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THE UNITED STATES, LATIN AMERICA, AND THE WORLD:
THE CHANGING INTERNATIONAL CONTEXT OF UNITED
STATES-LATIN AMERICAN RELATIONS

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THE UNITED STATES, LATIN AMERICA, AND THE WORLD: THE CHANGING
INTERNATIONAL CONTEXT OF UNITED STATES-LATIN AMERICAN RELATIONS.

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I. The United States, Latin America and the World: the Crisis of the
System of 1945

The United States in the 1980s faces fundamental challenges to the pattern of United States-Latin American relations that has prevailed for almost half a century. The current armed conflicts in Central America portend either new revolutionary governments or prolonged United States involvement with military advisors and perhaps combat troops in the region. The debt burdens and financial crises of Mexico, Brazil, and Argentina portend major political changes in the largest countries of Latin America and major structural changes in the system of international banking. And the conjunction of these strategic and economic crises makes the challenges confronting United States-Latin American relations the gravest since the Great Depression and the international aggressions of the 1930s.

The relations between the United States and Latin America have always been shaped by the relations between the United States and the wider world, by the global international system. And in some measure, the reverse has also been true, with patterns and practices first developed in United States-Latin American being recapitulated by United States policymakers in the wider arena. But the interconnectedness and the isomorphism of the inter-American system and the international system have been especially pronounced since World War II.

Both in the macrosystem of United States relations with the world and in the microsystem of United States relations with Latin America, a new era began in 1945 with the awesome American victory in World War II. In this essay, we will describe the basic structural features of that era and will argue that these features had largely come to an end by the 1970s. However, the central assumptions of United States policymakers about the world and about Latin America have remained largely unchanged. It is in this gap between old assumptions and new realities that many of our current problems arise.

Out of the ruins of World War II, there emerged a new international system unlike any that had come before. Previous international systems had included several great powers, at least five and often more. Now, in 1945, there were only two, the United States and the Soviet Union. One, the United States, possessed more naval ships and combat aircraft than the rest of the world combined and

also held a monopoly of the new nuclear weapons. The other, the Soviet Union, occupied most of the Eurasian land mass with the largest army in the world.

If the international military system was dominated by only two great powers, the international economic system was dominated by only one. The United States produced half the world's industrial goods, possessed most of the world's gold reserves, and held a monopoly in almost all the high technology of the day.

The international system of 1945, then, was historically unique. It was also by its nature historically ephemeral, but this was not clearly seen at the time nor indeed for many years thereafter. It is true that in 1945 some observers thought that Britain and France, with their vast colonial empires, would regain their military power and convert the bipolar international system once again into a multipolar one. But this never really happened, encouraging most observers to think that the new bipolar world was in fact the permanent one. In addition, some analysts knew that the United States would eventually lose its nuclear monopoly. This it did in 1949, when the Soviets exploded their own atomic bomb, rather faster than most observers had expected. Later, other states would join the nuclear circle. But the vast bulk, more than 95 percent, of all nuclear weapons have been held by the United States and the Soviet Union, once again appearing to confirm the bipolar system of military power.¹

The eventual transformation of the system of 1945 would come through a quite different route than military power, that is, by the restoration and the diffusion of industrial power. The old military enemies of the United States, Germany and Japan, first became its political allies by the 1950s and then by the 1970s became its economic adversaries. Also by the 1970s other nations, the "newly-industrialized countries" such as Brazil, Mexico, and South Korea, became major industrial competitors. But for twenty years after 1945 the economic strengths of the United States in the world market seemed largely unchallenged.

How did Latin America fit into the new international system of 1945? First, the relations between the United States and Latin America before World War II had been something of a prototype for the relations between the United States and much of the wider world after 1945. As "the colossus of the North," the United States had dominated Latin America, much as the United States now loomed over Western Europe, the Middle East, and East Asia. Then, as the bipolar conflict--the Cold War--with the Soviet Union sharpened, the United States found it vitally important to consolidate its "own back yard" in the Americas, in order to maximize its capacity to lead from "positions of strength" in containing the Soviets on the Eurasian land mass.² The United States had earlier achieved this consolidation in Latin America on the eve of each of the two world wars with Germany and it was natural for the United States to do it again as it confronted the new greatest military power in Europe, and this time for a conflict that would be sustained over many years. This led the United States to organize a

series of major institutions and programs which dealt with a wide range of military, economic, and political relations with Latin America. Some of these institutions and programs, in turn, then became models for similar policies in other, more threatened regions. Thus the Rio Treaty of 1947 and the Organization of American States of 1948 were recapitulated in the Atlantic Alliance and the North Atlantic Treaty Organization of 1949.

Indeed, by the late 1940s United States-Latin American relations were institutionalized in a special kind of regional international system--one that has much in common with other systems of relations between a great power and several lesser states which have appeared in other times and in other places. Traditional historians and political analysts have often described such systems as areas of "hegemony" or "spheres of influence." In addition to the United States in Latin America, other major examples of hegemonic systems since World War II have been the Soviets in Eastern Europe, the British in the Middle East until the 1950s and in the Persian Gulf shiekdoms until the early 1970s, and the French in Subsaharan Africa. The United States in Latin America has had a good deal in common with these other systems of relations between states of unequal power and societies of unequal development. There have also been comparable hegemonic systems in the more remote past.³ But in many ways, the hegemonic system composed by the United States in Latin America has been the most institutionalized, almost an ideal type.

II. United States-Latin American Relations and Hegemonic International Systems

A hegemonic system can be said to be characterized by each of the following four features:

(1) Military Alliance. There is a formal military alliance among the great power and the several lesser states (for example, the Rio Treaty, the Warsaw Treaty, the French agreements with several African states). Often military assistance or protection extends beyond mere alliance to include military weapons, military advisors, or military bases.

(2) Economic Dependency. The economic relations--trade, investments, economic aid, or economic advisors--of most small states in the alliance system with the great power are much more intensive than their economic relations with any other great power. Often certain important economic ratios reach the level of 25 percent or more (for example, the small state's exports to the great power as a percentage of the small state's total exports; the great power's investment in the small state as a percentage of the small state's total investment or of its gross national product (GNP); the great power's grants and loans to the small state as a percentage of the small state's total government budget).

(3) Ideological commonality. The political elites of the great power hold a world-view or ideological perspective whose essential elements are also held by the political elites of the lesser states (for example, capitalism, communism).

(4) Foreign intervention. The great power has undertaken foreign intervention--military, advisory, or proxy--in the politics of several lesser states in the alliance system. Often, there is a general expectation among political elites and counter-elites in the states of the system that there are certain diplomatic and political limits to a lesser state's behavior, the transgressing of which will provoke the great power to undertake intervention within the offending state. One such transgression is the imminent defection of the small state to a competing great power. In related fashion, another transgression is the imminent displacement of a friendly regime within the small state by an unfriendly one, along with signs that the new regime will move internally toward ideological and institutional forms which are similar to those of a competing great power, thus increasing the probability of the small state's defection to that power. In some cases, the great power uses an international organization to legitimize its intervention (for example, the Organization of American States for Guatemala in 1954 and for the Dominican Republic in 1965, the Warsaw Treaty Organization for Czechoslovakia in 1968).⁴

The United States hegemonic system in Latin America had its origins in the Spanish-American War, but it did not reach its full development and institutionalization in each of these four features until World War II and the Cold War.

Like other great powers in their hegemonic systems, such as the Soviets in Eastern Europe, the United States in Latin America has been propelled by a strategic logic, although like them not by that logic alone. The threat of the Germans in the 1910s and the 1930s and the threat of the Soviets since the 1940s have periodically energized and justified United States hegemony in the area.

The strategic logic has been especially applicable, of course, to Central America and the Caribbean. The proximity of this region to the United States and the smallness of the countries there would have made the region a natural sphere of influence, no matter what the particular economic, ideological, or political character of the "colossus of the North." If somehow either the British, the French, the Germans, or the Russians had established a unified nation on the southern portion of the North American continent by the end of the nineteenth century, they too would have composed a hegemonic system over the states of Central America and the Caribbean and perhaps over Latin America more generally. Indeed, given the style of imperial rule of the time and given the actual practice of the British and the French in the Caribbean basin, the system would probably have been a colonial rather than a hegemonic one.

The strategic logic of hegemony soon worked its way into a political logic. In the first half of the twentieth century, the

countries of Latin America were, of course, exporters of primary commodities, with only the beginnings of industrialization. In other regions of the world with a similar socio-economic system, such as Eastern Europe and the Middle East, the most common political system at the time was traditional monarchy.⁵ On the basis of its socio-economic pattern alone, the natural political system for Latin America might have been the same. But, of course, in Latin America the political formula of traditional monarchy had been made wholly impossible, both by the role model of the republican United States and by the revolutions of the nineteenth century--first the Latin American Wars of Independence, then the Revolution against the Brazilian monarchy in 1889, and finally the Cuban War of Independence culminating in 1898. Accordingly, the political formula chosen by Latin American countries had to be a presidential republic. But given the socio-economic structure of the region, its low level of industrialization and its high concentration of land ownership--the political reality had to be something other than a presidential republic as it appeared in the United States (or would later appear in France and several other European states). Rather, within the political form of presidential republic was the political reality which was most like traditional monarchy, that is, personalistic dictatorship. But the very lack of dynastic legitimacy in Latin America had to be compensated for in some countries by enhanced brutality.

Thus it was that the most liberal and democratic of hegemonic powers, the United States, by the 1930s had come to support some of the most brutal and repressive of client regimes (for example, the Dominican Republic, Nicaragua, Guatemala, El Salvador).

Still, personalistic dictatorship had a certain congruence with the socio-economic structure of most of Latin America until World War II (with the exceptions of Mexico, which had undergone a true social revolution in 1910-1917, and the countries of the Southern Cone, which were the most industrialized countries of the region). And when that congruence on occasion broke down, United States intervention usually re-established it, especially in Central America and the Caribbean. Thus, conditions of international and internal stability largely prevailed, and American investors found an attractive area for their capital. The political logic of hegemony thus worked its way into an economic logic and an ideological logic of American-supported economic growth in a capitalist framework. By the 1940s, with World War II and the Cold War, the United States hegemonic system in Latin America was fully developed and institutionalized in its four dimensions.

However, the economic logic of United States hegemony continued to unfold. The flow of American investment and the access to American markets led to economic development, which in turn led to new social classes and new political strains, conflicts, and crises. In the three decades after World War II, the United States was confronted with the overthrow of several of its client dictatorships (Ubico in Guatemala in 1944 culminating in the crisis of 1954, Batista in Cuba in 1959, Trujillo in the Dominican Republic culminating in the crisis of 1965, and Somoza in Nicaragua in 1949). (This occurred during

roughly the same period and at the same rate that the British confronted the overthrow of their client regimes in the Middle East, and the Soviets confronted the overthrow of theirs in Eastern Europe.)⁶

For some of these countries which overthrew their personalist dictatorships, the most natural new political formula would have been some form of national-populist military regime. This kind of regime had appeared earlier in Argentina and Brazil and in Guatemala under Arbenz, and similar regimes were then emerging in the Middle East. The political telos of these countries, and more generally of other Latin American countries in the early or import-substituting phase of industrialization, was perhaps something like Peronism.⁷ But the politics of national-populism in an economy dominated by American direct foreign investment meant a direct political conflict with the United States.

Unlike the British when they confronted nationalism and populism in the Middle East, but like the Soviets in Eastern Europe, the United States was at times powerful enough, proximate enough, and determined enough to do something about this challenge. The Central Intelligence Agency (CIA) intervention in Guatemala in 1954, the military intervention in the Dominican Republic in 1965, and the support of the military coup in Chile in 1973 were all responses to perceived threats to United States interests.

In contrast, the failed CIA intervention in Cuba in the early 1960s solidified that country in its authoritarian communism and its alliance with the Soviet Union. That pattern may now have been recapitulated in Nicaragua in the early 1980s. And these countries provide a warning for the future about one way in which the United States hegemonic system in Latin America could come to an end.

III. The United States, Latin America, and the World: Four Conventional Assumptions of United States Foreign Policy

By the time of World War II, the United States experience in Latin America from the 1900s to the 1930s had already predisposed American policymakers to see international relations in terms of American leadership of a large ensemble of lesser states. The destruction and the defeats brought by that war had the effect of temporarily reducing much of the rest of the world to the level of Latin America. American policy-makers turned easily toward plans and efforts to reshape the wider world, as they had been reshaping Latin America for the previous two generations.

The 1940s were the heroic age of American foreign policy, the privileged moment of America in world history. The ideas formed in American minds and the institutions formed by American policies at that time would have a compelling power, perhaps a hypnotic quality, for years to come, long after the material conditions that had generated those ideas and institutions had themselves disappeared. Thus President Reagan, in his 1983 address to Congress on the Central American crisis, took as his guide President Truman's 1947 address

to Congress on the crisis in Greece and Turkey, in which was articulated the Truman Doctrine. And thus Senator Henry Jackson, when he sought to solve the Central American crisis in 1983, called for a new Marshall Plan for the region.

The perceptions and ideas at the time of the 1940s were crystalized into a particular way of looking at the world and at America's place within it. This world-view contained certain assumptions about the nature of the major dimensions--strategic, economic, ideological, and political--of international affairs. These four assumptions were: (1) the strategic assumption of bipolarity, which held that the world was essentially divided into two opposing alliance systems, that of the United States and that of the Soviet Union; (2) the economic assumption of American enterprise, which held that the principal motor of economic growth in the world was American investment and American markets; (3) the ideological assumption of bipolarity, which held that there were only two significant world-views in world politics, liberalism (and capitalism) versus totalitarianism (communism); and (4) the political assumption of military regimes, which held that authoritarian military governments were stable and loyal allies of the United States.⁸

These assumptions together formed a set that was coherent, consistent, and comprehensive. And from the mid-1940s to the mid-1960s, these assumptions more or less corresponded to the conditions of the real world. They are, however, dangerously unrealistic today. Yet, after the abandonment of these assumptions by United States policymakers in the mid-1970s, they have been revived, indeed exemplified, in major United States foreign and defense policies since 1979. These policies are likely to lead to major failures for the United States in the future.

With the strategic assumption of bipolarity--the East-West image--countries were either allies of the United States or allies of the Soviet Union. This assumption was especially intense with regard to Latin America, where--in "our own back yard"--it seemed obvious that "who is not with us, is against us" (as the case of Cuba seemed to prove).

With the economic assumption of American enterprise, the North-South image, countries were either developed or undeveloped, and they would be brought into development primarily by reliance upon American investment and American markets. This assumption, also, was especially intense with regard to Latin America, where American investment and markets overwhelmed other foreign investment and markets after World War II and where local state-owned enterprises seemed overwhelmingly inept and corrupt.

But of the combination of the strategic assumption of bipolarity and the economic assumption of American enterprise, there naturally grew the ideological assumption of bipolarity between capitalism and communism, the "Free World--Communist Bloc" image.

And out of the combination of strategic, economic, and ideological assumptions, there in turn naturally grew the political assumption of military regimes as allies of the United States. There was of course in the United States a general preference for stable liberaldemocratic governments in other countries, but in Latin America liberal-democratic governments seemed to be unstable, and stable governments seemed to be military regimes. This seemed to be especially true after the Cuban Revolution. So as soon as one of the central values of the first three assumptions (United States ally, American enterprise, capitalism) was threatened in a particular country, the United States government would give its support to a military regime (for example, Guatemala in 1954, Brazil in 1964, and Chile in 1973).

IV. Policy Innovation within United States-Latin American Relations: Reform within a Hegemonic System

As we have noted, the four conventional assumptions--strategic, economic, ideological, and political--of United States foreign policy were commonly held by United States policymakers from the mid-1940s to the mid-1970s, and they have been revived and exemplified in the 1980s. But from time to time chances in the global balance of power and in the world economy caused the real world to diverge from the conventional framework, or caused one assumption to diverge from another.

The more creative United States policy makers recognized this divergence, innovated new policies better suited to the new realities, and thus brought about reforms within the United States hegemonic system in Latin America, while conserving the system as a whole.

A prototypical case had occurred on the eve of World War II. When Mexico nationalized American petroleum investments in 1938, President Roosevelt recognized that the real issue was not the protection of particular American enterprises, but the protection of American national security against an expanding Nazi Germany. This required a friendly natural commonality of interests between the United States and Mexico on a new and more solid basis, which meant United States acceptance of the Mexican nationalizations. Roosevelt understood that the United States had great strategic and economic strengths, that the Mexican leadership would in turn recognize this, and that a Mexico that was politically autonomous while nestled within an American strategic and economic framework was a far surer friend than a resentful and hostile Mexico looking for a foreign protector, which at the time would have been Germany (as had nearly become the case during World War I).

There were comparable cases of reform during the Cold War. President Truman, with the Point Four program of technical assistance in 1949, recognized that the United States had economic strengths to contribute to Latin American development that went beyond those that could be provided by American business enterprise alone. And in its support of the Bolivian revolutionary government in 1952, the Truman

Administration recognized that, as in Mexico in 1938, there was unlikely to be a long-run conflict of interest between the United States and populist and nationalist regimes in Latin America.

President Kennedy, with the Alliance for Progress program in 1961, recognized that the very economic growth of Latin American had brought about new social groups and new political conflicts, and that these new groups could provide a new and more solid basis for United States national interests than traditional landlords and traditional military regimes. Later in the 1960s, Congress recognized the potential conflict between economic development and military expenditures, and it prohibited the sale of United States advanced military armaments to Latin American countries.

In some ways, the culmination of the old assumptions came in the Nixon and Ford (perhaps more accurately, the Kissinger) Administrations. Nixon and Kissinger gave unalloyed support to American enterprise and to military regimes. And they subverted the most stable, institutionalized, and enduring democratic regime in Latin America, Chile.

Yet even Nixon, Ford, and Kissinger recognized that there had been a big change in the strategic assumption of bipolarity. Thus they initiated an opening to China and a policy of detente with the Soviet Union. It is often forgotten by the neo-conservatives of the 1980s that it was the Republican administrations of the 1970s that were the most enthusiastic salesmen for Soviet-American detente. Indeed, it is apparently often forgotten by Nixon and Kissinger themselves.

V. The Conflict between the Old Assumptions and the New Realities

In fact, each of the four conventional assumptions had become more and more remote from the real world from the mid-1960s to the mid-1970s:

(1) The strategic assumption of bipolarity and tight alliances confronted the strategic reality of multipolarity and shifting coalitions. The Sino-Soviet conflict (and the earlier Yugoslav-Soviet conflict) demonstrated that communist countries could be anti-Soviet and, indeed, that one of the best ways to contain the Soviet Union was with another communist country. The defections of Indonesia, Egypt, and Somalia from the Soviet Union to the United States demonstrated that heavy Soviet influence in a country could be undone and reversed with dramatic suddenness, so long as Soviet troops were not present to protect and preserve that influence. It was only in Latin America that there seemed to be no gap between assumption and reality, where Cuba remained a loyal ally of the Soviets. On the other side of the bipolar assumption, there were the independent foreign policy of France and the defection of Ethiopia from the United States to the Soviet Union. The overall result was a multipolar balance of power composed of shifting coalitions of nations.

(2) The economic assumption of the primacy of American enterprise confronted the economic reality of a multipolarity of major industrial countries. First, European and then Japanese investment became a major presence in Latin American economies. Then, European and Japanese enterprises became formidable competitors to American enterprises in Latin American markets and in United States markets. And recently, Latin American industrial products (especially from Mexico and Brazil) have begun to compete effectively, even within the United States market. What this added up to was a truly multipolar international economy, one in which American investment and American markets played a role of "first among equals."⁹

(3) The ideological assumption of bipolarity between capitalism and communism confronted in many countries the ideological reality of a "third way. In Western Europe, this third way was a renewed and strong Social Democratic party (West Germany) or democratic Socialist party (France). In Latin America, similar social-democratic movements received popular support in those few countries where free elections were permitted (for example, Venezuela, Costa Rica).

In several other Latin American countries, the new moral power was actually the oldest moral power of all, the Roman Catholic Church. In its pilgrimage from Vatican II in 1962 through Medellin in 1968 to Puebla in 1979, the Catholic Church burst out of and transcended the old bifurcation between capitalism and communism. Guided by their "theology of liberation" and engaged in progressive political action, many Catholics condemned both capitalism and communism as partial solutions and insisted on the best of both--personal freedom and social justice (for example, Brazil, Chile, Nicaragua, El Salvador).¹⁰

(4) The last of the conventional assumptions to be challenged by the new realities was the political assumption of military regimes. But in the mid-1970s several of these regimes in Central America (in particular in Nicaragua, El Salvador, and Guatemala) were demonstrating their growing incapacity to deal effectively with social change and the resulting political conflicts. Indeed, by their very efforts to maintain old systems of economic exploitation and political repression against the force of new social conditions and new social groups, these military regimes were actually promoting instability rather than preventing it.¹¹

(5) Perhaps most fundamentally, the new economic reality--which reflected a massive change in the structure of the world economy--also spilled over into the new strategic reality, where it eroded the old structure of international politics. By the late 1960s, the United States economy was no longer able to sustain the high military spending of an earlier day (about 10 percent of GNP), including the squandering of resources in military interventions like Vietnam.

In the 1940s and the 1950s, the United States had been extraordinarily competitive in the world market. Virtually anything it produced, it could sell. In part this was the result of World War II, which had destroyed most of America's industrial competitors.

But it was also in part the result of an American monopoly in high-technology ones. The United States had a handsome surplus in its international balance of trade, and this surplus could in turn finance large-scale expenditures on United States military forces deployed overseas within America's allies (such as West Germany and Japan) and in foreign wars (such as in Korea and Vietnam). A productive and competitive economy with high employment also provided a healthy base for federal taxes and federal spending. In such a happy condition, the United States could maintain a vast system of military alliances and the potential for military intervention, and spend 10 percent of its GNP on defense.

However, the American-protected conditions of "peace and prosperity" among America's European and Japanese allies led first to the rebuilding of their old industries (textiles, steel, shipbuilding, chemicals), and then to the building of new ones (automobiles, electronics). These new or renewed industries had "the advantages of backwardness" in their production processes--that is, lower wages and higher technology than their American counterparts. This led in the 1960s to the erosion of American competitiveness in the world market, successively in textiles, steel, shipbuilding, automobiles, and finally even electronics.¹² It had been America's superiority, both quantitative and qualitative, in these industries that had been the basis for the American victory in World War II.

Had the European and Japanese allies of the United States built up their own militaries at the rate that they were building up their industries, some of the current United States defense and industrial problems would have been solved or indeed might never have arisen. But the allies did not do this. Indeed, by the 1970s there developed a rough inverse correlation between military spending as a percentage of GNP and industrial competitiveness in the world market. A continuum went from high military spending and low market competitiveness to low military spending and high market competitiveness, in a sequence composed of the United States, Britain, France, West Germany, and Japan. But the high military spending of the United States compared to its allies was not the only, or even the major, reason for declining American competitiveness. A large number of other factors were at work too, including "advantages of backwardness" such as lower wages and newer production technologies in the allies.¹³

By the 1970s, then, America's military in world politics had become America's industrial adversaries in the world market. The allies were undercutting the economic base of the United States military defense of them. And, with the consequent rise of protectionist pressures in the United States, they were also undercutting the political base of the alliances with them. The economic and political bases of United States military commitments were being hollowed-out by the relentless workings of the world market.¹⁴

By the mid-1970s newly-industrializing countries such as Brazil and Mexico in Latin America and South Korea and Taiwan in East Asia joined these industrial competitors. These countries were even better

able to exploit the advantages of backwardness and to out-compete the United States in major industrial markets. Because of such industrial advantages, the newly-industrializing countries (especially Brazil and Mexico) seemed to be excellent prospects for massive loans when the international banks were awash with petro-dollar deposits in the late 1970s. And so by the early 1980s, their rapidly increasing debt burdens made it even more essential for them to capture export markets in the world economy--and particularly in the United States--in order to generate foreign exchange earnings.

The diffusion of industrial power to major Latin American countries meant a great expansion in United States economic interests in the region. American multinational firms and international banks had a broader and deeper interest in Latin America than ever. But a consequence was also a great expansion in the threat of Latin American competition to industrial products manufactured in the United States. American industrial labor and taxpayers now have a greater hostility than ever to Latin American access to United States markets and to United States government guarantees for international bank loans to the region. As United States economic interests in Latin America have become greater, the political coalition to support those economic interests --and to support economic internationalism more generally-- has become weaker.

In the late 1970s, some United States policymakers recognized a number of these historic shifts in the structure of the international systems and attempted to compose foreign policies based on the new realities. This was particularly the case with regard to policies toward Latin America.

Like Roosevelt with Mexico, the Carter Administration recognized in the Panama Canal issue the value of a satisfied Panama still nestled within a wider American strategic and economic framework, and thus it brought about the new Panama Canal treaties of 1978. Like Truman with the Bolivian revolution, the Carter Administration also recognized that the Nicaraguan revolution did not need to become a long-term threat to the United States, and it reached an accommodation with the Sandinistas in 1979. Like Kennedy with the Alliance for Progress, the Carter Administration recognized the inherent instability--the "pyrrhic victory"--of military regimes from the viewpoint and the values of the United States, and it suspended military and economic aid to the most brutal cases of Latin American torture-states. And as an integrating principle for the new foreign policy, United States policymakers articulated the standards of human rights. With the policy of human rights, the United States could reach out to the growing professional middle classes in Latin America, a class which was so often the victim of the torture and the terror of military regimes, as in Argentina, Chile and Uruguay.

These policies together added up to what was the most extensive reform ever of the United States hegemonic system in Latin America. Indeed, it could be argued that, with the conjunction of the new Latin American realities and new United States policies, the United States

system of hegemony had reached its end and had been transformed into a new inter-American system whose central tendency was coequality.

But as had often happened in earlier times, the macrocosm of global events, filtered through American Congressional and electoral politics, overwhelmed the microcosm of Latin American policy. The establishment of formal diplomatic relations with China in 1978 and the conclusion of the strategic arms limitation negotiations (SALT II) with the Soviet Union in 1979 were both salutary recognitions of the new strategic realities. But they expended virtually all of the political capital in Congress for dealing with communist states, probably made it impossible to undertake an opening to Cuba, and indeed probably contributed to the reckless rhetoric in September 1979 about the dangers of a Soviet brigade in Cuba. More fatal events were the revolution against the Shah of Iran and the taking of the United States embassy hostages; the Soviet invasion of Afghanistan; and the related shocks to an already troubled American economy. Together these developments provided the opportunity for the 1980 electoral successes of conventional conservatives, and these electoral victories in turn brought in their train the restoration of all the old foreign policy assumptions in their purest form.

Yet most of these events should have confirmed the unreality of the old assumptions. In particular, the revolution against the Shah illustrated the poverty of the political assumption of the stability of military regimes, and the taking of the embassy hostages underlined the disasters that ensue when the United States becomes identified with a torture-state.

VI. Alternative Assumptions for United States Foreign Policy: a New Realism in United States-Latin American Relations

A different set of assumptions would comport better with the new real world. We suggest that the new strategic, economic, ideological, and political assumptions might resemble the following:

(1) A strategic assumption of multipolarity, in which the United States will continue to contain the military expansion of the Soviet Union, but it would do so as the "majority leader" of shifting coalitions of nations. Most of these nations will be the familiar allies of the United States. But some might be Marxist or even communist ones, when they are willing to be cooperative in their relations with the United States (following, for example, the models of Yugoslavia, China and Rumania).

The history of the past twenty years shows that when Soviet influence in a country is based on military aid, economic aid, ideological affinity, political clients, or even on all of these combined, it is still reversible and indeed has often been reversed (China, Indonesia, Egypt, Somalia). It is only when Soviet influence is based on military protection against the United States (Cuba, Vietnam) that it becomes irreversible. Thus the United States should seek to

continue to contain the military expansion of the Soviet Union. This includes deterring the placement of Soviet military bases in other countries. But in carrying out this venerable policy of containment of Soviet military expansion, the United States could at times find Marxist--even communist--countries to be very effective allies, allies a good deal more effective and less costly than unstable "conservative" military regimes which in fact are capable of conserving nothing at all.

In Latin America, however, several generations of Marxists have come to see the United States as their central and consistent opponent. Conversely, for them the Soviet Union is far away and hardly seems to pose a threat. Thus in this region it is too much to expect Marxist movements which might come to power to be allies of the United States. However, they would be an enduring threat to United States strategic interests only if their fears of United States intervention brought them to accept Soviet military bases and drove them into a long-term alliance with the Soviet Union.

(2) An economic assumption of multipolarity, in which the United States will continue extensive trade and investment ties with Latin America, but it would do so as "first among equals" in a system of many industrial and newly-industrializing countries.

The multipolar industrial system can contribute enormously to the principle United States interest in the containment of the Soviet Union. The old assumption of American enterprise inevitably meant that there would be from time-to-time economic conflicts between a Latin American government and American corporations, conflicts which would quickly escalate (for example, through the Hickenlooper Amendment) into conflicts between that government and the United States government. These conflicts would then drive the Latin American Government to seek the protection of what was until recently the only other power around, the Soviet Union, as with Guatemala in 1953-1954 and with Cuba in 1959-1960. However, in the new multipolar industrial system such conflicts between Latin American governments and American corporations will arise less often, or at least will be buffeted by similar conflicts with European or Japanese (or even Brazilian) corporations. And in the cases where the conflict escalates into one with the United States government, the Latin American government in question will find it in its interest to seek aid not from the Soviet Union but from some other Western industrial nation, as Nicaragua did from France. For example, a possible revolutionary regime in El Salvador or Guatemala could turn for assistance to France, West Germany, Spain, or perhaps even Mexico.

(3) An ideological assumption of multipolarity, in which the United States follows the leads of contemporary social democracy and contemporary Catholicism, as moral forces between capitalism and communism, in Latin America.

In most Latin American countries, Catholicism is now the more relevant of the two. Contemporary Catholicism is that world-view

which has the greatest likelihood of meeting the material and moral needs of large numbers of Latin Americans, while not being opposed to the basic interests of the United States. Capitalism and communism each offer partial, divisive, and therefore unstable solutions to the problems of Latin American societies because each exalts some classes to the destitution or the destruction of others. Catholicism can speak to people in each and every class and aspires to call the social parts into a social whole.

Contemporary progressive Catholicism asserts the primacy of labor over capital for example, John Paul II's 1981 encyclical On Human Work, and this will result in a variety of conflicts between Catholic-inspired governments and American corporations. But this Catholicism, like that of earlier generations, will never become an ally of the Soviet Union.

(4) A political assumption that, in general and in the future, the best allies of the United States in Latin America will be centrist-party regimes (in the more industrial countries) or national-populist regimes (in the less industrial countries), rather than conservative military ones.

At first glance the military governments in the Southern Cone of South America, which political scientists refer to as "bureaucratic-authoritarian" regimes, might seem to have been very stable indeed--Brazil since 1964, Chile and Uruguay since 1973, and Argentina since 1976. In fact, however, many factors are coming together to present a rather different picture for the future. For example, the current military regimes in these countries face economic crises as deep as those which helped bring about the military coups which overturned the pre-authoritarian regimes. The stagflation of the advanced industrial world in the 1970s has become the deep economic recession--indeed, the depression--of the early 1980s. And the impact of this depression in the advanced industrial countries is amplified in the newly-industrializing or underdeveloped ones.

In the Great Depression of the 1930s, most of the regimes in Latin America were thrown out of power, and the successor regimes often adopted radically different policies. There is every reason to think that the unfolding world economic crisis, brought about in part by the current economic policies of the United States, will bring down at least half of the military regimes in Latin America sometime in the next few years. And if they are still identified with the United States (and the United States with them) their successors will, at least for a time, be deeply anti-American.

It would be far wiser for the United States to work for the establishment of centrist-party regimes in the more industrialized countries of Latin America, where the social conditions for such governments probably exist (Argentina, Chile, Uruguay, and Brazil) And it would be wiser to work for the establishment of populist regimes in the less developed countries (much of Central America). These centrist-party or populist regimes, by supporting a more

equitable distribution of political power and economic goods, would be more capable of enduring stability than the present repressive and repressive military regimes.

One model for Latin America in the 1980s might well be Latin Europe in the 1970s, in particular Spain and Portugal. Here authoritarian regimes were followed by center-right democratic governments (in Spain directly, in Portugal after a few years). But the Franco and Salazar-Caetano regimes in their last decade or so were no longer torture and terror systems. It is rare for an authoritarian regime to give up power peaceably, as happened in Spain and to a degree in Portugal. But it is especially difficult for a torture-system to give up power without great violence and chaos, because the members of the regime know that they will be the first targets of revenge. Political transitions are inevitable, but torture-systems make a smooth transition almost impossible. At a minimum the United States would be wise to once again pressure the military regimes of Latin America to eliminate torture and terror, to move from being like Franco in 1950 to being like Franco in 1970.

Together, these four new assumptions--strategic, economic, ideological, and political--recognize that today and in the years to come the United States will not be the only source of strength in support of basic United States national interests. For now, there are many such sources: other capable states interested in containing Soviet military expansion, other industrial economies interested in participating in Latin American economic development, other moral forces interested in opposing totalitarianism, and, as a result of these, other potential political leaderships in Latin America capable of cooperation with the United States. The ultimate meaning and the real legacy of the four old assumptions has been to bring into being a new world which can do on its own what only the United States could do before.

VII. United States-Latin American Relations in the 1980s

What will be the actual course of United States-Latin American relations in the 1980s? A review of hegemonies in other times and other places suggests a number of different possible paths, rather than a simple and inevitable recapitulation of the past history of United States hegemony in the region. These different paths might be termed reassertion, dissolution, devolution, and transformation.

(1) Hegemonic reassertion. The first path could be the reassertion of United States hegemony, including in particular a systematic and sustained effort with United States military advisors and perhaps combat troops to contain and suppress revolutionary movements in El Salvador, Guatemala, and perhaps elsewhere. Here the closest comparison would be with the Soviet Union in Eastern Europe. The likely costs and consequences of this path for both North Americans and Latin Americans are well-known and would be severe.

(2) Hegemonic dissolution. A second path could be a dissolution of United States hegemony, a disengagement of United States power from local political conflicts, perhaps undertaken by a Republican Administration whose credentials and reputation would otherwise be impeccably conservative. This path would be comparable to de Gaulle's withdrawal from Algeria in 1962. It also would have some similarities to Eisenhower's withdrawal of support from the French in Tonkin in 1954 and from Batista in Cuba in 1958, and with Nixon's withdrawal from Indochina in 1973. Here, unfortunately, the actual events that followed these earlier United States disengagements do not inspire confidence in the solution of dissolution.

(3) Hegemonic devolution. A third path could be a devolution of United States hegemony to other countries in the region capable of their own miniature hegemonies. In the war-torn area of Central America this might mean Mexico and Venezuela, now grown into substantial if problem-ridden economic powers. This path would be comparable to the devolution of British hegemony (and of American influence) in the Persian Gulf to Iran and Saudi Arabia in the early 1970s. The fate of these particular "twin pillars" (as they were called by Henry Kissinger) or "regional influentials" (as they were called by Zbigniew Brzezinski) does not in itself inspire confidence in the solution of devolution. Nor does the current troubled condition of Mexico and Venezuela.

(4) Hegemonic transformation. The path that would best conform to the new United States foreign policy assumptions which we have suggested would blend both the second and third paths and go beyond them. It would, like devolution, recognize the strengths of other countries in the Americas in helping to bring about an inter-American order with both mutual security and social justice. It would also recognize that what on occasion appears like a case of dissolution need not in fact be a case of defeat; rather, it can be merely a moment at the extreme end of a swing, a station on the way to a return to an equilibrium, one now shaped and ordered by many nations which are both industrial democracies and strategic allies of the United States. In particular, it would remove two of the features of hegemony--ideological commonality and foreign intervention--while retaining the essence of the two others, prohibition of a Soviet military presence and continuation of extensive economic ties. A prototype would be United States relations with Mexico itself since the 1930s.

The actual path which the United States takes in Latin America in the 1980s will primarily be a function of the political and economic logics within the hegemonic power itself. It will be the product of conflicts and coalitions between major economic interests, bureaucratic organizations, and social groups in American society. We will discuss two major coalitions, one now in favor of a reassertion of United States hegemony and another one potentially in favor of a diminishment or transformation of United States hegemony.

(5) The Hegemonic Coalition. The cluster or coalition of interests and organizations in support of a reassertion of United States

hegemony--in particular, intervention in Central America--is composed of three major elements. These are (1) industries which have direct investments in Central America, a rather small group; (2) industries which are no longer competitive in the wider world market, a very large group indeed; and (3) a mass base which holds conventional definitions of patriotism and anti-communism.

Industries which have direct investments in Central America have an obvious interest in preventing revolutionary regimes in the region. Revolutionary regimes, even if they are non-communist ones, give rise to instability and unpredictability, especially with regard to the work and the wages of the labor force in these industries' plants and plantations. By themselves, these firms would not be a significant political force. But they can be joined by the more numerous and more substantial firms with large direct investments in South America and Mexico, which may come to fear a domino effect from revolutions in Central America.

The more interesting group is composed of industries which are no longer competitive in the world market. These have an interest in somehow creating de facto preferences for their goods in Latin American markets over the goods of European, Japanese, or even Brazilian and Mexican competitors, a sort of "imperial preference" system. In the British colonial system, colonial administrators gave de facto preference to British goods by utilizing a network of government purchases and regulations, even though until 1932 the empire de jure was supposed to be governed by free trade, with an absence of trade barriers. Similarly, in the United States hegemonic system in Latin America, an authoritarian military regime with long-established ties with United States government agencies and with the local American Chamber of Commerce is far more likely to give preference to American goods than would a populist or revolutionary government. The interest of American industries in a system of de facto preferences will almost certainly grow in the next few years, as these industries face more intense competition in a stagnant or depressed world market.

The Southern states of the United States assume a special place in the hegemonic coalition. The South is obviously that region most proximate to Latin America, and for that reason alone it would be most sensitive to events within it. In addition, some of the uncompetitive industries which we have mentioned--most notably the textile industry--are located in the southeastern states. The South, too, was long the region which was most labor intensive in both its agricultural and its industrial production, which has been most hostile to labor organizations, and which has been most hostile to ideas which sound like Marxism (or, for that matter, Catholicism).

It is natural, then, that in Congress the major opponents of the Panama Canal treaties in 1978, the principal backers of Somoza to the end in 1979, and the prime supporters of increased United States military intervention in El Salvador in 1980-83 have been southern senators and congressmen. When President Carter undertook his 1980 campaign for re-election, he had to take this massive political reality into

into account. This largely explains his shift toward more anti-Marxist policies in 1980 and his inability to allow El Salvador to go the way of Nicaragua. Any presidential candidate in the 1980s, Democratic or Republican, will also face this same reality. The "new South" is a two-Party South, and it is now the largest swingbloc in the nation. As such, presidential candidates in the 1980s will be under heavy and continuous pressure to be anti-communist in general and anti-communist in Central America and the Caribbean in particular.

(6) The potential for a non-intervention coalition. At present, there is no cluster or coalition of interests and organization which both is in opposition to the various modes of intervention--military, advisory, and proxy--and is comparable in strength and persistence to the hegemonic coalition. However, it is possible to perceive some potential members whose wider interests may lead them into opposing United States intervention in Latin-American countries and, thus in effect, into supporting some form of hegemonic dissolution or devolution.

One economic group worth considering is the major international banks. Banks, of course, do not look forward to populist or revolutionary regimes in Latin America. However, the nature of the banks' interests (for example, loans or indirect investments more than direct investments) make them less exposed to nationalization than the multinational firms in the hegemonic coalition. International banks are also sensitive to sharp increases in the inflation rate of the dollar and to United States budget deficits, and they would prefer not to have additional sharp increases in United States military spending produced by a new military intervention. Finally, and most important, international banks are sensitive to the positions and reactions of the governments of the West European nations and of the largest of the newly-industrializing nations, such as Mexico and Brazil. Systematic and sustained opposition to United States intervention in Central America by nations such as West Germany, France and Mexico could well be translated into a degree of opposition by the international banks.

Mexico's reaction could also be an especially important consideration to the great United States multinational corporations with direct investments in that country. These firms will not want to see their investments become the target of repeated anti-United States demonstrations protesting Yankee intervention, "in their own backyard" so to speak.

It is interesting to note that the relatively accepting or passive attitudes of major United States businessmen at the time of the Cuban and Nicaraguan Revolutions played a significant role in the success of the revolutionary movements. In both Cuba by 1958 and Nicaragua by 1978, the major portion of the local business class had withdrawn its support from the dictatorial regime. This made it reasonable for United States businessmen and United States officials to withdraw their support too. And, in related fashion, in both Cuba and Nicaragua the revolutionary leadership seemed at the time

more populist than communist. In each case, this conjunction of populist movement with local business support temporarily gave rise to hopes among United States policymakers for a viable third way between a personalistic dictatorship, which no longer fit a new social structure, and a revolutionary communist regime--which might fit it so well that it could do without American investments and United States influence. This is one major reason why the United States did not undertake intervention to prevent the coming to power of the revolutionary movements.

But in Cuba, in the end, the political conflict over United States direct investment followed its logic and destroyed the option of the regime being merely a populist one. Moreover, the very fate of the Cuban Revolution tended to inoculate the business class in other Latin American countries against such populist adventures in later years. The fate of the Nicaraguan Revolution may do the same. It seems to have helped to do so in El Salvador and Guatemala. If so, the particular path which leads away from hegemonic intervention directly to hegemonic dissolution is likely to remain unattractive to United States businessmen for some time to come.

However, the path of hegemonic devolution could be an attractive alternative for some United States businessmen, especially the international banks and multinational firms discussed above. Given their strong presence and, on occasion, influence in Mexico, Venezuela, and Brazil, they could find the shift from United States government intervention to more active involvement by the Mexican, Venezuelan, or Brazilian governments to be a feasible and manageable change, and one in which they could continue to preserve their interests.

The Roman Catholic Church in the United States could constitute another major member of this coalition by providing a mass base for non-intervention. The recent statements and activities by the United States National Conference of Catholic Bishops concerning El Salvador are a prefiguration of what could be. In addition, since 1981 the opposition in Congress to United States military aid to military regimes in Central America has come primarily from senators and congressmen from northeastern states with large Catholic populations (especially Massachusetts, Connecticut, Pennsylvania, and Maryland). Because it is part of an international institution--one even more universal than international banks and multinational firms--the Catholic Church in the United States has its own contacts in countries such as Mexico, Venezuela, and Brazil. American Catholics thus could also find the path of hegemonic devolution to be especially attractive.

VIII. Hegemonic Transformation and Industrial Transformation

In the longer run, the transformation of United States hegemony into a more advanced inter-American relationship will probably have to rest upon the transformation of the American economy into a more advanced industrial structure. This would provide the basis for a more prosperous and less threatened United States economy, which would

be both more open to Latin American industrial imports and more capable of sustained lending to Latin American countries. It would provide the basis for a more effective and more confident--and therefore less frantic--containment of Soviet military expansion. And it would provide the basis for a more generous spirit in American politics and a more sustained support of human rights.

It is not inevitable that a once-leading industrial power must lose its competitive edge in the world market to new industrial powers--which have the advantages of newer plants and newer production methods--and sink into industrial decline. This did happen to Britain in the late nineteenth century in relation to Germany and the United States, and then in the 1950s to 1970s in relation to virtually all of Western Europe.¹⁵

However, another industrial path is possible, one which was followed by Germany and by the United States itself in earlier times. In the late nineteenth century, Germany and the United States did not merely catch up with and overcome Britain in the production of the leading British industries of steel, railroad equipment, and shipbuilding. They went even further and developed entire new industrial sectors, such as the chemical and electrical industries at the end of the nineteenth century and the automobile and aviation industries in the early twentieth century. In these new industries, Germany and the United States have remained consistently ahead of Britain down to the present day.

More than any other country, the United States has had a long history of successive and successful industrial transformations, of moving out of old industries and into new ones (as Japan has been doing in the last decade). New industrial sectors would provide a renewed industrial base and a renewed competitive lead in the world market. This renewed competitive lead would reduce the pressures in the United States for protective tariff barriers against less-advanced industrial and industrializing countries--especially Mexico and Brazil, but also Latin America more generally. For example, it is much more likely that the duty-free trade provisions of the recent Caribbean Basin Initiative would have been accepted by the Congress in such an environment.

The new industrial sectors in the United States economy would probably include semiconductors, computers, telecommunications, and robotics in the 1980s, and biotechnology, lasers, and "space industrialization" in later years.¹⁶ Although the United States will face stiff competition in some of these sectors from Japan, the United States has considerable comparative advantages in them. These competitive assets include: the massive United States defense budget, which can provide a base for research, development, and initial orders for large-scale production; the largest complex of scientific research institutions in the world; and the largest and most flexible capital market in the world, which can channel investment to the new industries.

There could also be new high-technology niches in older industries, such as steel industry "mini-mills" which have higher productivity than large integrated steel mills, numerically-controlled machine tools, special chemicals, and certain advanced automobile components. These niches could provide a place for many workers in older industries who are now in danger of displacement and unemployment.

Conversely, the United States could then readily absorb imports of industrial products from Mexico, Brazil, and other Latin American countries, such as basic steel and many major automobile components. New industrial sectors and a renewed competitive lead in the world market could also provide the economic and political bases for renewed lending by the United States to Latin America.

Much of this industrial transformation could come about through the normal operation of the market by itself. But it could either be facilitated or impeded by United States government policies. What political coalitions are likely to cluster around the policy issues of industrial transformation?

The economic interests most in favor of policies favoring industrial transformation are, of course, firms and labor forces in the new industries themselves. But, by definition, these are new and therefore relatively small compared with those in the older industries.

Government policies facilitating industrial transformation would not be attractive initially to some other groups, some of which are those we have mentioned earlier as members of a non-intervention coalition. In general, international banks and multinational firms are wary of the idea of industrial policy, of government policies directed at selective industries. They fear that such policies will increase the intrusion of the United States government into their freedom of operation in the market. And, in general, the Catholic Church will be wary of government policies which facilitate the decline of older industries and the rise of unemployment. There is a considerable overlap between blue-collar labor and Catholic laity. Thus some of the major groups which might join a coalition opposing United States intervention in Latin American political conflicts are the same as those which might join a coalition opposing the industrial transformation of United States-Latin American economic relations.

It will not be easy to resolve these potential contradictions, but it is possible for creative political leadership to do so. The international banks and multinational firms could come to understand that United States government policies designed to facilitate industrial transformation would also facilitate the continued openness of the United States market to Latin American exports and the continued repayment of Latin American debts. And American Catholics could come to understand that such policies would also facilitate mutual self-confidence and interdependence between two great pillars of the Catholic world, North America and Latin America. These broadened understandings could be facilitated by political leadership that itself understands and articulates how the disparate parts within

the United States and Latin America fit into the whole of Inter-American relations.

It is at this point, therefore, that a renewed American foreign policy is seen to draw its strength from a new national industrial policy, which in turn will draw its strength from a new domestic politics in the United States. Fifty years ago, in the depths of the last great world economic depression, the United States under the leadership of Franklin Roosevelt innovated both a Good Neighbor policy for Latin America and a New Deal for the United States. So, too, in our own time of troubles, the surest reform of United States policy in Latin America will probably begin with reform at home.

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