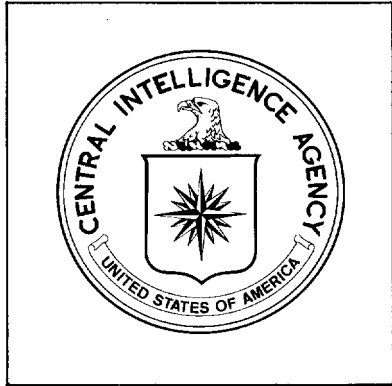


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# STAFF NOTES:

## Latin American Trends

State Department review completed

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**LATIN AMERICAN TRENDS**



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Chile: Outcast At The UN

Stories circulating in UN circles suggest that an all-out campaign is being promoted to expel Chile from the coming General Assembly meeting. Although the extent of anti-Chile sentiment is difficult to gauge, there is little doubt that the image of the Pinochet government has dropped to an all-time low.

Among the reasons cited by Chilean UN delegates for this negative attitude are:

- ...President Pinochet's refusal to allow a scheduled visit by a UN human rights investigating group.
- ...The Chilean government's welcome to a South African Davis Cup team.
- ...Pinochet's recent statements barring elections.
- ...Handouts circulated among African and Asian UN missions by the Cubans reproducing extremist and racist articles on the UN appearing in the Santiago press.
- ...Reports circulating at the UN on possible action by the Chilean junta to outlaw the Christian Democratic Party.

The chairman of the UN human rights investigating commission is extremely bitter over Pinochet's abrupt decision to turn back the group earlier this month after it had traveled as far as Lima. His resentment toward the Pinochet government was summed up in his statement to the US delegation at the New York headquarters: "People just don't behave like that." The commission's report, which is due by the end of August, will probably

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portray the junta in an unfavorable light, and it is certain to arouse further animosity within the UN toward the Chilean regime.

To counter this adverse trend, the Chilean government is sending good-will delegations to Africa and the Middle East. The prospects of rallying substantial support appear dim, however. If pressures against Chile continue to be exerted on the international level, Pinochet's right-wing advisers may call on him to have the country withdraw from the United Nations altogether.

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Venezuela: New AD Secretary-General

Former Interior Minister Luis Pinerua Ordaz took a long step toward obtaining the governing Accion Democratica (AD) party's 1978 presidential nomination with the party's recent selection of him as secretary-general. In contrast to the Social Christian Party (COPEI), the principal opposition party, AD now appears strengthened and unified for the presidential election.

Following his selection by AD's 20th national convention, Pinerua moved to unite the party by calling on the convention to name his major opponent, Carlos Canache Mata, to be executive political secretary of the national executive committee--the party's top policy-making body. In an address to the convention, President Carlos Andres Perez called for party unity against the opposition. By the end of the convention, the party consensus appeared to be general satisfaction with its present direction.

Pinerua's victory makes him the clear front-runner for the presidential nomination, although he will face some opposition within the party. As secretary-general and with a cooperative new executive committee, he will be in virtual control of the party machinery. Should division within COPEI persist, he would likely also have little difficulty keeping the presidency in AD's hands.

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Venezuela: Colombian Demarche for Gulf Condominium

Venezuela has shown cautious official interest in a recent proposal by Colombian President Lopez Michelsen to close the Gulf of Venezuela to foreign vessels. The two countries' dispute over marine and submarine sovereignty in the gulf is unlikely to be readily resolved, however.

In a speech to the Colombian senate, Lopez proposed that Colombia and Venezuela form a condominium over the gulf and jointly exploit its resources. He also proposed that the gulf be declared a historic bay and be closed to all ships except those of the two countries.

The Venezuelan Government has shown some interest in the proposal for closing the gulf to foreign vessels, although major political leaders have rejected the proposal of a condominium and have urged the government to reject it also. The government has reacted to the generally negative press and public response by assuring that any agreement would be made in the open and that negotiations on the proposal would be separated from those on delimitation of sovereignty in the gulf.

The dispute over the gulf has been a significant bilateral problem since it became a source of oil. Both countries have complex historical and legal claims at least to partial sovereignty, and it is unlikely that either would agree to a joint condominium without first defining national boundaries. Colombia has the most to gain from any compromise and would look favorably on almost any agreement. Venezuela must be more cautious, as an agreement would almost surely be criticized by the opposition or, more important, by the military, as a sell-out.

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Although the Venezuelan Foreign Ministry has cautiously encouraged the condominium idea, it has made plain that any agreement to delimit the disputed area must be concluded separately. Nevertheless, Colombia's proposal to close the gulf and Venezuela's responsiveness to the idea is a new development that has changed the character and possibly the future of the dispute.

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Panama: Treaty Stand Gets Approval

The government is continuing to garner endorsements of its canal treaty negotiations posture. Following up on the session with student leaders on July 9, government spokesmen met with the members of the National Assembly on July 18. After listening to explanations of the government's objectives and strategy by several officials involved in the negotiations, the Assembly passed a resolution giving General Torrijos an expression of confidence and wide latitude to explore several options intended to further Panama's cause.

These options include: establishing diplomatic relations with all nations, specifically the USSR and China; joining the nonaligned movement at its meeting next month in Lima; inscribing the canal issue on the agenda of the UN General Assembly this fall; working to secure commitments of support from all legislatures in the hemisphere; exploring the possibility of convening a conference of Latin American army chiefs to consider the "colonialist" situation in Panama.

The statements by the officials, as well as the Assembly resolution, reconfirmed the government's intention to follow the path of negotiations. At the same time, however, the declarations were obviously intended to assure the public that Torrijos is zealously protecting Panama's basic interests and that he will not surrender these to get a treaty.

The officials emphasized that Panama's fundamental interests in a treaty lay in the areas of duration, jurisdiction, and the amount of land and water that Panama would obtain at the outset of a new treaty. They insisted that Panama must secure total control of the canal before the end of the century, and that jurisdiction has to be transferred to Panama within three years of the

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signing of a treaty. One member of the negotiating team said that Panama will have to compromise by permitting three US military bases to remain during the time a new treaty remains in force. He said that the main objective should be to reduce the present US military presence, and that the slogan "Bases, No" being used as a rallying cry by some student groups is not realistic. Panamanian officials who deal with the technical aspects of the canal issue maintained that the US requires only 4 percent of the area of the present Canal Zone to operate and defend the canal. The officials claimed that Torrijos had ordered them not to deal with compensation until the other, higher priority issues, had been resolved.

The declaration by the Assembly, which is securely under Torrijos' thumb, provides him with a highly visible show of support. Torrijos will use it to cover his political flanks; the declaration significantly noted the government's "obligations" to explore "peaceful" options, reaffirmed faith in Torrijos' negotiating policy, and called on local organizations to undertake any directed activities. The Panamanian leader has no intention of being forced into precipitate confrontation tactics and will point to the Assembly's statement in warding off any minority group clamoring for tactics which could lead to uncontrolled violence.

Now that positions attributed to Panama and the US have been put on the public record, it will be hard for the Panamanians to compromise. At the same time, the Panamanian negotiators, by stressing the complexity of the negotiations and the continuing wide differences on certain basic issues, appeared to be signaling to the public that a new treaty is not likely to be achieved soon.

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Ecuador: Coping With Civilians

The military government of President Rodriguez has tempered its stand against the civilian opposition, although Minister of Government Guillermo Duran continues to take a hard line.

Apparently recognizing that the harshness of its reaction to criticism was unnecessarily reminiscent of its early months in power in 1972, the government has abruptly ended its attack on two important critics. Columnist and former foreign minister Julio Prado emerged from hiding last week, when an order for his arrest was rescinded. Prado's column in the liberal Quito daily El Tiempo has criticized both government actions and personnel, and he has continued to write from underground since becoming a fugitive in April.

Conservative Party national director Julio Cesar Trujillo returned to Quito, also last week, from an army base in the eastern jungle to which he had been exiled in May. He insisted that his release did not suggest that his opposition activities would diminish in any way. This promise of continued opposition was made all the more believable by its timing--following by one day similar statements by leaders of the Radical Liberal Party and the Christian Democratic Party.

Despite these apparent changes in the government's attitude toward the opposition, Minister of Government Duran used the occasion of a press conference on July 16 to rail against "traitorous conspiring" against the military government on the part of civilians. Well known for his short temper and lack of tact, Duran warned the opposition not to interfere with the revolutionary government's "principles of authentic democracy." Predictably, Duran's statements outraged leaders of the major political parties and all major newspapers, including the conservative El Comercio of Quito.

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The government may be trying to keep the opposition off balance by offering the olive branch and the billy club simultaneously. More likely it is making a genuine effort to accommodate reasoned criticism, but is having some difficulty guiding Duran down the path of compromise. In any event, growing numbers of government leaders are realizing their need for responsible civilians--to share both in the government and in the blame for the economic problems that are increasingly befalling the country.

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Trinidad-Tobago: What Makes Eric Travel?

Prime Minister Eric Williams' third major foreign trip in the last nine months reflects his continuing aspiration to play a significant role on the international stage. During June and July he visited Cuba, the US, the Soviet Union, Romania, The Netherlands, and Austria. His previous two ventures took him to the Far East. Williams can now reflect on his meetings with such diverse personages as President Ford, Secretary Kissinger, Mao Tse-tung, Fidel Castro, Aleksey Kosygin, Kurt Waldheim, and Nicolae Ceausescu.

Besides enhancing his own personal stature, Williams' most recent trip was motivated by his dual desires to influence Caribbean Law of the Sea policy and obtain development aid in order to diversify and expand Trinidad's petroleum-dominated economy.

While in Cuba and the US, Williams attempted to sell his idea of a special Law of the Sea arrangement for the Caribbean that would afford equal rights and access to all Caribbean states. He believes that the alternative of a 200-mile exclusive economic zone would primarily benefit mainland nations such as Venezuela to the detriment of the smaller island states.

Williams' Law of the Sea policy coincides with his long-held goal of an integrated Caribbean region with the island states serving as the inner core, thereby allowing Trinidad with its relatively strong economic position to play a dominant role. In recent months Williams has viewed Venezuela's use of its oil revenues in the Caribbean as a threat to his objectives. He has gone so far as to accuse Venezuela of "neocolonialism."

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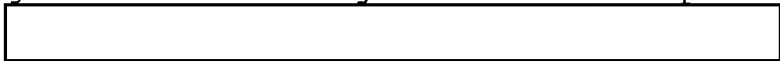
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Undaunted, Williams reemphasized his proposal to Secretary Kissinger and UN Secretary General Waldheim. He believes that the US is a potential supporter of his position because of its interests in Puerto Rico and the Virgin Islands and its desire for the free transit of international waters.

During his travels to the Soviet Union and Europe, Williams turned his attention to shoring up his own domestic economy. Although Trinidad's oil exports have provided substantial economic growth during the past year, the prime minister wants to diversify export markets and obtain new sources of development aid. Historically, the US has been Trinidad's major trading partner and source of technology. While Williams does not find this distasteful, he sees long-term benefits in diversification.

His European travels appear to have reaped some initial modest successes. In the Soviet Union he laid the groundwork for expanding trade and signed a number of technical agreements. The Romanians have promised to establish a tractor assembly plant in Trinidad and, as a result of his trip to The Netherlands, Williams hopes to obtain a reduction-process steel plant from a Dutch-German combine.

Williams' previous ventures to the Far East also appear to be paying tangible dividends. Trinidad officials recently signed agreements to sell substantial quantities of cocoa, coffee, and sugar to China, and possible trade agreements are being studied with Japan and Hong Kong.



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Mexico: Border Industries in Trouble

After achieving an impressive growth record in its first decade, Mexico's border industry program has been hit by sharply increased labor costs and the US recession.

Border industry firms, mostly US subsidiaries, produce various articles from US components--selling them mainly to the United States, where they are subject to duties on only the value added. A sharp downturn in export sales and the closure of numerous plants this year have set back border industry operations and are raising questions about the program's future. Exports to the United States (net of US-made components) were only \$125 million in the first four months of 1975; they are unlikely to exceed much more than \$300 million for the whole year, compared with \$464 million in 1974. Between October 1974 and April 1975, 32 plants, including two of the largest, ceased operations, and 60 plants markedly reduced their work force. As a result, border industry employment declined from 70,000 to 45,000 and probably will slip to less than 40,000 by the end of the year.

While the firms are being hurt by the US recession, the most serious developments are rapidly rising wages and other operating costs. Mexico boosted average wage rates 22 percent in October 1974; wages are now 86 percent above the January 1973 level. At an average of about \$1.20 per hour including fringe benefits, Mexican wages are now two to five times rates in other Latin American and Southeast Asian countries where US subsidiaries operate under the same tariff provisions. Several firms shifted operations to Haiti, El Salvador, and other low-wage Latin American countries, which recently have intensified efforts to attract this kind of plant.

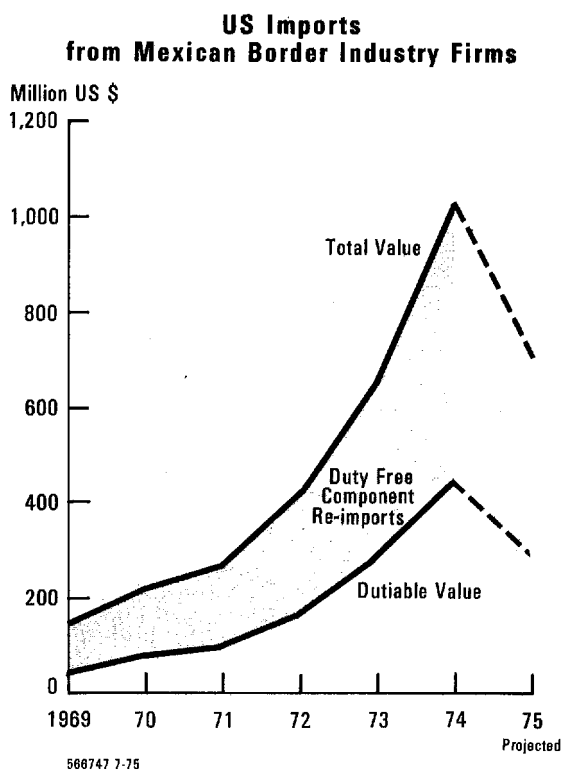
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Mexico City, which strongly backs the border industry program, has taken steps to improve the profitability of the participating firms. It simplified regulations in June and may give firms more leeway in selling their products within Mexico. Requests that border firms be eligible for tax rebates on exports have been rejected for fear of US countervailing duties. Unless the government restricts growth of wages and further simplifies its costly regulations, border industry recovery will be slow.

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