and, at the same time, had gone back on some of his international commitments. After August 1971, Latin America had been left with several problems. First, there was the problem of balance of payments adjustments with the United States on the one hand and the European countries on the other. In that context, the United States had tried to safeguard its own position at the expense of certain European countries. Second, there was the need for increased liquidity by the under-developed countries. This need had been partially met by the IMF's innovation of Special Drawing Rights, (although another speaker felt that the IMF had not done as much for Latin America as the paper suggested). Latin Americans had also tried to combat these problems by pressing for the setting up of a wider group to discuss such matters. The less developed countries had tried to push the idea of a world conference to discuss world monetary reform - first in Lima and later in Santiago. Little headway had been made on either occasion and, by 1973, the idea of a wider forum had been abandoned, especially when the major Latin American proponents were accepted into the Committee of Twenty. Now, the oil crisis had made the situation almost impossible to discuss rationally. According to OECD, the increased cost of importing the world's oil during 1974 would be 60 billion US dollars, divided between the developed and underdeveloped countries. If this projection proved correct, the changes in the next few years would be immense. The whole question of adjustment of balance of payments would become less important, since the reserves of all industrialized countries would have dropped spectacularly, except those of Canada and the United States. On the other side, the OPEC countries already hold one third of world reserves. Obviously, in this situation, some new arrangements had to be made. The IMF was evolving a short-term scheme (with a fund of some 12 billion US dollars) to aid the balance of payments of oil-consuming countries. At the same time, some oil producers were making autonomous arrangements of their own; Venezuela had proposed a fund to be administered by all Latin American countries, each country having an equal share in its control.

Another speaker took the view that oil producing countries, including Venezuela and Ecuador, might find themselves in a similar position to that of Europe a few years ago, by having accumulated surplus dollars for which they could find no use (since the interest rates on investment would be outstripped by the rate of inflation). The oil companies would also accumulate sizeable liquidity, but they were more likely to be able to use it in a constructive way, for instance in further oil exploration, and such investments would tend to increase their power in other fields. By contrast, the oil producing countries did not have the same potential for gaining power, and were likely to be involved only in lending. Venezuela and Ecuador, the chief Latin American oil producing countries, lacked the know-how to make long-term investments. Nor were they likely to be able to acquire power by choosing a few big companies and taking them over, as they would probably like to do. They would, on the other hand, be well able to multiply their present assets in financial and monetary terms, and would probably be quite well satisfied to use them in speculative activity.

Taking the case of Venezuela, one participant wondered what proportion of the funds of Venezuela (in the hands of the Government) could, in practice, be translated into funds for Latin America as a whole. What other options were realistically open to Venezuela, he wondered, except to put its surplus funds into the United States money market? One possible answer suggested was that, apart from the IDB, some of these funds could be invested in private enterprise. What the Venezuelans would be looking for was a high yield on their investment. They could achieve that best by investing in the high-yield Euro-currency market or in New York, or simply by putting up their prices. On the other hand, in order to gain political prestige they might consider some local projects for investment.

Another speaker enlarged on the subject of Dr Ossola's theory of monetary zones - a theory which, he believed, was unrealistic. In spite of the liquidity pouring into a country such as Venezuela, the fact that Latin America had never been an important trading area undermined the application there of Dr Ossola's theory. Since Latin America had no expanding commerce, it lacked one of the conditions necessary for the creation of a monetary zone. He disagreed with the statement in the paper that there was a shortage of domestically generated capital for development in Latin America, and believed that, if Latin American private savings were not remitted abroad but channelled into development banks, there would prove to be adequate capital formation. What could not be doubted was that Latin America lacked the necessary indigenous technology.

This last point was disputed. There was, it was argued, a tendency to under-rate Latin America's technological potential. At least a foundation already existed for the development of indigenous technology which would release Latin America from dependence on the Northern Hemisphere. A more serious problem was that even if exports of private funds were inhibited, Brazil, Argentina, Venezuela and some of the other countries were not accumulating enough domestic capital to cope with the present monetary situation.

#### Discussion on Sessions IV and V

##### International Economic Relations of Latin America

One participant introduced the discussion by comparing the role of the United States with that of the socialist countries in relation to Latin America. At present, he said, the position of US-based multi-national corporations was paramount, but change was imminent. At the same time, he did not think that any Latin American country was at present ready to face the implications of full regional economic integration or the development of an independent monetary zone. There was, however, the possibility of establishing, in the near future, a capital market, such as Caracas, relevant to the new type of regional economy that was likely to emerge in the next few years.

The political implications of developing trade relationships with the Soviet Union were discussed briefly. Diversification towards the socialist  bloc  should not be seen, it was said, as a major political event. The Soviet Union and other socialist countries were less and less interested in internal social developments in Latin America. In any case, trade relationships with socialist countries were less significant now than they had been in 1968. The US had tried, one speaker thought, to inhibit the growth of these relationships. He felt, however, that the new détente between the US and the Soviet Union, together with Soviet acceptance of Dr Kissinger's peacemaking role, had encouraged a more favourable climate.

Another speaker tried to focus the discussion on a more general definition of Latin America's objectives in the economic sphere. What, he asked, was the nature of Latin America's international economic relationships? The involvement of Latin America with Europe, for instance, was primarily one of investment. Against that background of diversity, what changes of relationship were being suggested for the future? Owing to the oil crisis, it seemed less possible that Europe and Japan could be regarded as sources of investment for Latin America. Nor was the Soviet Union or China a viable alternative. In this context, were we talking about specific investment, trade, or technological in-puts or just about economic inter-action in general as a means towards a political end? If the latter, there was certainly a political advantage to Latin American countries in increasing trading connections with socialist countries and, peripherally, with Europe and Japan; if it was diversification of trade for its own sake which was sought, then rather more attention should

be concentrated on other major Latin American trading options. Was it plausible, for instance, that any substantial part of the oil revenues of Middle Eastern countries would, in fact, be invested in Latin America? Would not a capital market to re-deploy resources be a much more realistic proposition?

It was generally agreed that the possibility of Latin America being able to ally itself economically with Europe or Japan was remote. One participant felt that a discrete European bloc was, in any case, unlikely to survive. The new German Chancellor was known to be pro-United States, and the same applied to the new President of France. Moreover, the military weakness of Europe and Japan was a factor which could not be ignored. They were still dependent for defence on the US. At the same time, even a small degree of autonomy could have a crucial effect, as the case of Cuba had demonstrated, in spite of the American embargo. One speaker pointed out that, even if the oil crisis were not permanent, any assertion about the autonomy of European or Japanese capital was questionable. European and Japanese firms, large and small, were naturally intent upon access to the largest market in the world, in the United States, which inevitably gave the US a tremendous power of leverage.

Another speaker drew attention to the relationship between the need for capital and the need for technology in Latin American countries. It had been shown that the level of remittances to the US in the 1960s from Latin America exceeded private direct investment inflow from the US to Latin America. This money could have been used to develop indigenous technology. There was no lack of self-generated capital in Latin America, but at present it was allowed to flow out of the region unchecked.

The exploitation on a regional basis of Latin America's resources of fuels and other raw materials, which had excellent prospects of development, could lead to increased production of heavy energy-intensive products, and thus to massive development within an integrated framework in Latin America. Unfortunately, such regional integration was something that was unlikely to be seen in this decade. The opportunities were here and now, but the possibility of the Latin Americans integrating the exploitation of their energy and other resources was remote because of all the familiar obstacles: distance, political conflicts and a lack of the political will needed for co-ordination and integration. Nevertheless, integration of resources was the most profitable line of thinking for Latin Americans. A start had already been made. In the Andean Group there were two examples: one in the integration of industrial metal production and the other in the donation by Venezuela of £60 million to finance metal industries.

Venezuela, it was said, was now talking about setting up a new financing fund, to support purchases by Latin American countries of the commodities which they lacked. The idea was to finance trade with the rest of the world as a hedge against the depletion of Latin America's own resources. There was a strong interest in thus building up a different kind of asset base. Latin American governments were becoming much more cautious about the outflow of their own resources. For this reason, there would be a growing incentive to curtail foreign investment. (The IMF's 'Witteveen plan', it was noted, would tend to suck money out of the region rather than prompt it to flow in.)

The question of investment was discussed in the context of the package deals which US-based multinational corporations were accustomed to offer, consisting of technology as well as investment. The primary processing part of the industrial sector - steel, non-ferrous metals, petro-chemicals, etc - was one in which the activity of multinational corporations could be relatively easily controlled by the state. But controlling production of

finished goods depended on the level of technical expertise available, the kind of image which the government wished to project, and other factors. It was very important in this area for Latin American governments to have access to the fund of knowledge possessed by the multi-national companies. At present, these companies produced only what was useful for their own sales and profit, and never adapted their production policy to the wants and needs of the host country. As a result, the ordinary people in Latin America were not helped by current production policy, since raw materials were used in accordance with a code imposed by outsiders. One answer to this problem would be to expropriate the multi-national companies involved in the production of finished goods and set up new ones controlled by Latin Americans. Investment available within the region could thus gain a foothold in more profitable markets in Latin America and the rest of the world.

The discussion was brought to a close with a plea from one of the participants for a more humanitarian approach to Latin America's problems. What was the true role, he asked, of nationalism and independence? What did people mean by these terms: independence for whom and from what? Unfortunately, in practice, nationalism and independence did not invariably lead to a better standard of life for ordinary people. Yet they were only legitimate aims, he maintained, if they brought with them increased prosperity and happiness.

#### Session VI: Latin America and the 'Third World'

(Paper by Ann Zammit)

The discussion was opened with the suggestion that the 'Third World' was really a non-topic. The term 'Third World' only denoted an objective situation to the extent that it indicated a large and disparate group of underdeveloped countries whose development was largely constrained by exogenous factors and by the relationship between national bourgeoisies and foreign interests. The idea of a 'Third World' identity was founded in the denunciation of that situation. However, the absence of any clear 'Third World' ideology meant that, in present circumstances, there could be no concerted effort to change the situation; such effort as there had been was limited to piecemeal attempts to secure minor modifications. The most that could be said was that, if the West suffered a major economic recession, conditions might be created in which political upheavals in Latin America itself would accompany the stimulation of all poor countries to establish a more meaningful alliance for a common assault on their problems.

One participant took issue with the historical judgements in the paper and with its consequential criticism of Latin American countries' 'considerable reluctance' to identify themselves with the 'Third World' in the 1950s and 1960s. It had not, in fact, been possible for Latin America to have such an identification before 1964, since the 'Third World' concept was then passing through stages of first neutralist and then anti-colonial orientation, to both of which Latin America was almost entirely irrelevant. Only when the 'Third World' developed into a world movement committed to the reform of the international economic system itself did Latin American countries find themselves fitting in to it. Nevertheless, it was as early as 1964, at UNCTAD I, that the adoption of Latin American 'dependency theory' as a common 'Third World' language, promising the progressive politicization of international economic issues, provided the ideological basis for a much closer 'Third World' relationship between Latin America and Afro-Asia. However, the progressive depoliticization of 'Third World' issues as a whole after 1964 and the disappearance of the major Latin American governments

(Brazil, Argentina, Mexico) from the front line of economic militancy after 1968 contributed to the subsequent 'defusing' of a general confrontation between developed and under-developed countries. Leadership had now passed to a small and militant 'non-aligned' group, within which the strategic goals of Arab states seemed to be obtaining priority. There might still be occasional opportunities for Latin American initiatives, but probably only as a complement to the leadership of Arab countries within this now ideologically ambivalent group. The 1974 Special Session of the UN General Assembly confirmed that Arab leadership, although it also produced a radical Action Programme which conformed closely to the Latin American 'Cepalino' view of the international economic system.

As the discussion continued, some disagreement emerged about the origins of the 'Third World' concept. Some saw its origin in the neutralist attitudes of Tito, Nehru and Nasser towards the 'cold war', at a time when Dulles was equating neutralism with immorality. (In that connection, one view expressed was that genuine non-alignment might be impossible in a polarized world, irrespective of the number of poles, but might become a more realistic option in a period of détente.) Others saw the origin of the 'Third World' in UNCTAD I. Against this, however, it was argued that, while UNCTAD I might mark the beginning of Latin American participation in the 'Third World', that meeting had itself grown out of the 1962 Cairo Conference, at which Brazil had been the sole Latin American representative. Nor should the role of Prebisch and CEPAL as spiritual parents of the 'Third World' be exaggerated, even if that sort of theoretical foundation-building had marked Latin America's most important contribution.

The categorization of the 'Third World' idea as a radical one was questioned, as was the extent to which Arab states, as new leaders of the 'Third World', represented a genuinely radical force. The supposition that formerly radical ideas had now been widely accepted was sometimes founded only in the fact that reactionary regimes had learned to use radical language without adopting radical positions. Yugoslavia was busily negotiating for commercial co-operation with the European Community. Egypt was opening itself to foreign investment. The railway strike had been forcefully suppressed in India. Yet these were exactly the countries which had been identified by some as originators of a radical 'Third World'.

It was argued that there was a risk of drawing politically misleading conclusions from interpretations of a 'Third World' ideology predicated upon a world of totally discrete nation-states. There was a far larger and more important gap, in terms of development, between dominant and oppressed classes within individual nations than between the dominant ruling classes in developed countries and underdeveloped countries in, say, Latin America. By the same token, the working classes in developed countries could not be ruled out as a potential force for change, any more than their counterparts in under-developed states. That implied a question about ostensibly 'nationalist' measures by Latin American governments, which might be only a way of negotiating an alternative form of dependence for large parts of their societies. Many populist regimes in Latin America had, in fact, espoused 'Third World' positions externally in order to conceal or justify their inability to bring about internal change.

Reverting to the question of Latin America's potential leadership role in the 'Third World', it was said that Afro-Asian countries looked with some mistrust on Latin American ties with the US and on the extent to which Latin American countries might act as competitors for scarce aid. Latin American governments had thus had an uncertain status in 'Third World' gatherings. They had often felt themselves to share the 'Third World' predicament, but it had been politically difficult and risky for them to

initiate the sort of confrontational policies which were a necessary criterion of leadership. Arab states, in contrast, had been able to seize a leading role largely because they had a unique lever, for confrontational purposes, in the shape of oil. Nevertheless, it was said, Latin American countries had taken something of a lead on tariff agreements. At the Tokyo GATT conference, the Andean countries and Cuba had been alone in challenging the basic rules of international trade. The 'Third World' had not hitherto united in that cause, but it constituted one of the important issues of the future.

There was considerable scepticism about the ability of the 'Third World', as a collective actor, to bring about substantial change. Some argued that even countries with such divergent ideologies and social structures as Cuba, Brazil, Guinea and the Ivory Coast could form an effective alliance to pursue certain common interests, but the general tendency of the discussion was to regard the term 'Third World' as a convenient label, rather than as a tool of political analysis. There was pessimism, in fact, about the idea of the 'Third World' acting with any real solidarity in pressing for other than marginal changes. To that extent, it was said, the exaltation of the 'Third World' was akin to a mystification process.

Wednesday 14 May

Session VII: International Implications of Latin American Modes of Development

(Paper by Dr Jose A Silva Michelena)

The need for a substantial historical perspective was stressed at the outset. To speak of 'modes of development' within the perspective of the last 30 years was meaningless; the question had to be posed in the perspective of the evolution in Latin America from the Spanish and colonial past through the stages of construction of capitalism to a present in which one element was the emergence of the Soviet bloc. In following that course, the paper had raised certain questions about the theories of development - whether or not 'development' was to be equated with 'growth'. Modernization theory was subject to such questioning on the epistemological level on at least two counts. First, it attached peculiar significance to the concept of the nation, to an extent which obscured the importance of class structures. Second, it assumed that all national societies followed a unilinear path in developing from 'traditional' to 'modern' states. Those difficulties could be avoided by combining dependency theory with an adequate historical perspective. One thing which emerged was that development essentially entailed change in the mode and relations of production. In Latin America, the present mode might be called one of corporate development, involving multinational corporations as principal actors. Changing that mode would depend upon the operation of forces internal to Latin America; there was no prospect of external powers, such as the Soviet Union and China, promoting or imposing such change effectively, by military or other means.

One participant, commenting on the paper, argued that the US had, in fact, been very flexible in its attitude to differences between modes of Latin American development. It had shown itself able to accommodate to any course between complete dictatorship in, say, Nicaragua and social democracy in Venezuela or Costa Rica. In that zone of Latin America closest to its own territory, it had had the option, if needed, of military intervention; further afield, it had been able to ally itself with local forces eager to sustain capitalism. Indeed, the US had even been able to accommodate, in some sense, to the Cuban mode of development: on the one hand, it mounted a diplomatic offensive and an economic blockade while, on the other hand, it

permitted US vehicles to be sold to Cuba via Argentina. Meanwhile, the Soviet Union was not interested in assuming the costs of another Cuba. It was interested instead in practical détente with the US, in East-West trade in raw materials and foodstuffs, in acquiring Western technology and in constructing a stable balance as a protection against China. In such circumstances, it was clearly true that any major changes in Latin America would have to be generated by internal forces. At the same time, the Soviet attitude raised questions about the future of Latin American Communist parties. Would they collapse if the nationalist governments they currently supported collapsed? Or would they be flexible enough to survive and to emerge as a new revolutionary force? Certainly, their flexibility should not be underestimated; the Cuban Communist Party, for example, had formed an alliance with Batista against 'adventurists' such as Castro, but was now in power under Castro's leadership.

Latin America, it was said, had been offered during the discussions a number of alternative bases for development: dependence on the US; a more diversified dependence and interdependence, involving other developed countries as well; a system of transregional alignments of primary resource producers; regional (or sub-regional) autarchy; or the revolutionary internal change advocated in the present paper. Yet there was a danger, it was suggested, that this image of dynamism and choice in Latin America was being set against a background in which external powers, such as the US and the Soviet Union, were seen as no more than static and unchanging symbols. Other speakers rejected that suggestion and, in arguing their case, focused the discussion on two of the possible alternative bases for Latin American development: integrated 'nationalist' development under strong governmental control, and the present basis of corporate development (or, as some argued, under-development). Some saw this dichotomy as a mere intellectual construct, but others thought that it might rather provide a foundation for complementary action. The function of export promotion within the scope of a 'nationalist' development plan might be consigned to multinational companies while measures of regional integration provided an overall ability to limit and regulate the role of the multinationals. Under the Andean Pact, for example, the manufacture of a specific product could be assigned to a single country, thus limiting a multinational manufacturer to operating within that country. At the same time, the manufacturer and the country of operation would both benefit from the existence of an expanded sub-regional market. Different consumption patterns in different countries could readily be reflected within arrangements of that kind.

It was pointed out that, although theories based on a unilinear course of development had been criticized, the only Latin American case which offered any grounds for their modification was that of Cuba. All other Latin American countries had followed the same general path and sought the same solutions. Nor was it enough to argue that the consistency with which Latin American countries had moved through the same recent stages of economic development - from policies of import substitution to corporate development and the pursuit of export-led growth - could be explained as the product of deliberate choices by comparable national élites. The fact was that this sequence had been a necessary concomitant of changes in the world capitalist system, to which the ruling classes in Latin America had been forced to adapt. One corollary was that it was meaningless to express nostalgia for the 'nationalist' character of the leadership during a phase of import substitution, as though it had then been averting a genuine national independence.

The discussion reverted to the earlier argument that the US attitude to widely varied Latin American regimes had been intrinsically flexible. While the US faced no serious challenge to its security from outside the Americas, it could, it was said, afford to accept small doses of Latin

American nationalism. But that did not mean it would accept substantial social change. Within Latin America itself, the US now perceived no serious threat, in contrast to the position 20 years previously, when, as a 'young' imperialist power, it saw the threat of Communism in Latin America as a grave one. It remained true, however, that imperialist powers were always peculiarly alarmed by autarchy, and it was by no means obvious that the US would be prepared, even now, to tolerate movement in Latin America towards genuine regional autonomy. Meanwhile, the Soviet Union, while eager to expand its national sphere of influence, was not anxious to create new socialist regimes. All the more obviously, therefore, social change or efforts to design new modes of development, as in Peru, must be the responsibility of internal forces in Latin America. The most likely path for the moment might well be the continuation of the corporate development mode, based on the multinational corporations. One question, however, was whether a mode of integrated 'nationalist' development might be substituted through a process of gradual transition, or whether the effort to accomplish such a transition would, in fact, merely allow corporate entities, in making marginal concessions, to consolidate more firmly the existing mode of corporate development.

#### Session VIII: Regional Cohesion and Incoherence in Latin America

(Paper by Dr Guido di Tella)

Points from the paper underlined at the beginning of the session included the underlying conflict, in Latin America, between national development and regional coherence. Because development, especially during the import substitution phase, had been pursued in the guise of autarchy, and because it had entailed a heavy in-flow of extra-regional capital, the effect had been, paradoxically, to substitute capital dependence for trade dependence, while simultaneously promoting national integration at the expense of regional integration. It was this which justified pessimism about Latin America's cohesion, rather than, say, a fear of Brazilian 'sub-imperialism' or of the divisive effects of political rivalry.

Commenting on the paper, one participant warned against a Latin American tendency towards geographical fatalism. It would be more useful to ask first whether Latin American countries should attempt to integrate regionally and, if so, to discuss how this might be achieved. It was relevant, for example, that Latin American states had displayed some preference for 'vertical' (regional and inter-state) integration over 'horizontal' (trans-regional and functional) integration. They had, for example, insisted, against the advice of ECLA, on constituting a group distinct from other developing countries at the 1964 UNCTAD meeting. There might, however, be scope for some model of regional integration based on the fact that, within a diverse pattern of private and public industrial sectors, most Latin American governments already exercised an important measure of control over key industries. Given the political will, some measure of industrial integration reminiscent of the early European Coal and Steel Community might be feasible. Much obviously depended, however, on the creation of adequate commercial incentives. The Andean Pact group might serve as some sort of prototype here, since it offered the possibility of combining the promotion of Latin American-based 'multinational companies' with the vital ability to control foreign enterprises and investment. It certainly seemed a more hopeful model than any version of regional integration founded upon commodity agreements or cartels. At the same time, it might, in parallel, be worth exploring integrative measures based on commodities. Latin American countries, including non-oil producers, might seek to establish a regional sub-group within OPEC, as the Arabs had done with OAPEC. Other regional groupings might deal with copper, aluminium, coffee, cacao and bananas.

Another speaker welcomed the idea of a Latin American sub-group within OPEC, involving countries without large oil reserves as well, but had grave doubts about the desirability of taking as a model any sub-regional group such as the Andean Pact, which was argued to militate against broader pan-regional integration. Yet another participant, however, felt that efforts to base regional integration on the OPEC model would be unfruitful, although Brazil's unpremeditated bid for a regional grouping of producers and consumers in regard to oil (and other raw materials) had had some success. In contrast, the Andean Pact could be seen as a national response to a growing fear of Brazilian 'sub-imperialism' and of the potential for future conflict in that rivalry between Brazil and Argentina which had always preoccupied Latin American governments and academics. Although there was no reason to suppose the existence of Brazilian plans for the military invasion of neighbours, it was clear that there existed in Brazil some sense of 'manifest destiny', and that this Brazilian characteristic was now further affected by a consciousness of certain national raw material shortages. Awareness of this naturally encouraged other Latin American countries to form defensive sub-regional alliances, tacit or explicit. One speaker suggested that, as the US conceded more of its own regional role to Brazil, other Latin American countries were actually becoming more fearful of Brazilian ambitions than of US policies. Another speaker believed that Brazilian 'sub-imperialism' was a real threat, particularly to Argentina. Brazil would eventually aspire to dominance east of the Andes. Moreover, there were already signs that the underlying rivalry between Brazil and Argentina might find indirect expression through other regional tensions; there had been border friction and journalistic exchanges involving Peru and Ecuador which might presage more serious conflict. All in all, there was a more substantial prospect of open warfare in South America than the paper had recognized.

Reverting to the question of sub-regional alignments, it was suggested that integrative tendencies within three groupings - the Andean Pact members, the Central American states, and the Caribbean countries - gave some ground for optimism. Such groupings provided more realistic bases for integration than earlier pan-continental efforts. The Andean Group accounted for about 25 per cent of Latin American GNP, and both its GNP and its foreign trade exceeded those of Brazil. The Group had established a customs union and a planning organization responsible for formulating a common external economic policy. Its members, who saw closer integration of Latin America as a whole to be the ultimate aim, already intended to work with commodity producers outside the Group itself in preventing wild fluctuations of world commodity prices. The Group would have to react pragmatically to changes of government or coups within its membership, but its basic economic policies should remain constant. Another speaker agreed that previous very broad schemes for Latin American integration had largely failed. The Montevideo Treaty and LAFTA had been aimed, for instance, at the creation of a full common market in Latin America, rather than a mere free trade zone. LAFTA's eleven members might command 90 per cent of Latin America's GNP, but their integrative aims had so far tended to be over-ambitious.

It was argued, as the discussion continued, that more attention should be given to the problem of employment in the region. In Latin America as a whole, 40-45 per cent of the working-age population was under-employed. The basic reason was the predominance of foreign capital, whose tendency to prefer capital-intensive production techniques was enhanced by the protectionist tariff measures of Latin American governments themselves. The only way to reverse that trend was deliberately to modify the relative costs of capital and labour by discriminating in favour of more labour-intensive industries (such as leather-working). It should be possible to promote employment by manipulating economic forces in that way, rather than by banning foreign investment. Another speaker agreed that policy choices made in the past by

Latin American governments had exacerbated the emphasis on capital intensive industrialization. Higher employment and a more balanced distribution of disposable income could certainly be achieved by reducing the degree of protection given to capital-intensive operations.

### Discussion of Sessions VII and VIII

#### International Personality of Latin American States

The principal issues of discussion arising from Sessions VII and VIII were introduced as:

1. The future character of the state in Latin America

Latin American societies had previously passed from an oligarchic state to a state of compromise in which different groups within the society fought for shares of distributed income, but in which not all groups were able to participate. This compromise had come to an end. In Brazil, Chile and Uruguay the result had been the emergence of totalitarian regimes. In other countries, such as Peru and Argentina, quite different regimes had emerged. The question raised was whether the characteristic Latin American State in the next stage was to be a Fascist State, a Socialist State or a Liberal-Democratic State.

2. The relationship of industrialization, employment and development

In what ways have different modes of industrialization been able (or unable) to solve the problem of excess labour? To what extent has industrialization been able to utilize the large amounts of unemployed and underemployed labour that exist in many Latin American countries?

In Chile, the proportion of the active population employed in the 'secondary' sector was almost the same in the 1960s as in the 1930s. What had changed was that there had been a transfer of people within the 'industrial' sector from handicrafts to manufacturing, which made it all the more important to enquire about the allegedly capital intensive nature of modern industrialization. As things stood, it was doubtful whether what had been called the latest phase of industrialization, ie the production of industrial goods for export, would have any effect on the labour problem, since this type of industry required modern equipment, was highly capital intensive and was thus unlikely to absorb surplus labour.

3. The extent to which Brazil was acting or was likely to act as a 'sub-imperialist' power

#### The Latin American State

Under this heading, it was suggested that at least three different sorts of state could be seen to be emerging as Latin American actors on the international stage:

- (i) countries which were intent on 'nationalism', such as those of the Andean Pact;
- (ii) countries which had been induced to enjoy dependency, such as Brazil;
- (iii) countries which desired the best of both worlds - to gain the advantages of dependency but to pursue a policy of independence at the same time - such as Argentina.

### Industrialization and Employment

The discussion under this heading revolved around the labour absorptive capacity of different kinds of industry. The point was made that, in the developed countries, the proportion of the active population engaged in manufacture had in fact decreased to 25-30%. The tendency was to absorb less labour as productivity increased. At the same time, it was not only the limits of import substitution which determined employment levels. Agricultural change was also of paramount importance if there was to be industrial growth. A primary problem was the failure of Latin American agriculture to modernize. In that connection, it was pointed out that Latin American agriculture was not homogenous. There existed in many countries both pre-capitalist and capitalist forms of agricultural production, and thus at least two 'agricultures'. It was generally agreed, however, that the relationship between agriculture and industrialization was a central issue. The rural sector was particularly important in terms of the effects of an unaltered pattern of income distribution, and hence of consumption. The lack of a redistribution of rural income resulted in a smaller market for industrial output.

It was suggested by another speaker that the problem of the interaction between agriculture and industry had been declining in importance by the 1950s, and that conflicts had subsequently begun to arise rather from the saturation of internal markets and from the need to extend the process of industrialization into the production of capital goods. The solution to both problems, however, had clearly required some form of income redistribution. However, at the time it had been suggested that there was another alternative available: the exploitation of abundant foreign capital. But foreign investment did not compensate for the lack of social homogeneity resulting from an inequitable income distribution. All this, it was argued, went to show that the problem of employment could not be solved by using the traditional instruments of development economics, which gave primacy to national economic growth. The solution lay instead in first concentrating on the problem of employment and only then looking at growth rates, GNP, etc.

Several speakers disagreed with this last point. It was argued, that, if Latin America stopped considering 'growth', given the population problem, the result would be disastrous. It was necessary to tackle both employment and growth together. Obviously, industrialization was not creating enough jobs, but, at the same time, the number of people in agriculture had not decreased in absolute terms. It was not a clear cut issue and there could be no panacea. Considerations of employment should not be placed before growth; with the right type of growth, enough employment might be generated.

One participant commented that employment in manufacturing was falling in the 'mature' economies from a much higher level than existed in the underdeveloped countries of Latin America. Meanwhile, there were industrial options in the latter which could be developed in a labour intensive way. These included areas of 'parallel development', such as processing industries or the manufacture of certain types of agricultural equipment, which could be developed outside the larger urban areas and could help to reduce the rate of migration while also increasing the share of employment given by industry.

The point was made that, while income redistribution had been asserted as the primary objective of development in Latin America, there was in fact no clear empirical correlation between the two factors. Some countries had adopted a 'laissez-faire' attitude to income redistribution which had, in the event, had no significant effect on the structure of their economies. Income redistribution per se was not necessarily the right goal - the effect on consumption patterns was dependent on the nature of the redistribution.

The absorptive capacity of modern industry was said to be still a matter of controversy. With an industrial growth rate of anything up to 7 per cent a year, it seemed that labour absorptive capacity was relatively low. However, with rates of growth of 10 per cent and over, it could be suggested that industry's relative absorptive capacity did not decline, and might actually rise. This was not an argument for denying the need for radical social change in Latin America, but the experience of other regions did suggest that only after growth rates of 10 per cent had been achieved and maintained for a period of up to 10 years could it be argued that the maximum relative capacity of new industrialization to absorb labour had been fully tested. There were tentative signs in Brazil, for example, that the traditional situation might be dramatically changing. There was an emerging shortage of labour, in particular in the Centre South, plus a rise in real wages and a labour shortage in agriculture in that region, although there was not yet enough statistical evidence to support any firm conclusion from this.

In discussing the effects of import substitution programmes, one participant emphasized the importance of timing. It was necessary to differentiate between different stages in the national substitution process in relation to the evolution of the international economic system. Late-comers had been at a particular disadvantage in beginning industrialization at a different stage of the development of the world capitalist system, ie under conditions of international monopoly capitalism. A subsequent speaker challenged this point by arguing that, for example, in Argentina, which entered the import substitution phase of industrialization as long ago as the late nineteenth century, the role of foreign companies had always been important. The recent debate over the so-called 'new dependency' reflected confusion about the historical experience of countries like Argentina. To this, the reply was given that, although foreign companies had been involved in Argentina in the late nineteenth century, Diaz Alejandro had shown that the main burden of import substitution up to the 1950s was carried by the textile industry, which was not subject to significant foreign control. An indigenous bourgeoisie had instead been developing in the second World War and had consolidated its development under Perón, even if this did not detract from the importance of foreign capital in strategic sectors. The situation thus contrasted with that of Peru, where one did not find a significant number of small or medium-size indigenous enterprises. In 1968, between 78 and 80 per cent of manufacturing in Peru had been totally controlled by foreign enterprises.

The importance of agrarian change as a pre-requisite for industrialization was again emphasized. It was suggested that if there had been an agricultural revolution before industrial growth accelerated, the problem of the structural limits on industrialization directed to import substitution would have been less and breaking out of the import substitution phase would have been easier.

#### Brazilian 'Sub-Imperialism'

There was general agreement about the historical roots of the Brazilian geo-political view in the 19th century, and about the effort of Costa e Silva to accommodate this thinking to a new period of history in the 1930s. This was not just an aspect of military thinking; other Brazilian writers had adopted the same approach. What should be emphasized, it was suggested, was the intent to which Brazilian 'sub-imperialism' was predicated upon an acceptance of the economic hegemony of the US, in return for US recognition of Brazil's exclusive right to be the 'leader' in Latin America. One participant noted that Brazil had always had world ambitions, particularly in terms of influence in Africa and of a desire to play a world role in organizing commodity markets.

On the question of whether Brazil would engage in war, it was argued that the dependent nature of Brazilian 'sub-imperialism' would be likely to prevent such action. We were now in the era of 'big business pacifism'. Short-term conflicts might erupt, but the multi-national corporations did not want full-scale war. This led to a lively discussion about the effects of arms sales on Latin American cohesion. It was suggested by one speaker that a certain atmosphere of anxiety and periodical tension was not unconnected with the arms sales activities of certain American and European countries. Others argued that the increase in arms sales to Latin America was a result of (i) the US desire to dispose of obsolete weapons in Latin America, and (ii) the policies of Latin American governments themselves, based upon their conscious decisions to build up their military resources. Latin American governments would not buy arms unless they had the will to buy, no matter how much they were tempted by salesmen. They were not sheep. European wars had not been created by arms salesmen, but were self-generated. Were Latin American wars different? Obviously, the question needed more detailed analysis. In any case, there was no simplistic relationship between foreign arms sales and internal conflicts. Nevertheless, admitting that there were latent historical tensions in Latin America, one might still be inclined to look for the hand of the dominant economic power when war actually occurred.

Thursday 16 May

Session IX: Latin America's International Options to 1980

(Papers by Dr André Gunder Frank and Jose Antonio Mayobre)

The discussion focused initially on the conflict between the conclusions presented in the two papers. One had postulated a progression in Latin America towards 'sub-imperialism', an increasing probability of war and internal repression and the inevitability of a socialist revolution to overcome the crisis of capitalist development. The other had offered a more optimistic view of the Latin American future: an increasingly independent relationship with the United States, a diversification of relations with other countries and a new balance between resource producing and consuming countries.

One speaker was concerned to identify the implicit non-options for Latin America. For example, was much closer contact and interaction with Western Europe an option for Latin America? Was there a possibility that Latin America could thus free itself from US dominance? Would this make more indigenous development feasible? It seemed that all this was in fact unlikely, if only because Europe did not appear willing to co-operate at the present time to that extent.

A central consideration was said to be whether or not Latin America could play any significant role in the international system independently of the US unless there were a major revision of income distribution or a revolutionary change in the major Latin American countries. One speaker pointed out that, to some extent, Mexico had achieved a special pattern of evolutionary change through gradual and partial improvements. Persistence with this model was the only option for Mexico; no alternative had been proposed, and the option of revolution was not open because of Mexico's 'strategic' position vis-à-vis the US.

The possibility of war in Latin America was also said to be an important point for discussion. Was there a possibility of war in the next five years? If so, what could be done to reduce the danger? One speaker pointed out that

there was currently a violent situation within several Latin American countries. Was this likely to spill over into international conflict? War and social revolution were intimately linked, as shown by the relationship between the Chaco war and the Bolivian revolution and between the Honduras/El Salvador conflict and changes in the Honduran regime. A situation was conceivable in Latin America in which the Right would be happy with a war because of the stimulus to industry and the Left would be content because war might bring social revolution in its wake.

One participant argued that, while external contradictions often operated through internal contradictions, it was necessary to discuss such a proposition in terms of particular countries and not on a general level. In Argentina, for example, there was a growing proletarian movement which might create the possibility of a revolutionary situation in the not too distant future. There was perhaps a similar possibility in Venezuela and, in the future, in Peru. But it was important to define more precisely what was meant by revolution. A purely political act of armed insurrection? Or a guerilla movement of the Cuban type? These types of 'revolution' seemed doomed to fail, since they could be violently suppressed by the armed services, the CIA or even by Brazilian forces. On the other hand, even Mexico had exhausted the possibility of employing a policy of gradualism to contain that 50 per cent of the population so far excluded from any real economic benefits. Revolution would not be stopped merely by increasing the overall economic growth rate by 2 or 3 per cent. Socialist revolution was coming not because things were getting worse but because they were already so bad.

A different approach was adopted by a subsequent speaker who felt that, by the end of the 1970s, the peripheral position of Latin America would be over. Latin America would have been able to pursue a course of domestically generated capitalist development and would have become an economic centre in its own right. It would cease to be dominated by world price fluctuations; exports would consist largely of manufactured goods and, although dependence might, in a sense, increase, it would take on a very different character from that which had existed before. The process would involve further organization, further involvement of the labour force in organized activities and an increase in the size of the working class. Technologically, large parts of Latin America were very nearly self-sufficient, especially as they also possessed adequate resources of labour, technicians, management skills, etc. The nature of the social structures to emerge would depend on: (a) how rapidly the process as a whole proceeded? (b) how quickly marginal groups were incorporated into the process, and (c) what interruptions were caused by the international business cycle. What was clear, however, was that, with the end of the 1970s, we would be witnessing the end of a chapter.

The issue of analytical definitions was raised. Speaking of 'options' necessarily implied some underlying model of the society within which such options existed. A course open or attractive to one group might not be so to another. In effect, the reference to 'options' pre-supposed a subject. Which groups were to take the options offered? The answer to that question should include groups other than the present holders of power. So far in the discussion, it had been implicit that the subject was the dominant capitalist class. Latin America had, in fact, been implicitly classified as an undeveloped part of the international capitalist system. But each national case in Latin America needed to be analysed also in terms of its own class structure. Beneath each ruling class were other classes with conflicting interests. The US and the Latin American ruling élites depended upon each other for the maintenance of their respective positions, even if the US had sometimes tried to reach over the heads of local élites, as in the Alliance for Progress, in order to establish direct contact with the working classes. One question to which that reflection led was whether Latin America was really necessary to the 'international system'? If so, why? Gunnar Myrdal had

asked that question about southern Asia, and had concluded that that region was not necessary to the international system; its total disappearance would have only transient and marginal effects. The same was not true of Latin America as a whole, since the region was an important source of oil, minerals and other raw materials. However, what was true was that the present international economic system had no use for a very large part of the Latin American working class, at least 25 per cent of which was effectively unemployed. Only a small part of the Latin American proletariat was needed to produce the things the world required from Latin American mines, plantations and factories. A large part of the working class was not needed either to support national élites or to serve the international economic system. Meanwhile, the largely redundant working class, as a breeding ground for revolution, constituted a threat both to the supply of raw materials and to the security of the area from the US point of view. Against that background, the possibility of greater repression, greater violence, and even war, was clearly a very real one.

It was argued that the possibility of a revolutionary socialist option in Latin America could not simply be assumed. There had been talk of 'the Latin American revolution' since the 1960s, yet no country had yet experienced it. One explanation was that certain counter-pressures had been underestimated: US strategic interest in Latin America, and the capacity of the armed forces to suppress revolt. But, even had these factors not existed, there were other long-term difficulties, particularly for the smaller countries, such as those in Central America. Small countries might be able to change their domestic structure through revolution, but there was a basic lack of the power needed to change the international structure. Nor could it be assumed that international wars in Latin America would act in future as an alternative motor of change. Previous wars in the region had largely emerged from border disputes, but there now existed processes of conciliation and bi-lateral discussion to achieve peaceful solutions of such disputes.

Other participants remained sceptical of the ability of the US or the OAS to prevent international conflicts within the region, even if such conflicts were likely to be short and sharp (as in the Middle East). The OAS was collapsing, and Latin Americans were buying the new 'defence shields' previously denied them. It might now indeed be in the US interest to have wars in Latin America, since the other method of reducing the unused surplus of labour - birth control - was being successfully resisted. It was doubted, however, whether there could be a war lasting more than a few days in Latin America without US backing, chiefly because of the lack of local self-sufficiency in military supplies.

One speaker nevertheless contended that there existed the possibility of two types of war in Latin America. First, there might be raw material wars. The age of conventional border conflicts was essentially over, but, in a situation of national collapse such as might occur in Chile following a sharp drop in copper prices, there might be a move to invade territory belonging to other nations. Second, there might be war arising from a spill-over of internal conflict, which referred back to the notion of 'sub-imperialism'.

A question raised at this point was whether the creation of liberal-democratic regimes was not a possibility for Latin America. The whole discussion seemed to have assumed that the choice lay only between authoritarianism and 'revolutionary socialism'. That seemed extraordinary, when so much of Western Europe and North America had avoided exactly that dichotomy by developing practical forms of liberal and social democracy. Was not this an option preferable to either military regimes or socialism? Was the 'bourgeois' option to be treated with such contempt that it should not even be considered for Latin America? One reply given to this was that a liberal bourgeois regime required an integrated social base which was lacking

in almost all Latin American countries (although it might conceivably exist in Venezuela or Argentina). It was not so much a question of what was preferable for Latin America as of what was possible. Moreover, the predominance of liberal democracy in other areas, such as Western Europe, had existed only for a very short time, and the present prospect seemed to be that Western Europe itself would move back towards more authoritarian, or even fascist, forms of government. In Europe, as in Latin America, optimism about liberal democracy had to be based in part on an expectation that serious economic depression could be avoided. All present evidence, however, seemed to point in exactly the opposite direction. In any case, where liberal democracy had worked, it had done so only by incorporating the mass of the people into the system, which was exactly the circumstance which did not exist in Latin America.

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