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Arm sales to Latin America

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THESIS

ARM SALES TO LATIN AMERICA

by

Edward D. Sundberg

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13. ABSTRACT (maximum 200 words)

Latin America is experiencing unprecedented peace and stability because democracy has replaced the authoritarian regimes of the past. The Clinton Administration decided in 1997 to lift the arm sales ban to Latin America after a twenty-year moratorium. This recent change in U.S. arm sales policy has renewed a growing concern, among critics, that an influx of U.S. weapons to the region will lead to an arms race. This thesis argues that an arms race is not occurring in Latin America today. Three possible explanations will be explored to explain the presence or absence of arms races in Latin America, they are: democratic peace and complex interdependence, economic determinants of defense expenditures, and U.S. arms sales policy. Two traditional rival dyads of Brazil/Argentina and Peru/Ecuador will be applied to theoretical bases for international arms races as well as U.S. foreign policy to provide explanatory support. The major conclusion of this thesis is that U.S. foreign policy neither supports nor prevents arms races and economic determinants of defense expenditures offer mix results at best. The best possible explanation to why an arms race is not occurring in Latin America today is the presence of democratic peace and complex interdependence.

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ARM SALES TO LATIN AMERICA

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Latin America is experiencing unprecedented peace and stability because democracy has replaced the authoritarian regimes of the past. The Clinton Administration decided in 1997 to lift the arm sales ban to Latin America after a twenty-year moratorium. This recent change in U.S. arm sales policy has renewed a growing concern, among critics, that an influx of U.S. weapons to the region will lead to an arms race. This thesis argues that an arms race is not occurring in Latin America today. Three possible explanations will be explored to explain the presence or absence of arms races in Latin America, they are: democratic peace and complex interdependence, economic determinants of defense expenditures, and U.S. arms sales policy. Two traditional rival dyads of Brazil/Argentina and Peru/Ecuador will be applied to theoretical bases for international arms races as well as U.S. foreign policy to provide explanatory support. The major conclusion of this thesis is that U.S. foreign policy neither supports nor prevents arms races and economic determinants of defense expenditures offer mix results at best. The best possible explanation to why an arms race is not occurring in Latin America today is the presence of democratic peace and complex interdependence.

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I. INTRODUCTION

Since the end of the Second World War, the United States has been a major world supplier of conventional weaponry. The tremendous surplus of military technology after the war enabled the United States to sell advanced military hardware to countries that were unable to produce it themselves. The selling of this military hardware by the United States was not only a thing of the past, but also continues to this day. One of the markets for this equipment is Latin America.

A. BACKGROUND

Latin American countries have historically had a strong military influence in internal and external security issues and government policy. Although there were only a few wars, several regional conflicts and rivalries occurred. By the 1960s, there was a great demand in Latin America to upgrade the aging military equipment that was sold to them in the 1940s. Much of the newly desired weapons were fighter aircraft and missiles. In light of the difficulties the United States faced from the Vietnam War, President Nixon issued a doctrine that encouraged arm sales as a means for Latin American countries to defend themselves without U.S. assistance.[1] In 1977 after a growth in human right abuses by several of the military dictatorships then presiding in Latin America, President Carter issued Presidential Directive 13. This directive eliminated all sales of advanced weapons to Latin America.[2]

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[1] Mora, Frank O. and Antonio L. Pala. "US Arms Transfer Policy for Latin America." Airpower Journal. Vol. 13, Issue 1, Spring 1999. ProQuest. Dudley Knox Lib, Monterey, CA. 06 Feb 2003 http://proquest.umi.com

[2] Cardamone, Thomas. "Arms Sales to Latin America." Foreign Policy In Focus. Vol 2, Number 53, Dec 1997. www.foreignpolicy-

Through the twenty years of the ban, Latin America underwent many political and military changes. By 1997, all the military regimes had been replaced by civilian governments with greater control over their militaries. Most Latin American countries settled their foreign policy differences and reduced their defense budgets and military personnel. These changes, together with lobbying the U.S. defense industry, encouraged President Clinton to issue Presidential Decision Directive 34, which lifted the advanced weapon sales ban to Latin America.

The lifting of the ban sparked a renewed controversy over the issue regarding sales of advanced weapons to Latin America. Advocates of lifting the ban contend that it will bring good business to the defense industry, while recapturing the lost U.S. military influence in the region. Opponents believe the purchasing of unnecessary advanced weapons will divert much needed money from social programs to combat the growing poverty. While these are legitimate issues, many opponents are more concerned with the potential resurrection of another arms race in the region. They believe the freedom to purchase arms will spark an arms race similar to the one that destabilized the region during the early 1970s. Has lifting of the ban led to an arms race in Latin America today as many predicted? What are the possible explanations for why an arms race might not occur today?

This thesis will explore three possible explanations for why an arms race is not occurring in Latin America today. It will examine the theoretical bases for international arms races using the cases of two traditionally rival dyads: Argentina/Brazil and

infocus.org/pdf/vol2/53ifarms.pdf, August 27, 2002.

Peru/Ecuador. It will also examine U.S. arm sales policy to support these case studies. The three possible explanations that will be explored to explain the presence or absence of arms races in Latin America are: democratic peace and complex interdependence, economic determinants of defense expenditures, and U.S. arms sales policy.

Chapter II will examine whether democratic peace and complex interdependence are relevant in determining peace and stability in Latin America. It argues that the growth of democracy and the increase in regional interdependence perpetuates relative peace and stability, which would mean that the introduction of U.S. advanced weapons, would be a moot issue. The rivalry between Argentina/Brazil and Peru/Ecuador will be closely analyzed. Argentina and Brazil will offer a model for how successful complex interdependence is at resolving conflict, while the Peru and Ecuador rivalry will show the relevancy of democratic peace theory.

Chapter III will examine data and information regarding economic determinants of defense expenditures. A review of the on-going debate of the relationship between defense expenditures and economic growth will be used to establish a platform to analyze the dyads of Argentina/Brazil and Peru/Ecuador during the time period from 1970-1999. Gross National Product (GNP) and military expenditure data will be compared to establish whether defense spending is determined by economic growth or by other means. This will show the predictability of military expenditures in Latin American countries. It will also help explain whether an arms race is more likely to occur under certain economic conditions.

Chapter IV will explore U.S. arm sales policy through the years 1960-2002. The first period from 1960-1977 will explore the conditions that contributed to an arms race and what eventually led the United States to ban sales of advanced weapons to Latin America. The period from 1977-1997 will look into the shift in U.S. foreign policy in the region. The effectiveness of the arm sales ban will be analyzed to explain what led to the Clinton Administration's decision to lift the ban in 1997. The last period from 1997-2002 will be examined to provide arguments for and against the lifting of the arm sales ban. These issues will provide further evidence to predict whether U.S. arm sales policy has an effect on Latin America today.

II. PEACE AND INTERDEPENDENCE IN LATIN AMERICA

As the world is becoming more global and interconnected, different regions have achieved growth and security at widely to different extents. The collapse of the Soviet Union brought an end to a bipolar international system, where eliminating Communism was the driving force behind the U.S. search for stability in a region. Democracy has now become the regime of choice by many nations, and the old authoritarian regimes of the past are no longer acceptable. Latin America's previous conflicts raise many questions regarding its ability to remain a stable and peaceful region.

As every other region throughout the world, Latin America has had its share of violent conflicts. These conflicts have varied from interstate wars and minor skirmishes to civil wars and internal military coups. Although the region has experienced all types of altercations, there have been relatively few interstate wars. Five of these wars took place in the nineteenth-century. The Cisplatine Wars from 1825-1828 and 1839-1852 settled the territorial disputes between Argentina and Brazil by forming the country of Uruguay. The War of the Confederation from 1839-1841 enabled Chile to block a union between Peru and Bolivia. In the War of the Triple Alliance from 1886-1870, Paraguay lost territory to Argentina and Brazil. And finally in the War of the Pacific from 1879-1883, Chile took territory from Peru and Bolivia's access to the sea. Since 1945 there have been roughly thirty bilateral conflicts that varied from war to minor altercations, where the unstable internal environment often transmitted uncertainty into the external arena.

These conflicts can be classified into three categories: ideology, territory and resources, and hegemonic.[3]

Ideological conflicts affected Latin America through the way each nation's regime viewed its political goals in the international system.[4] The two regime types that potentially caused the most friction were between military regimes and democracies. Latin America had an extensive history involving both regime types and the constant transitions between the regimes caused instability.

Territorial disputes have been the most common in Latin America. Many of the disputes dated back to the time of independence. Just about every country in Latin American had a border or territory dispute at one time or another. Some reasons for these disputes were access to resources, river basins, frontiers, and trade routes.

The last and less frequent reason for interstate conflict was hegemony. Hegemonic disputes occurred when two nations both felt the other was encroaching on the other's region of influence. Arguably the best example of hegemonic struggle occurred between Argentina and Brazil, which spanned from independence to the latter part of the twentieth-century.[5]

Since 1995, most would argue that Latin America has become a more stable and peaceful region. Most of the former ideological, territorial, and hegemonic disputes have been settled and all regimes are now democratic. Nonetheless, a concern remains over the future of Latin

[3] Grabendorff, Wolf. "Interstate Conflict Behavior and Regional Potential for Conflict in Latin America." Journal of Interamerican Studies and World Affairs. Vol. 24, Issue 3(August 1982): pp. 270-271.

[4] Little, Walter. "International Conflict in Latin America." International Affairs(Royal Institute of International Affairs 1944-). Vol. 63, Issue 4(Autumn, 1987): p. 591.

[5] Ibid, pp. 591-592.

American stability. Many scholars argue that the reintroduction of U.S. advanced weapon systems into the region would destabilize and return Latin America to its former unstable self. The one factor that was not previously present in the region that may have led to stability and peace was democracy. Democracy and complex interdependence have contributed to the decrease in conflicts and the opening of communications between previously rival nations. Nations are now less likely to misread intentions, while the institutional setting allows for greater restraints on the use of force to settle a conflict. Democratic dyads are three times less likely to originate militarized disputes and thirty times less likely to originate interstate war, compared to other regime types.[6]

This chapter will attempt to explain that democracy and complex interdependence will continue to provide the framework for peace and stability in Latin America, regardless of the reintroduction of U.S. advance weapons. First the theory of democratic peace and complex interdependence will be discussed to provide a foundation for discussion of the later case studies.

The first case study will involve the analysis of the rivalry between Argentina and Brazil. The period from 1970-1999 will be examined because it offers periods of interaction between both authoritarian and democratic regimes. This will show that democracies act differently towards other democracies and a long-standing rivalry can

[6] Mousseau, Michael. "Democracy and Compromise in Militarized Interstate Conflict, 1816-1992." Vol. 42, Issue 2(April, 1998): pp. 212-226.

be solved peacefully through democratic cooperation and interdependence.

The next case study will examine the rivalry between Peru and Ecuador. The time period from 1970-1999 will be used to examine the relationship between the two countries and how the regime type played a role in establishing peace and stability. The democratic peace theory will explain how this recent rivalry was peacefully settled and how the chances for future militarized conflicts are diminished because of the spreading of democracy in the region.

A. DEMOCRATIC PEACE

Many scholars have striven to determine the factors that promote peace and stability. Realists believe that the external factors of threat of force, power, and security are the answers; while others propose there is a more complex solution involving the internal politics of a nation. Regime type has been the focus of this explanation. After much research, scholars concluded that democracies almost never fight each other. If this were a true statement, then it would have tremendous implications for future international and regional relations. There are now greater opportunities to test this theory as more countries are becoming democratic throughout the world. However, as with all theories, the definition of terms is important.

There are two important terms that have to be defined for the purposes of the democratic peace theory, one is democracy and the other is war. A democracy is defined as a voting franchise for a portion of citizens that determines government officials through free and fair elections, an executive is either popularly elected or responsible to an elected legislative body and there is a

respect of civil rights, including free political organization and expression. Lastly, to qualify as a democracy a country has to possess and use these criteria for a minimum of three years prior to the war.[7]

In terms of war, it is defined as a large-scale interstate dispute that is organized lethal violence categorized by 1,000 battle casualties. The particular number of deaths is necessary to eliminate accidents, unauthorized actions by local personnel, actions meant as a test or assertion of commitment, and large demonstrations that are not meet with a strong response.[8] These terms provide the foundation for future analysis, but certain design aspects of democracy enable this theory to work.

The democratic peace functions under structural and normative beliefs. Structural ideas are anchored on the premises that democratic institutions are responsible for restraining the use of force in a crisis.[9] The democratic institutions provide a system of check and balances that prevent any branch of government from obtaining more control over the other branches. Additionally, policy makers in a democracy must gain approval from other policy makers and their constituents in order to carry out their war desires. Both of these structural designs restrain the use of force in a crisis because it delays military action and also demonstrates to other nations that there are constraints on action.[10] However, the structural approach

[7] Russett, Bruce. Grasping the Democratic Peace. New Jersey: Princeton University Press, 1993: pp. 14-15.

[8] Ibid, p. 12.

[9] Owen, John M. "How Liberalism Produces Democratic Peace." International Security. Vol. 19, Issue 2(Autumn, 1994): p. 90.

[10] Russett, pp. 39-40.

is not the only way to restrain the use of force in a democracy. Normative views also play a part.

Normative views are values created by the democratic system. The democratic system symbolizes the liberal ideas of self-preservation and material well being, regardless of cultures and beliefs.[11] It is these ideas that not only govern a democratic nation, but also influence relationships with countries. Normative ideas of social diversity, limited government, coalitions, individual rights, and toleration of dissent by a loyal opposition all restrain the use of force.[12] When democracies are in conflict with other democracies these norms are effective because each side understands and operates under the same ones. A potential military crisis will eventually be resolved through compromise and cooperation. Democratic norms also promote interdependence among democracies to achieve greater security and growth.

B. COMPLEX INTERDEPENDENCE

Fundamental beliefs in a democratic system allow for nations to become closely linked. Each democracy offers other democracies particular goods, services, money, security, people, and communication. These relationships of shared goods and services produce interdependent or mutually dependent relationships when there are reciprocal costly effects for these connections. There are three essential features to complex interdependence: multiple channels, limited role of use of military force, and no hierarchy among issues.[13]

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[11] Owen, pp. 90-94.

[12] Russett, p. 31.

[13] Keohane Robert O. and Joseph S. Nye. Power and Interdependence. Boston: Little, Brown and Company, 1977: pp. 8-9.

There are several ways countries may communicate and establish multiple channels with each other. The government may form connections among its lower level staff members, while simultaneously having official meetings and discussions that are recorded and viewed through the press. Meetings and communication may also occur through non-government participants like businesses and transnational corporations. As communication increases and political and economic ties become stronger, the need for military force to resolve differences diminishes.

Military force has fallen from the top priority in many democratic nations. Interdependence has intertwined democracies on political, economic, and cultural levels. These countries are no longer concerned or rarely threatened by other democratic countries with which they are interdependent. However, the use of military force may not be disregarded because it still serves a purpose. The military may be used as a bargaining or persuasive tool. At the same time, if certain events threaten the livelihood of a nation, then the military will also be used to ensure the nation’s survivability.

Several issues may be discussed through government and non-government channels. The issues range from economics, security, population, and ideology, just to name a few. Since there are many issues that all deserve equal attention, it is important that one issue does not consistently take priority over the others. This will allow for a more coherent and flexible foreign policy. As nations are becoming more connected and have similar

concerns, the agendas of democratic governments are driven by factors in both the international and domestic arenas.[14]

Interdependence does not only apply to the political arena, but also to the economic arena. Often both international and domestic events are influenced by the economy. As more countries are becoming interdependent, changes in economic conditions affect all connected nations. When connections become more complex and integrated they have a tendency to reduce interstate conflict. The more open an economy is to accepting foreign trade and capital flow from others, the less likely a militarized conflict will result from a conflict in interests.[15] Traditionally, economic relationships are more complex than political relations. As history has shown, it is easier to sever political ties with a country than it is to sever economic ties. Economic ties do not only affect the countries involved in the conflict, but they also affect other countries around the world. Many corporations are transnational and have interests in multiple nations simultaneously, so by severing economic ties there will be an unintended ripple affect causing damage in neighboring countries.[16] An important economic tie exists in the form of trade agreements. Since many political leaders and interest groups also have economic interests, trade becomes an integral part of interdependence.

Trade permits goods and services to be exchanged across international boundaries. These goods and services benefit both countries by allowing the fulfillment of

[14] Ibid, pp. 24-29.

[15] Oneal, John R. and Bruce M. Russett. "The Classical Liberals Were Right: Democracy, Interdependence, and Conflict, 1950-1985." International Studies Quarterly. Vol. 41, Issue 2(June, 1997): p. 288.

[16] Ibid, p. 270.

supply and demand, stable prices, and profits. Trade also gives businesses and citizens a stake in another country's affairs because the political and economic actions of other countries affect business. The influential stake in other countries prevents a militarized conflict because it provides an avenue for communication, while instability detracts from investment and future development.[17] From the years 1970-1997 the world wide economic growth more than doubled, trade quadrupled, and foreign direct investment increased by 700 percent.[18]

By the results of these figures it would appear that as the more integrated and globalized countries are becoming the more likely interest groups and political leaders will be to avoid using force against another economically interdependent nation. It has been shown that both democracy and interdependence can be influential in determining peace and stability between nations. So as traditionally rival nations evolve and assimilate democratic and interdependent characteristics is expected that the long-standing conflicts will be resolved peacefully.

C. ARGENTINA/BRAZIL

Of all the rivalries in Latin America, the one between Argentina and Brazil has been the most unique because it was an aggressive pursuit for hegemony that concluded peacefully. This rivalry centered on the struggle to gain access to valuable resources. However, this was not the only aspiration each country shared. They also wanted unchallenged regional hegemony. Argentina and Brazil were

[17] Russett, Bruce and John Oneal. Triangulating Peace. New York: W.W. Norton and Company, 2001: pp. 129-139.

[18] Ibid, p. 141.

the only two countries in the entire Latin American region to take on a persistent hegemonic struggle that eventually was transformed into cooperation and interdependence.[19]

The struggle between these two countries can be traced back to the beginnings of Latin American independence. By the late 1800s Brazil was closely monitoring Argentine economic and political activity for signs of aggression. There was a strong looming fear in Brazil that Argentina was secretly trying to isolate them from the rest of Latin America. Brazil believed that Argentina was establishing powerful political and economic relationships based on previous Spanish colonial ties with the neighboring countries of Uruguay, Paraguay, and Bolivia.[20] This fear still existed in the mid 1980s. Argentina was also concerned about Brazilian aspirations for regional power and movements towards dominating economic resources. Unfortunately, Argentina's feeling of racial and cultural superiority fueled the rivalry even more.[21] Although the intense rivalry lasted for a long time, it abruptly came to a halt during the late 1970s under shaky authoritarian regimes because of Argentina's brewing crisis with Chile over the Beagle Channel and Brazil's increased political liberalization.[22] This led to the beginning of cooperation in the 1980s under the auspices of newly elected democratic regimes.

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[19] Little, p. 592.

[20] Hilton, Stanley H. "The Argentine Factor in Twentieth-Century Brazilian Foreign Policy Strategy." Political Science Quarterly. Vol. 100, Issue 1(Spring, 1985): p. 28.

[21] Selcher, Wayne A. "Brazilian-Argentine Relations in the 1980s: From Wary Rivalry to Friendly Competition." Journal of Interamerican Studies and World Affairs. Vol. 27, Issue 2(Summer, 1985): p. 26.

[22] Resende-Santos, Joao. "The Origins of Security Cooperation in the Southern Cone." Latin American Politics and Society. Vol. 44, Issue 4(Winter, 2002).

Economically, both countries were trying to manipulate hydroelectric resources from the La Plata River Basin. Brazil desired to improve its regional economic advantage with Paraguay and Bolivia while at the same time diminishing Argentina's. Brazil dramatically increased exports to Bolivia from 7.6 million in 1970 to 120 million in 1975. Even Brazil's Petrobras purchased sixty percent of Bolivia's oil exports as well as financed a gasoline pipeline that would transport oil between the two countries. Trade increased to Paraguay as well. Trade grew from 3 million in 1960 to 100 million in 1975, but this was not the only improvement. In conjunction with Paraguay, Brazil launched a plan for the development of a hydroelectric dam, Itaipu, on the Parana River.[23] This provided Brazil with a tremendous lead over Argentina in the regional hegemonic race. In response to Brazil's development, Argentina attempted to develop another dam, Yacireta, with Paraguay down river near Corpus.[24] Brazil and Argentina's dams adversely competed with the other and may have caused potentially treacherous waters further down river in Argentine territory if an agreement was not reached.

The agreement between Brazil and Argentina over the hydroelectric dam began while both countries were under authoritarian governments. After failing to gain from a settlement in the international arena, Argentina initiated the settlement directly with Brazil. The driving force behind this decision was the overwhelming importance of

[23] Hilton, pp. 46-47.

[24] Resende-Santos, Joao.

other strategic interests involving Chile and the Beagle Channel.[25]

However, this agreement cannot be categorized as a cooperative engagement, but instead it can be called the settlement of a competition in which Brazil gained the advantage. In order to classify this agreement as cooperation both countries would have compromised and sacrificed a potential advantage for the collective good. This did not happen. However, the beginnings of cooperation were pursued in 1986 by the democratic regimes of both countries. The Argentine-Brazilian Integration and Cooperation Pact (ABEIP) was created to formally end competing economic concerns by uniting both markets and reducing protectionist measures. The ultimate goal of this pact was to bring stability through trade, decrease dependency on the international market, and increase growth.[26]

Although the economic success of the pact was questionable, it provided the initial cooperative framework that eventually led to the creation of MERCOSUR in 1991. This common market has contributed to a tremendous amount of export growth in Latin America and at least forty eight percent of the exports stayed among MERCOSUR members.[27] Settlements and cooperation were not exclusively limited to economic issues, but were also for security concerns. Another issue that had similar results to the hydroelectric

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[25] Resende-Santos.

[26] Manzetti, Luigi. "Argentine-Brazilian Economic Integration: An Early Appraisal." Latin American Research Review. Vol. 25, Issue 3(1990): pp. 109-115.

[27] Hornbeck, J.F. "A Free Trade Area of the Americas: Toward Integrating regional Trade Policies." Politics and Economics of Latin America. Ed. Frank H. Columbus. New York: Nova Science, 2001. p.188.

dam dispute was the competition for nuclear power development.

Both Argentina and Brazil aspired to become a nuclear power. In 1968 both countries pulled out of the Nuclear Non-Proliferation Treaty (NPT) and ignored the Treaty of Tlatelolco. The ignoring and rejecting both treaties allowed the race for nuclear development to begin. Argentina believed nuclear power was the only way to gain the hegemonic advantage over Brazil. Initially, Argentina's nuclear capability expanded with the development of the natural uranium reactors, which potentially were more useful than the enriched uranium counterparts.[28] However, by 1975 Brazil entered into a contract with West Germany providing it with full-cycle and enriched uranium technology.[29]

In 1976, both countries determined that they both were capable and viable nuclear powers. However, the same outside strategic problem, the Beagle Channel dispute with Chile, also plagued the continuation of Argentina's successful nuclear program. Again Argentina initiated a settlement with Brazil regarding the control and development of nuclear energy in the region because the authoritarian regime sensed that its power was deteriorating at home and abroad. In 1980, an accord was created to collaborate any future nuclear technological developments over a ten-year period and sales of materials and equipment.[30] The accord did not halt the race for nuclear development, but opened the door for future

[28] Hilton, p. 35.

[29] Resende-Santos.

[30] Ibid.

agreements and cooperation to place restraints on both nuclear programs.

The loss in the war for the Falkland Islands against Great Britain and the settlement of the Beagle Channel dispute with Chile greatly contributed to the redirection of Argentine foreign policy in the early 1980s. The fall of the authoritarian regime in Argentina in 1983 and in Brazil in 1985 encouraged the development of cooperation on the nuclear issue because the ideologies changed with the passing of regimes.

Now relations were viewed through integration and interdependence instead of competition and conflict. Argentina also realized that it could no longer compete on the same scale as Brazil. Brazil had become the eighth largest economy with a population of 120 million people, while Argentina only had 30 million people.[31] So the only way for Argentina to still hold on to some power in the region was to come to a cooperative agreement with its neighbor, Brazil. In 1985 a Joint Declaration on Nuclear Policy was signed and later the Argentina-Brazil Agency for the Accountability and Control of Nuclear Materials (ABACC) was developed to monitor and control nuclear materials. By 1995, Argentina agreed to sign the NPT and Brazil followed suit in 1998. The rivalry between Argentina and Brazil ultimately concluded with cooperation and interdependence, democratic peace did not play a role in determining the outcome. However, the rivalry between Peru and Ecuador did erupt into a militarized conflict of more than words and the democratic peace theory has more power to explain the return of peace in this case.

[31] Hilton, p. 51.

D. PERU/ECUADOR

The conflict between Peru and Ecuador has been the longest standing border dispute in Latin America. The dispute spans over a hundred-year period, which includes several attempts to resolve the crisis through both military and peaceful means. The disputed area has little to do with any strategic or economic importance. Instead Peru and Ecuador view this issue through nationalistic terms.

Ecuador insists it has a sovereign right to the territory, while Peru considers the territory in question its own. Peru justifies its claim citing the Rio Protocol of 1941 and the Braz Dias de Aguiar arbitral award of 1945 as the official settlements regarding the disputed territory. However, Ecuador maintains the treaty was signed under duress and was difficult to execute due to geographic anomalies. The anomalies resulted from an uncharted river and mountain spur in the Cordillera del Condor and Cenepa River area. Since 1946, when the anomalies were discovered, militarized conflicts have occurred in that area until 1998. Unfortunately, Ecuador's position is viewed as the weaker of the two because the Rio protocol is a legally binding international law.[32]

The continuing dispute between Peru and Ecuador was apparent because several skirmishes occurred between the years of 1977 and 1998. During these skirmishes, each country had either an authoritarian or a democratic regime and a preponderance of military power. A crisis occurred in 1978 regarding the border while both governments were

[32] Palmer, David Scott. "Peru-Ecuador Border Conflict: Missed Opportunities, Misplaced Nationalism, and Multilateral Peacekeeping." Journal of Interamerican Studies and World Affairs. Vol. 39, Issue 3(Autumn, 1997): pp. 109-111.

experiencing a transition to democracy after several years of military rule. Ecuador held elections in 1978, which marked the return of civilians to power. The new government, headed by President Roldos, reaffirmed Ecuador's stanch position on the border issue. However, Peru maintained the preponderance of military power and the skirmish did not escalate. The Paquisha Incident erupted in 1981 because Ecuador built military outposts in the disputed territory. This action provoked a Peruvian response, but was soon settled by other Latin American nations acting as arbiters. Although both countries were democracies during the event, the total battle deaths averaged around 200.[33]

Tensions erupted again in 1991 when Peruvian forces penetrated the disputed border in the area of Pachacutec. Crisis was averted again when the two democratic governments agreed to talk to establish a neutral security zone. These talks were possible because President Fujimori of Peru desired to resolve the conflicts with neighboring countries. Since Peru was experiencing bad economic times, President Fujimori tried to make it appear that Peru was more interested in economic openness and stability than waging militarized conflicts.[34] However, President Fujimori would not maintain his political desires for much longer.

By 1992 the political climate had changed in Peru. President Fujimori dissolved the congress and suspended the constitution in an autogolpe that year. This political move gave rise to an increase in military influence

[33] Mares, David R. Violent Peace: Militarized Interstate Bargaining in Latin America. New York: Columbia University Press, 2001: pp. 166-167.

[34] Herz Monica and Joao Pontes Norgueira. Ecuador vs. Peru. London: Lynne Rienner Publishers, 2002: p. 74.

throughout the country. This was seen as necessary to combat the rapidly growing internal guerrilla conflict. Unfortunately, the rise in military influence also aided in antagonizing the border issue. The authoritarian style government changed its views on how to handle foreign policy. Previously, President Fujimori was more willing to negotiate with Ecuador over the border issue, but the recent autogolpe altered his view by fully supporting the provisions of the Rio Protocol.[35] These political changed combined with troop movements along the border sparked a renewal of fighting between Peru and Ecuador in January 1995.

Fighting started in the disputed area when Ecuadorian troops attempted to remove Peruvian forces from Base Norte located near the Cenepa River. Ecuador had increased its force strength in the disputed region since the last skirmish in 1991. In the end, the conflict lasted just over five weeks and has been the worst fighting since the 1941 war. Deaths on both sides have been estimated at over 1,000, but much lower figures of 100 to 300 have also been reported. Peru lost nine aircraft, while both countries expended roughly $500 million combined on military operations.[36] Ecuador appeared to be the victor and a cease-fire was enacted. However, the negotiations did not go as planned and it took three years to develop a successful settlement. In 1998, after a minor flare-up of tensions, six bilateral accords were created. These agreements essentially demarcated the border, while making it flexible enough to satisfy both countries desires.

[35] Ibid, p. 79.

[36] Palmer, p. 119.

However, it was not until 1999 that the accords were finalized and signed.[37]

The latest outbreak of hostilities in 1995 raised many questions over the potential instability of Latin America. Depending on some casualty reports, the Cenepa conflict has been classified as a war according to the democratic peace theory and a majority of the international community. Some experts believe this conflict is the first example of a war between two democracies, but the political scenario offers a different perspective.

Ecuador was considered a democracy even though the political climate was under tremendous stress. President Ballen had minimal control the military, which prevented diplomatic solutions from settling the conflict. For the next three years, Ecuador went through three different presidents. However, the democratic institutions remained in place throughout the entire period of instability. In Peru it was different. President Fujimori had been in power since 1990. On a personal level, he brought experience and continuity to the border issue for Peru. However, on the political level he completely changed the democratic institutions of the country. After 1992, it is questionable whether democracy remained in Peru. The changes to the constitution benefited President Fujimori and his authoritarian style policies. This caused many of the people's rights and civil liberties to be revoked to aid the fight against the insurgent guerillas. Based on the Polity Scale, Peru received a +2 during the years surrounding the 1995 conflict. This made Peru an anocratic state, a mixture between a democratic and authoritarian

[37] Herz, pp. 59-61.

government.[38] Since Ecuador was considered a democracy and Peru was an authoritarian regime masked by democratic tendencies, the Cenepa War in 1995 failed to disprove the democratic peace theory.

E. CHAPTER SUMMARY

Latin America has been a region plagued by conflict over the years. These disputes have contributed to instability and a lack of investor confidence that has had an adverse affect on political relations and economic growth. It is important to understand how these rivalries and conflicts were created, while at the same time to understand how they can be prevented in the future. The conflicts and rivalries in the region can be categorized into three groups, ideological, territory and resources, and hegemonic. While these are all important, territory and resources, and hegemonic rivalries provide the fundamental principles in understanding conflict in the region. By understanding the root causes of conflict, it will be easier to find a way to prevent them from occurring in the future.

Democracy and complex interdependence have greatly contributed to the decrease in conflicts and the opening of communications between previously rival nations. Democratic nations are less likely to misinterpret intentions because they share common normative and structural components. The normative components are ideas and beliefs founded on the liberal view of self-preservation and material well being regardless of cultures and beliefs. The structural component ensures there are common checks and restraints placed on the system to limit the use of force in a conflicting situation. The Peru and

[38] Russett and Oneal, p. 48.

Ecuador case study illustrates how democracies have never gone to war with each other. During the time when there was a non-democratic regime involved, the outcome was war. So while these two countries remain democracies, the prospects for future war are minimal, no matter how many new weapon systems or troops either country obtains.

Complex interdependence offers another reason for the lack of future conflicts in Latin America. Interdependence ensures that the reciprocal exchange of goods and services comes at a cost to both parties involved. When both parties shoulder and accept the involved costs, it encourages the opening of multiple communication channels, a more limited role for the use of military force, and no hierarchy to be established among issues. These key elements of interdependence ensure that there will be too much at stake to risk the use of force to settle a disagreement. The rivalry between Argentina and Brazil offers an example of how interdependence settled a long-standing race for regional hegemony. The cooperative measures both countries made to resolve their hegemonic aspirations in the attainment of hydroelectric power and nuclear energy ensured a long lasting peace that remains to this day. Although initial settlements were made under the auspices of authoritarian regimes, it was eventually democracy that solidified the cooperative resolution that forced each country to ultimately rely on the other for its future prosperity.

III. ECONOMIC DETERMINANTS TO DEFENSE EXPENDITURES

For the last three decades, Latin America has been purchasing arms from suppliers around the world. Many policy makers and scholars assumed that when the arm sales ban was placed on the region in 1977 that the level of arms purchases would slow down, but in fact they did not. By the time the ban was lifted in 1997, an old argument resurfaced about the future of Latin American arms purchases. The belief was that a sudden rush to purchase arms would occur, effectively initiating an arms race in the region. The build-up of advanced weapons would potentially threaten to reintroduce a powerfully political military into the young and thriving democratic nations. If these authoritarian governments were to return to power then the stability of the region would be in jeopardy.

As seen in the past, an arms race has several negative effects. These negative effects are not only echoed on the international level, but also felt on the domestic level. The domestic level has the most to lose from an arms race. As the nations race to purchase more advanced weapons to maintain an advantage over its rival, the increase in the required funds has to be supplied from somewhere. Policy makers have to make an economic choice on the domestic level to whether they will continue to expand the military's budget and purchase weapons to support the arms race or use that money to fund other programs. The other programs that usually get sacrificed for an increase in military spending are social programs. Many of these social programs include education, health, and welfare.[39]

[39] Russett, Bruce M. "Who Pays for Defense?" The American Political Science Review. Vol 63, Issue 2(June, 1969): p. 420. JSTOR. Dudley Knox Lib, Monterey, CA. http://www.JSTOR.com July 28, 2003.

These programs are important to Latin America's future development domestic politics. Over the last decade, the region's poverty level has remained unchanged at thirty-six percent. Additionally, the amount of extreme poverty has increased, climbing to sixteen percent in 1997 from thirteen percent in 1987.[40] As the military's budget expands their influence grows institutionally in the government. By the time the government has mismanaged, under funded, and failed to improve the social structure, the powerful military has decided to take over and alleviate the government. To prevent the return of the military coups of the 1960s-1970s, it is essential to understand the economics behind an arms race.

By analyzing the key variables to an arms race, a predictable solution can be developed to prevent them from occurring in the future. Some have concluded that the regime type of a nation is the most responsible for the kinds and the amounts of arms purchased. Others have believed that the accountability should be placed on the foreign policy of the arms selling nation. However, another just as important variable to consider is economics. Economics determine the quality and quantity of weapon systems and the ability of a nation to afford the purchase. Ultimately, the question of whether an arms race is occurring in Latin America today cannot be fully answered without comprehending the economic aspect of the issue.

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[40] Leipziger, Danny M. "The Unfinished Poverty Agenda: Why Latin America and the Caribbean Lag Behind." Finance and Development. Vol. 38, No. 1(March, 2001). http://www.imf.org/external/pubs/ft/fandd/2001/03/leipzige.htm November 10, 2001.

Many of the arms-building models of the 1960s focused on the study of arms races. As the times have changed so have the methods. Recently researchers have shifted their attention from arms races towards arms expenditures. Not only did the focus shift, but also the explanations have changed from an action-reaction process to a domestic process.[41] An analysis of the domestic process should begin with the defense budget. The understanding of the economic determinants of defense expenditures will ultimately help analysts predict and determine whether an arms race is occurring in Latin America today.

This chapter will examine the hypothesis that changes in the economic condition of the country determine defense expenditures. The dependent variable will be the level of military expenditures, while the independent variable to explain this hypothesis will be Gross National Product (GNP) over time. The national income is important because it provides the country with the ability to successfully fund its military expenditures.[42] This hypothesis will be used to explain whether the lifting of the arms sales ban in 1997 has initiated an arms race in the region. Although economics will not be the only factor in making the arms race decision, it will greatly contribute. This chapter will initially establish what are the various arguments regarding the relationship between defense spending and the economy and apply them to Latin America as a region. This

[41] Moll, Kendall D. and Gregory M. Luebbert. "Arms Race and Military Expenditure Models: A Review." The Journal of Conflict Resolution. Vol. 24, Issue 1(March, 1980): p. 161.

[42] Looney, Robert E. "Internal and External Factors in Effecting Third World Military Expenditures." Journal of Peace Research. Vol 26, Issue 1(February, 1989): p. 38.

will provide the necessary theoretical framework to conduct a more detailed analysis of the two particular dyads.

The first case study will involve the dyad of Argentina and Brazil. These two countries have been selected because of their long-standing traditional rivalry involving arms build-ups. An in depth analysis of the individual defense budgets compared to GNP will be evaluated over the time period from 1970-1999 to determine a relationship. Additionally, the defense expenditures of these two countries will be compared against each other to determine a reactionary rival relationship.

The next case study will involve the dyad of Peru and Ecuador. This dyad was chosen based on their traditional rivalry and most recent conflicts. Analysis of the individual defense expenditures compared to GNP will be analyzed to determine a causal relationship between spending and the economy. Additionally, the defense expenditures of these two countries will be compared against each other to determine a reactionary rival relationship.

A. THEORETICAL VIEW

There are several economic variables that play a role in determining defense spending. These include external debt, the cost of hyperinflation, and the level of nonmilitary spending[43], overall GDP constraint, and fiscal funding (primarily government expenditures and government revenues)[44] just to name a few. All of these variables have

[43] Lebovic, James H. "Spending Priorities and Democratic Rule in Latin America." The Journal of Conflict Resolution. Vol. 45, Issue 4(August, 2001). ProQuest. Dudley Knox Lib, Monterey, CA. 06 Feb 2003 http://proquest.umi.com July 3, 2003.

[44] Looney, Robert E. and Peter C. Frederiksen. "The Effect of Declining Military Influence on Defense Budgets in Latin America." Armed Forces and Society. Vol 26, Issue 3(Spring 2000): p. 438.

the potential to either drive or be driven by defense spending. There is an on-going debate among scholars on whether economic growth determines military expenditures or whether military expenditures determine economic growth. Although neither viewpoint is absolutely correct, it is important to understand both arguments.

The initial study conducted by Emile Benoit determined that defense programs encouraged economic growth. The defense programs that encouraged growth were technical education, health care, and housing to military members. The study concluded that not only were these programs desirable and valuable to the military, but also provided benefits to the civilian sector.[45] The technical skills military members obtain during service are transferable to the civilian sector. These highly trained personnel come to the civilian sector free of charge, so ultimately money is saved. Another area in which military spending positively affects the economy is through the financing of heavy industry. Industrial development is an important part of the defense expenditures. Many of the newly developed technologies created by the military get used in the civilian sector. Some of these technologies include air transportation, nuclear power, fiber optics, radar, and space technologies.[46] Although they initially divert funds away from the nonmilitary expenditures, they are ultimately repatriated to the civilian sector. However, not all economists believe military spending positively affects economic growth.

[45] Heo, Uk. The Political Economy of Defense Spending Around the World. Lewiston: Edwin Mellen Press, 1999: pp. 5-6.

[46] Ibid, p. 33.

Other scholars argue that there is a negative relationship between the defense spending and growth that manifests itself in the form of a "Guns vs. Butter" trade-off. An increase in defense expenditures often results in an increase in the balance of payments debt. This is because some exports have to be diverted to internal demand and the resulting foreign exchange is lost. Imports typically rise due to military equipment and weapon system needs. While these imports are good for the military, they are non-consumable items that do not contribute to making profitable growth.[47] Another area that potentially suffers due to increased military spending is education and health. These social programs are essential to economic growth. The countries that have the most evidence of this trade-off are those that are resource constrained. These countries have very little fiscal flexibility with the national budget. So when defense expenditures increase the money has to be diverted from other areas whether it is through taxation or debt accruing loans. The military does contribute to human-capital growth, but the learned skills are limited to defense sector applications. These limited skills fail to generate growth spillovers to the civilian sector.[48]

On the other side of the debate lie the scholars that believe economic growth determines defense expenditures. The argument is fundamentally simple, when the economy is performing poorly; military spending is reduced to aid the other failing sectors of the economy. Additionally, when

[47] Russett, p. 418.

[48] Ram, Rati. "Conceptual Linkages Between Defense Spending and Economic Growth and Development: A Selective Review." Defense Spending and Economic Growth. Eds. James E. Payne and Anandi P. Sahu. San Francisco: Westview Press, 1993: p. 23.

the governments are democratic, fiscal crises often place pressure on the government to reduce defense spending to appease the constituency, repay external debt, and regain economic growth.[49] The military is the first sector to undergo budget cuts during a fiscal crisis because it is seen as a "superior good" to many countries. The "superior good" is a luxury item and not a necessity, so when there is negative economic growth then the military expenditures decrease.[50] While no one variable is more responsible for determining military expenditures, the following two case studies will be analyzed to determine if economic growth, either positive or negative, influences military expenditures.

B. ARGENTINA/BRAZIL

Argentina and Brazil have traditionally been considered the leading economic countries not only in the Southern Cone, but also in Latin America. There has been a long-standing rivalry between the two countries that has led to competing economic and military policies. Whether the competition involved nuclear weapons, arms exports, or energy, in the long run these countries have benefited from this rivalry through economic growth and development. From the early 1970s through 1999 Argentina and Brazil have seen an overall steady growth in GNP. Economic growth has also permitted greater flexibility in military expenditures.

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[49] Franko, Patrice. "De Facto Demilitarization: Budget-Driven Downsizing in Latin America." Journal of Interamerican Studies and World Affairs. Vol 36, Issue 1(Spring, 1994): pp. 41-42.

[50] Hewitt, Daniel P. "What Determines Military Expenditures." Finance and Development. Vol 28, Issue 4(December, 1991). ProQuest. Dudley Knox Lib, Monterey, CA. 06 Feb 2003 http://proquest.umi.com July 28, 2003.

Figure 1. Brazil's Expenditures

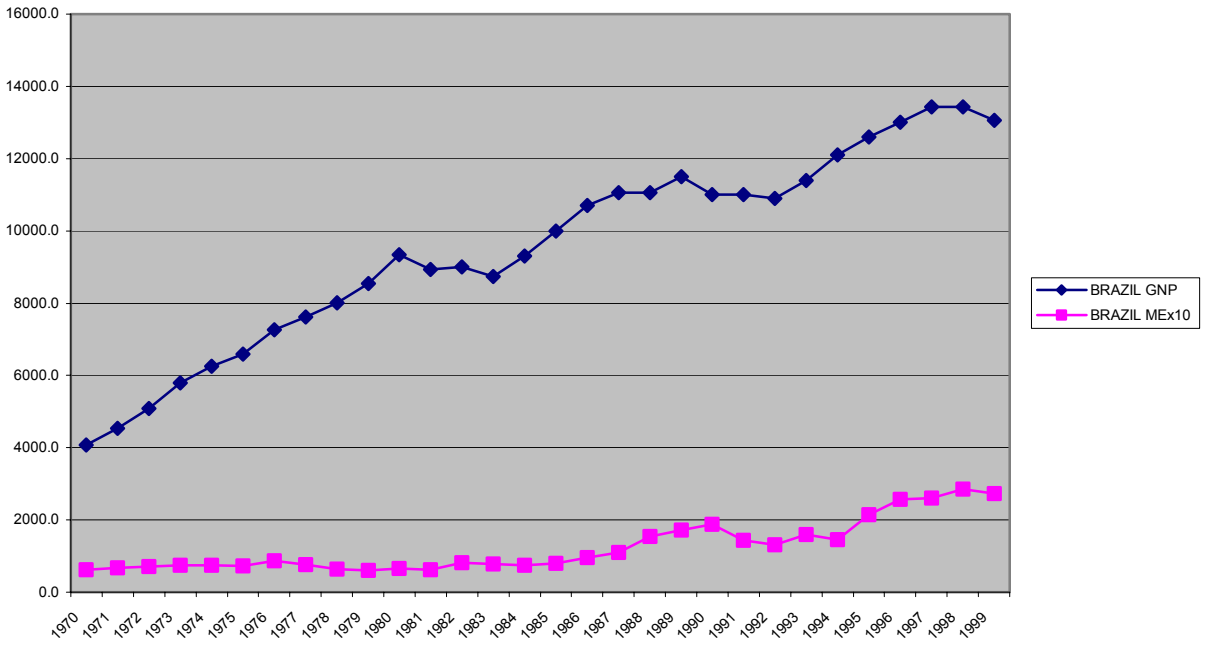


Figure 1 represents Brazil's GNP and military expenditures from 1970-1999.[51] As seen in this figure, military expenditures have remained relatively constant and uninfluenced by any increases or decreases to GNP. During the overall debt crisis in Latin America in the early 1980s, Brazil's military expenditures remained steady. After the Tequila shock in Mexico in 1994, GNP and military expenditures rose slightly. For the most part, military expenditures have risen slightly over the twenty-year span, but not to the same proportion as GNP. Based on these results, it would appear that Brazil has a long-term and consistent expenditure goal for the military, which has been less than two percent of GNP.[52] The long-term goal is

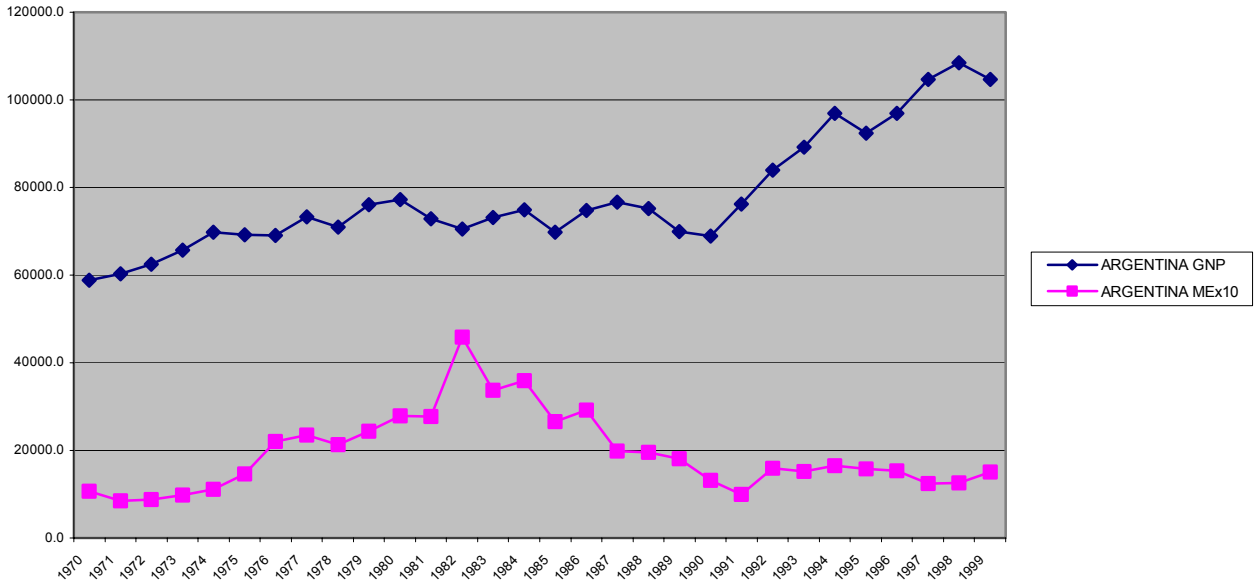
[51] To more accurately depict the relationship to GNP the military expenditure data was multiplied by 10. From USACDA WMEAT.

[52] United States Arms Control and Disarmament Agency, World Military Expenditures and Arms Transfers, (Washington, D.C.: U.S. Arms Control and Disarmament Agency annual issues)

reflected by the return to a constant level of military expenditures regardless of economic growth. A long-term expenditure goal makes it easier for a rival country to predict future expenditures.[53] This will pacify any threats a rival country may believe exists based on known military expenditures. On the other hand, Argentina's experience has been different.

Although Argentina has experienced similar economic growth and hardships, its defense expenditures and GNP growth have appeared to respond differently than Brazil. Figure 2 represents Argentina's GNP and military expenditures from 1970-1999.[54]

Figure 2. Argentina's Expenditures



Overall, GNP has seen growth over the twenty-ear period for Argentina. Based on Figure 2, military expenditures increased in 1976 and remained on a steady increase until 1982. In 1982, there was a dramatic

[53] Looney, Robert E. and Peter C. Frederiksen p. 447.

[54] To more accurately depict the relationship to GNP, the military expenditure data was multiplied by 10. From USACDA WMEAT.

increase in military expenditures followed by a steady decline for the remaining years. During these periods the increase in military expenditures were not correlated to the increase in GNP. As seen in 1982 there was actually a decrease in GNP, more than likely due to the debt crisis that hit Latin America. However, the increase in military expenditures during that year was more probably contributed to factors other than economics.[55]

Another dramatic difference between GNP and military expenditures occurs in 1991. Military expenditures decline and then level out, while GNP growth soars. It appears that Argentina lacks a long-term expenditure goal similar to Brazil. The military budget seems to be driven by short-term isolated non-economic shocks on the system[56], like external security and government regime considerations.[57] Therefore economic growth does not drive military expenditures in Argentina's case. Although Argentina and Brazil have had different relationships between their GNP and military expenditures, it is important to determine whether this was an isolated relationship or whether economics determined military expenditures in other countries in Latin America.

C. PERU/ECUADOR

Peru and Ecuador have had a history of instability stemming from the disagreement over a common border and access to the Amazon. Periodically both of these countries have decided to militarize and settle their disagreement

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[55] During this period Argentina's military government was preparing for war with Great Britain over the Falkland Islands.

[56] Looney and Frederiksen, pp. 446-447.

[57] Argentina has struggled with military and civilian regime instability and external security concerns in the Beagle Channel and Falkland Islands.

through the use of force. Peru and Ecuador are both considered among the poorer countries in South America, especially compared to Argentina and Brazil. Their overall GNP per capita averages less than 1,500 dollars compared to Argentina and Brazil, which have been consistently twice that amount.[58]

Figure 3. Peru's Expenditures

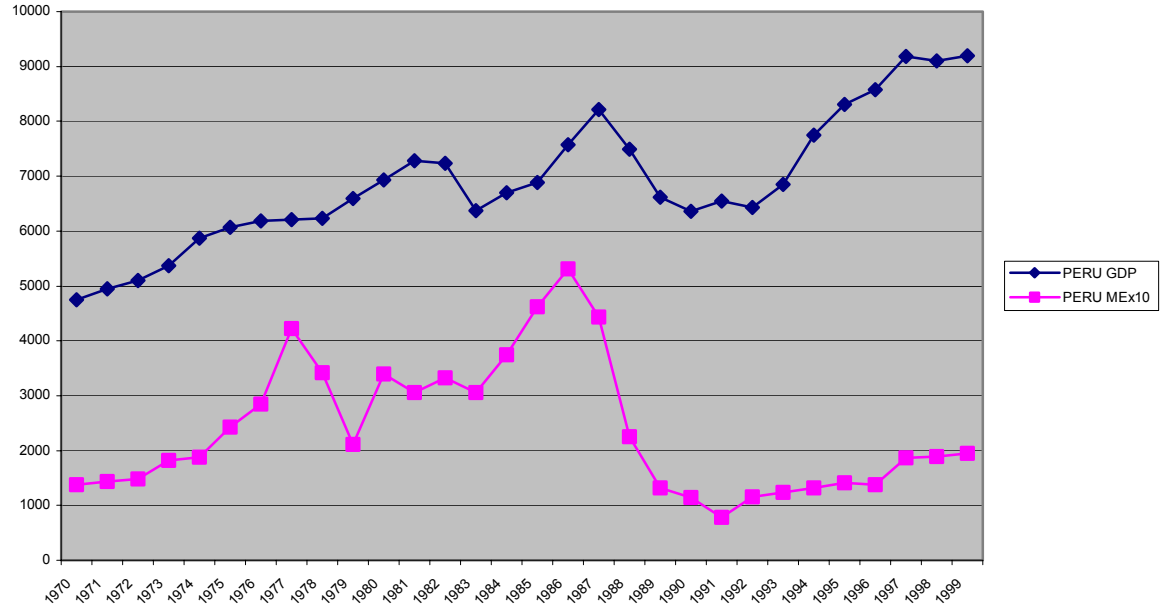


Figure 3 represents Peru's GNP and military expenditures from 1970-1999.[59] Peru's GNP growth has shown an overall increase throughout while declining during time of economic crisis in 1982 and 1989. GNP appears to closely lag behind military expenditures. This would initially prove that military expenditures are relatively independent of GNP growth. The increases in military expenditures in the years 1976, 1986, and 1992 appear to be entirely attributed to another factor other than economic

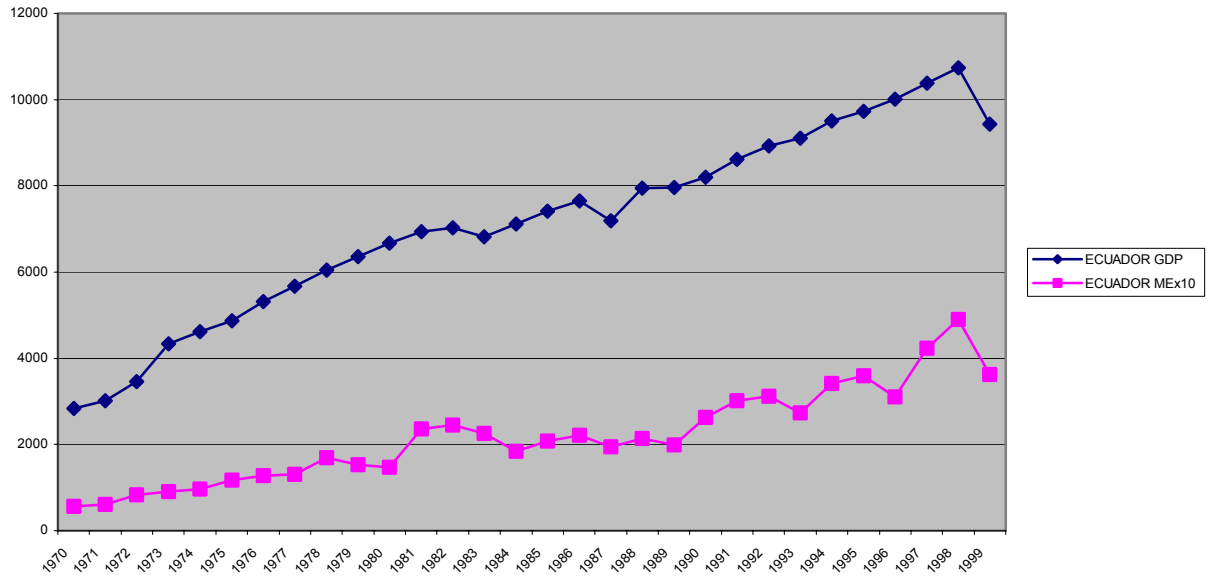
[58] United States Arms Control and Disarmament Agency, World Military Expenditures and Arms Transfers, (Washington, D.C.: U.S. Arms Control and Disarmament Agency annual issues)

[59] To more accurately depict the relationship to GNP the military expenditure data was multiplied by 10. From USACDA WMEAT.

growth. It just so happens that in all of those years, tensions flared between Peru and Ecuador over the disputed territory in the Amazon.

Ecuador is the smaller of the two countries and is more constrained by resources than Peru. Ecuador's military has responded to the Peruvian threat and has also desired to gain a tactical advantage over the sheer number of Peruvian forces to end the on-going territorial dispute. Figure 4 represents Ecuador's GNP and military expenditures from 1970-1999.[60]

Figure 4. Ecuador's Expenditures



Like the other countries, Ecuador has also experienced a consistent growth in GNP of the twenty years. However, unlike the others, Ecuador's growth can also be attributed to its oil resources.

Military expenditures have not grown with the same steadiness as the GNP. Ecuador's military expenditures appear to have more long-term goal orientation compared to

[60] To more accurately depict the relationship to GNP, the military expenditure data was multiplied by 10. From USACDA WMEAT.

the inconsistency of Peru's expenditures. Ecuador has spent on the average 2-3 percent of its GNP on defense, while Peru has fluctuated between two and seven percent.[61] Since both countries have militarized over the disputed territory it would be expected that the military expenditures in Figure 3 and Figure 4 would resemble each other, but they do not.

Ecuador's military has a slight advantage over Peru's military because they used to receive a percentage of the country's oil revenues. Since the 1970s, the military has received a percentage of the oil revenues from Petroecuador.[62] These revenues have allowed the Ecuadorian military to maintain more constant expenditures than Peru because at least a portion of the annual budget was always guaranteed. When these revenues disappear, it is expected that Ecuador's military expenditures are to become more susceptible to short-term shocks such as Peru and Argentina have experienced in the past.

D. CHAPTER SUMMARY

The theories of economic growth and military expenditures are divided into two groups. The first group being that military expenditures determine economic growth. The second states that economic growth determines military expenditures. However, in the analysis of the two dyad cases neither of these theories was completely substantiated. Two different results were formulated.

It was determined that Brazil had a long-term and consistent expenditure goal for the military. Even though

[61] United States Arms Control and Disarmament Agency, World Military Expenditures and Arms Transfers, (Washington, D.C.: U.S. Arms Control and Disarmament Agency annual issues)

[62] Rother, Larry. "Ecuador Decides to Wean Military from Oil Riches." New York Times. December 22, 2000. ProQuest. Dudley Knox Lib, Monterey, CA. 06 Feb 2003 http://proquest.umi.com July 03, 2003.

there was an intense rivalry between Argentina and an overall growth in GNP throughout the time period, military expenditures remained constant. As for Argentina the outcome presented a slightly different result.

Argentina lacked a long-term expenditure goal. The military budget was driven by short-term isolated non-economic shocks on the system. These shocks were in part from the external security concerns over Brazil as well as the change in government regimes between civilian and military during the time period. Similar patterns with Brazil and Argentina were also seen with Peru and Ecuador.

Peru's GNP and military expenditure relationship was also influenced by short-term shocks. While there were changes to GNP during periods of economic crisis, military expenditures appeared to be relatively independent of GNP growth. In 1976, 1986, and 1992 the increase in military expenditures could be attributed to the flared border tensions with Ecuador.

Ecuador's military expenditures appeared to mirror the Brazilian model. Throughout the period, military expenditures remained relatively constant. This showed that Ecuador had a reason for a long-term expenditure goal. However, the long-term expenditure goal in Ecuador was influenced by receipt of yearly oil revenues. These revenues permitted the Ecuadorian military to maintain more constant expenditures because a portion of their annual budget was guaranteed.

IV. U.S. ARM SALES POLICY TO LATIN AMERICA

The debate over the impact of U.S. arm sales to Latin America on regimes in the region has been ongoing since the 1960s. Since the end of the Second World War, the United States has sold advanced weaponry to Latin America. The tremendous surplus of weapons after the war and the fear of Soviet influence both encouraged the United States to increase its sales to Latin America. By the 1960s much of the initial wave of weapons sold had become out-of-date or not functional, so Latin American countries looked to purchase needed upgrades and newer technologies. The growing apprehension of Soviet influence in Latin America was further reinforced by the success of Fidel Castro's Cuban revolution. The support Castro received from the Soviet Union prompted U.S. policy makers to increase the sales of arms to the region.

In the 1970s, several Latin American nations experienced a wave of particularly brutal military coups and dictatorships. Chile's coup in 1973 by General Agusto Pinochet was one of the most important cases that incited the United States to reconsider its arm sales policy towards Latin America. In 1977, due to many human rights abuses by Latin American military governments, the United States banned the sales of advanced weapon systems to Latin America. Despite the wave of democratization that occurred across the region in the 1980s, the ban remained in effect until President Clinton lifted it in 1997 again sparking debate over the wisdom of U.S. arms sales to Latin America.

Although recently all countries previously governed by military dictatorships have returned to civilian governments and their economies have become more liberal,

political and economic crisis still dominate the agenda. Many of the democracies are young and have not fully consolidated, which calls into question the stability of their civil-military relations. Most border disputes between nations have been settled, but new security concerns such as drug trafficking, growing poverty, and armed insurgencies have the potential to disrupt the good civil-military relationship in these countries.[63]

The reintroduction of U.S. advanced arm sales to Latin America has the prospect of altering the fragile security balance. It is important for policy makers to understand the implications of their policies in Latin America. Traditionally purchasing advanced arms have affected Latin America by increasing defense spending and spurring competition between rival neighbors leading to an arms race. However, this has not always been the case.

The recent lifting of the advanced arm sales ban by President Clinton has ignited another debate among policy makers, defense industry, and scholars over whether lifting the ban was a sound foreign policy decision by the Clinton Administration. Many scholars believe this decision will instigate a regional arms race, while others contend this will be good for the U.S. economy and will reintroduce much needed U.S. military influence in the region. Others believe governments will choose to spend their money on unnecessary military weapons instead of utilizing it to alleviate growing social concerns. As the debate ensues, an overarching question still remains to be answered. Are these arguments by policy makers, defense industry, and

[63] Desch, Michael C. "The Changing International Environment and Civil-Military Relations in Post-Cold War Southern Latin America." Fault Lines of Democracy in Post-transition Latin America. Eds. Felipe Aguero and Jeffrey Stark. Miami: North South, 1998: p. 324.

scholars regarding the lifting of the arms sales ban to Latin America accurate? I argue that the U.S. political decision to lift the arm sales ban to Latin America was sound and as seen over the last several years, the lifting of the ban will not have the effect that the critics predict.

This chapter will analyze three separate time periods of weapon sales to Latin America in order to understand the benefits and the ramifications of lifting the U.S. ban on arms sales. The first period analyzed will be 1960-1977. Advanced weapon sales increased to Latin America during this time as a result of U.S. foreign policy decisions. The Nixon Doctrine will be analyzed to determine some of the reasons that may have contributed to an arms race during the 1960s and 1970s. President Carter's Presidential Directive #13 that banned the sale of U.S. advanced weapons systems to Latin America will also be analyzed to show what drove the United States to change its policy.

The second period analyzed will be 1977-1997. It will describe President Reagan's shift in policy towards arm sales to Latin America while the ban was in effect. Aircraft sales to the region will be analyzed to see if the ban was effective in keeping advanced aircraft out of Latin America. Also the reasons that contributed to President Clinton's issuing of the Presidential Decision Directive #34, which lifted the ban, will be shown.

The third period analyzed will be 1997-2002. This time period was when the ban was lifted. The arguments for and against lifting the advanced weapons ban will be analyzed. These arguments will also show how accurate they

were in predicting what is actually happening in Latin America today.

A. 1960-1977

The 1960s and 1970s were years of change and uncertainty for Latin American nations. It was the height of the Cold War and the United States was dealing with the antagonistic Soviet Union in a bipolar international world. Foreign military sales to Latin America began after World War II. The United States, in an attempt to maintain its regional hegemonic power, sold its surplus military hardware to Latin America at cost. This hardware included P-47Ds, B-25Js, and other types of military aircraft.[64] During this time the United States experienced an increase in competition from European powers. Latin American countries also looked towards Europe to provide them another outlet for purchasing military arms. This greatly concerned U.S. policy makers because European arm sales to Latin America were seen as a threat to U.S. hegemonic stability.

By the early 1960s, the United States was growing uneasy with the situation in Latin America. The success of Fidel Castro in the Cuban Revolution worried the United States because of Castro's affiliation with the Soviet Union. Once again, U.S. hegemony in the region was challenged. To counter the challenge, the United States increased aid to the region through conventional weapon sales.[65] Many of the weapon systems sold to Latin America after World War II were aging and becoming less reliable.

[64] Kaplan, Stephen S. "U.S. Arms transfers to Latin America, 1945-1974: Rational Strategy, Bureaucratic Politics, and Executive Parameters." International Studies Quarterly. Vol 19, Issue 4 (Dec, 1975): p. 411.

[65] Kaplan, pp. 414-415.

There became an increased demand for weapons for modernization purposes as well as combating the increasing internal security threats that many nations faced. There was a coup in 1964 that prompted Brazil to seek arms to modernize its forces and to combat the growing internal insurgency in the country.[66] As the Brazilian military expanded and consolidated its power in government there was a greater need for more equipment and arms.

The United States was able to capitalize on the growing requirement for arms in Latin America. They were able to successfully win the competition against the European nations and monopolized the market. Latin American nations preferred U.S. arms to other suppliers because of the compatibility of support equipment, the already trained personnel on U.S. equipment, and the reliability of the United States as a supplier.[67] Selling to Latin American countries promoted a working relationship among military members and encouraged a dialogue between the United States and purchasing countries.

The Vietnam War had an effect on the arm transfer policy to Latin America. By 1969, due to the extreme costs of American lives and money in the U.S. intervention in Vietnam, President Nixon declared the United States would no longer get militarily involved in local conflicts. It would be the responsibility of the country to combat their conflicts; however the United States would supply them with the necessary arms to aid their efforts. This decree later became known as the Nixon Doctrine. Although initially this doctrine applied to Southeast Asia, it was eventually

[66] Kaplan, p. 418.

[67] Weaver, Jerry L. "Arms Transfers to Latin America: A Note on the Contagion Effect." Journal of Peace Research. Vol 11, Issue 3 (1974): p. 213.

expanded to cover the rest of the world.[68] This new approach to U.S. foreign policy opened the way for increased arm sales to Latin America. In FY72 Congress increased the ceiling total on arm sales to Latin America to $100 million and by FY73 it was raised again to $150 million.[69] By 1973 President Nixon lobbied Congress to completely eliminate the ceiling on arm sales. In response to the new foreign policy many Latin American countries increased defense expenditures during the 1970s and the orders for U.S. arms averaged more than $250million annually. Venezuela experienced an influx of money to their economy through oil revenues. In turn, they increased their purchases of arms from the United States by five times. Throughout this period, the United States supplied seventy-five percent of all the arms transfers to twenty-two Latin America countries. [70] The invasion of U.S. arms to Latin America would not last long.

In 1973 a bloody military coup occurred in Chile. Human rights atrocities that occurred during and following the coup set the stage for a change in U.S. arm sales policy. The human rights violations of the Argentine military regime that took power in 1976 added to the pressure to change U.S. policy. The worsening human rights trend in Latin America led President Carter to change arm sales policy. He issued Presidential Directive #13 on May 13, 1977. This directive stressed the need to restrain the transfer of arms to the region. The new policy placed an

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[68] "The Nixon Doctrine." TACOM Security Assistance Center. May 02, 2002. http://tri.army.mil/tsac/nixon.htm March 09, 2003.

[69] Kaplan, p. 425.

[70] Avery, William P. "Domestic Influences on Latin America Importation of U.S. Armaments." International Studies Quarterly. Vol 22, Issue 1 (Mar, 1978): pp. 122-139.

emphasis on conducting security assistance programs that supported and enhanced human rights in receiving nations.[71] The directive further limited the dollar amount allowed for foreign military sales and established requirements for newly developed advanced weapon systems. Some of these advanced weapon system requirements included: not being able to first supply the region with a new capability; and not being able to sell a new weapon system until it was operational in U.S. forces.[72] This directive remained in effect for the next twenty years reminding policy makers of their limitations on arm sales to Latin America. Although this limited U.S. arm sales, it would not completely eliminate advanced weapon sales to the region by the U.S. and other countries.

B. 1977-1997

President Carter's ban on advanced weapons to Latin America remained in place for twenty years, yet there were a few exceptions. One of the first tests of the new policy occurred during the last years of the Carter presidency. Peru inquired about purchasing advanced aircraft from the United States. President Carter refused to sell to Peru. In response to the U.S. rejection, Peru requested assistance from the Soviet Union. The Soviets negotiated and agreed to sell them several Su-22 fighters. Peru's purchase triggered an Ecuadorian request for assistance from the United States. Just as occurred with Peru, Ecuador was also denied U.S. assistance. Ecuador turned to Israel to purchase their Kfir fighters. However, due to

[71] United States. Presidential Directive/NSC-13. Conventional Arms Transfer Policy. The White House: Washington, May 13, 1977. http://www.jimmycarterlibrary.org/documents/pddirectives/pd13.pdf February 06, 2003.

[72] United States, p. 2.

U.S. influence in Israeli affairs this request was also rejected. Ecuador finally negotiated a settlement with France for the purchase of their Mirage F-1s for a sum of $260 million dollars.[73] This demonstrated that regional dynamics could trigger arms races regardless of U.S. policy and highlighted the increasing diversity of suppliers available to Latin American states.

The 1980s began a new chapter in U.S. arm sales policy towards Latin America. President Reagan directed arm sales policies differently than President Carter. He believed that the United States was responsible for funding and supplying arms and training militaries to support anticommunist governments in Latin America. Small arms sales were increased to achieve this goal. Although small arms transfers had always been done in the past, President Reagan felt the increase was necessary to aid anticommunist regimes. Direct commercial sales to Latin America more than doubled from the previous twenty-year period. From 1950-1983 total sales were 503.1 million dollars. However, from 1984-1993 total sales increased to 1,339.7 million dollars. Some of the major recipients during the latter period were Argentina, Brazil, Venezuela, Colombia, and Ecuador.[74] The United States and other foreign nations continued to supply Latin America with combat aircraft and other more complex military hardware, although the introduction of new major weapons systems by the U.S., such as aircraft or armor, continued to be rare.

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[73] Mora, Frank O. and Antonio L. Pala. "US Arms Transfer Policy for Latin America." Airpower Journal. Vol. 13, Issue 1, Spring 1999. ProQuest. Dudley Knox Lib, Monterey, CA. http://proquest.umi.com February 06, 2003.

[74] "A Scourge of Guns." December 19, 2001: p. 5. http://www.fas.org/asmp/library/scourge/scourge-ch4.pdf March 09, 2003.

The ban on the selling of advanced weapons was upheld during this period with one exception. In 1982 the Soviet Union sold MiG-21 fighters to Cuba to raise the level of military capability of the Cuban air force. Cuba's new purchase worried the United States, so in response twenty-four state-of-the-art F-16s were sold to Venezuela to kept Cuba in check.[75] Many other types of combat aircraft were sold to Latin America, but not with the same capabilities as the F-16. Between 1985 and 1993 France and Britain supplied ten aircraft each to Latin American countries, while other NATO countries supplied seventy aircraft and the United States supplied 125 aircraft.[76] The 125 aircraft the United States sold were not advanced combat aircraft. Additionally, the types and variants of the U.S. aircraft no longer existed in active U.S. inventories. These types of aircraft included the A-4s, F-5s and A-37s.[77] Brazil and Argentina were the major recipients of the A-4s, while the F-5s went to Chile and Brazil, and the A-37s went to Chile and Peru. Other aircraft sales that were supplied by Europe were the French Mirage IIIs, 5Ps, 50s, and F-1s and the Russian Su-22s and 25s. The United States was again the leading supplier of arms to the region. It was responsible for contributing to one fourth of all arms sold, which was three times more than many other nations.[78] Throughout the remainder of the 1980s and the beginning of the 1990s, arm sales to Latin America remained relatively

[75] Cardamone, Thomas. "Arms Sales to Latin America." Foreign Policy In Focus. Vol 2, Number 53, Dec 1997. www.foreignpolicy-infocus.org/pdf/vol2/53ifarms.pdf, August 27, 2002.

[76] "World Military Expenditures and Arms Transfers 1997." Arms Control and Disarmament Agency. Table V. http://www.state.gov/www/global/arms/wmeat97/w97tbl5.pdf March 2003.

[77] Mora

[78] Cardamone, p. 1.

consistent. The lower-technology aircraft sales kept many countries satisfied during the years of the ban. Nonetheless, in 1995 Peru and Ecuador purchased advanced aircraft, reintroducing them to Latin America.

Peru and Ecuador had been at odds with each other for many years. A border dispute erupted over a previous disagreement involving Ecuador's lost territory in the Amazon basin. Both countries deployed troops into the area and the conflict escalated. Eventually, Peru and Ecuador were able to negotiate a settlement, but the repercussions were that each country still distrusted the other. Peru believed it was still vulnerable to a future Ecuadorian conflict and pursued a supplier of advanced aircraft. Belarus, which had recently gained its independence from Russia, agreed to sell eighteen MiG-29s. The purchase induced a response from Ecuador, which turned to Israel and acquired the Kfir C-7s.[79] Since this conflict and arms build-up, the United States began to question the validity of the arm sales policy that had been in place the last twenty years. The Peru-Ecuador crisis and past aircraft sales from European suppliers demonstrated to the United States that the ban had not curved Latin American aspirations for more arms. The aspiration to modernize their forces and the ability to obtain advanced weapons from other suppliers encouraged U.S. policy makers and scholars to revisit the issue surrounding the arm sales ban. The ensuing debate ultimately aided President Clinton in deciding the ban was no longer in the U.S. interest.

C. 1997-2002

August 1, 1997 President Clinton issued Presidential decision Directive #34 that lifted the twenty-year ban on

[79] Mora

advanced weapon sales to Latin America. It stated that advanced weapons sales would be permitted on a case-by-case basis as long as the sale supported the U.S. underlying goals of strengthening democracy, focusing resources on needed social programs, preventing arms races, and modernizing defense forces with restraint.[80] President Clinton decided to lift the ban because Latin American countries changed over the past twenty years. All the countries were now democracies with civilian control of their militaries and human rights abuses had disappeared. The lifting of the ban started a heated debate over the possible implications for Latin America.

Table 1. Arm Sales Debate

Advocates of lifting the ban	Critics of lifting the ban
Strengthen Democracy	Weaken Democracy
Increase U.S. Military Influence	Detract from Social Programs
	Lead to a Regional Arms Race

Many critics believed that if the ban was lifted advanced weapon purchases would undermine social programs, weaken democracy, and destabilize regional security through an arms race. On the other hand, advocates ensured that these areas would not be affected like critics argued, but that arm sales would in fact strengthen democracy and U.S. military influence in the region.

According to the critics, the lifting of the ban would affect economics. They argued that poverty was an important economic issue that governments need to address.

[80] United States. Statement by the Press Secretary, U.S. Policy on Arms Transfers to Latin America. The White House: Washington, August 1, 1997. http://www.dsca.osd.mil/PressReleases/LATAMCAT.htm February 26, 2003.

Thirty-six percent of the population of Latin America lived in poverty and this percentage has not changed much over the past ten years. Some of the reasons for this had been low savings and investment rates, bad fiscal discipline of the government, and debt servicing.[81] All of these factors potentially took money away from social programs. As far as defense spending, there had not been an increase in expenditures. In actuality some defense budgets were cut as occurred in Brazil and Argentina. On average, the region spent 1.3 percent of GDP on defense. This was lower than the world average of 2.3 percent. In countries like Chile where the military received ten percent of the copper revenues and Ecuador where the military received fifteen percent of the oil revenues, the money for arms for their militaries would come from these sources and not from intended social programs. [82] This indicated that countries were not choosing arms over social programs, although it is likely that the Chilean or Ecuadorian civilian governments would have preferred to spend reserved military funds on programs other than military acquisitions.

Another way the critics argued the ban would affect Latin America was by weakening democratic stability. They believed that allowing Latin American countries the opportunity to purchase advanced weapons from the United States would build military strength that could weaken

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[81] Leipziger, Danny M. "The Unfinished Poverty Agenda: Why Latin America and the Caribbean Lag Behind." Finance & Development. Vol 38, Number 1 (March 2001) http://www.imf.org/external/pubs/ft/fandd/2001/03/leipzige.htm November 10, 2001.

[82] LaFranchi, Howard. "Bullets or Books? US may tip balance in Latin America as Clinton pushes education on trip, Latin countries are concerned that US move to lift arms ban will spark costly regional arms race." Christian Science Monitor. October 16, 1997. ProQuest. Dudley Knox Lib, Monterey, CA. http://proquest.umi.com February 06, 2003.

civil-military relations. All countries in Latin America had some degree of civilian control over the military, although this varied from country to country. Since the transition to civilian governments all militaries had progressively lost autonomy over time. This varied from country to country, but the overall trend had declined and not increased in recent years. Militaries would always look for opportunities to upgrade or replace their existing equipment because weapon systems break and wear out over time.

If militaries are not allowed to modernize their equipment and weapons and focus on external security concerns then they would search for other tasks and interests within the domestic arena. These tasks may range from paving roads, building schools, economic distribution, to politics. While the military provides the civilian community with several goods and services, it would ultimately be tempted into becoming too involved with internal politics and economics. These are not traditional roles of the military and may cause similar military coups that many Latin American countries witnessed during the 1960s and 1970s. However, as seen during the 1977-1997 period, many nations still bought aircraft from the United States to maintain and upgrade their capabilities, but the weapon systems were not the most advanced when compared to active U.S. forces. Additionally, during this period many military budgets and personnel were downsized as a result of transitioning governments.

Critics believed the greatest implication of lifting the ban was a change in regional security. They believed that an arms race would ensue that would disrupt the stability that the region worked hard to achieve. Evidence

of an arms race was seen in the 1977-1997 period. There were a couple of instances where countries purchased arms in response to another country's purchase. The first example happened between Peru and Ecuador in the beginning of the ban's existence. When Peru purchased the Su-22s from Russia, this prompted Ecuador to purchase the Kfir fighters from Israel. Although the initial sale was blocked by the United States, they proceeded to purchase Mirage F-1s from France.[83] The second example was later in the period when Peru and Ecuador disagreed again over territory in the Amazon basin. When Peru bought the MiG-29s from Belarus this triggered Ecuador to buy Kfir C-7s from Israel. In the period from 1997-2002 only Chile and Brazil requested to purchase F-16s from the United States, totaling $636 million and $909 million respectively.[84] Neither Chile nor Brazil had a security threat with each other and they had good bilateral diplomatic relations. These two countries desired to replace their aging combat aircraft they currently possess. To further prove the point, Brazil recently decided to postpone their F-16 purchase and focus on needed social issues. Based on these examples it would be difficult to suggest that the ban was effective in preventing arms races in the region. So by lifting the ban the United States was able to take advantage of an additional $7 billion dollars in arm sales.[85] However, as recent procurements have shown an arms

[83] Mora

[84] "Notifications to Congress of Pending U.S. Arms Transfers." Foreign Military Sales from 1992-2002. http://www.fas.org/asmp/profiles/world.html February 06, 2003.

[85] "Blowing the Barn Door Open: Advanced Weapon Sales to Latin America." Arms Sales Monitor. Number 48 (August 2002). p. 4.

race has not begun. Even Latin American countries have preferred not to promote new arm sales to the region.

As it has been shown in the past, Latin American countries have welcomed advanced weapons with open arms. However, with the exception of Brazil and Chile, this view has shifted for others. Argentina is currently going through tough economic troubles. It does not have enough money to purchase the weapon systems and does not want its military personnel lobbying for new weapons purchases to compete with or deter neighboring countries. Although Chile has agreed to purchase F-16s, it does not want to feel like it got a special deal.[86] Brazil, one of the richest countries, has remained neutral because it still has not completely ruled out the possibility of purchasing aircraft in the future.

Critics have failed to realize that there are positive aspects to lifting the arms sales ban. The reintroduction of advanced weapon sales would strengthen democracy in the region. By modernizing the military and its weapon systems it will continue to aid the professionalization process that began years earlier. The modernization of weapons also instills the military with a sense of pride and purpose among the civilian community, which in turn encourages the civilians to show respect and gratitude for their security and protection.[87] Democracy will be strengthened because the military will be kept out of the internal workings of the country since they understand their mission and role in society. They will focus on the external missions and security concerns that their weapons systems were designed to counter.

Purchasing weapons from the United States will also strengthen democracy by reinitiating communications between

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[86] Hakim, Peter. "Ruffled Feathers in Latin America." Christian Science Monitor. August 28, 1997. ProQuest. Dudley Knox Lib, Monterey, CA. http://proquest.umi.com February 06, 2003.

[87] Mora.

defense institutions in the United States and the Latin American countries. The open communications would allow for the sharing of information and the ability for the United States to exert more influence in the region. The open dialogue enables the United States to more closely monitor Latin American military procurement, budget resources, and weapons inventories, while giving Latin American militaries the opportunity to develop and modernize. The U.S. and Latin American militaries would also benefit professionally from the ban's lifting.

The U.S. military lost influence in Latin America during the years of the ban. Since only lower-technology U.S. aircraft, which had not existed in U.S. inventories, were sold, limited training opportunities existed between the United States and Latin American nations. By the 1990s the training schools for the A-4, F-5 and A-37 were closed. Selling the F-16s affords Chilean and Brazilian pilots the opportunity to receive flight training in the United States. Flying similar aircraft would provide Latin American militaries a better understanding of U.S. forces and the way they operate. More multinational and joint exercises would be scheduled to improve interoperability and communications between the United States and Latin American militaries.[88] This added training, exercises, and communication ultimately would improve U.S military influence in the region.

D. CHAPTER SUMMARY

By the 1960s Latin America became desperate to upgrade and modernize their forces, so Europe and the United States competed for their arms bids. In light of the events of the Vietnam War, the Nixon Doctrine was created. The Nixon Doctrine provided the environment for the drastic

[88] Mora.

build-up of arms in Latin America during the late 1960S to early 1970S. The region suffered many military coups coupled with massive human right violations, which compelled President Carter to ban advanced arm sales to the Latin American region.

The years of the ban forced Latin America to look towards Europe and the Soviet Union to supply them with advanced arms. While there were only two instances of advanced weapon sales during this period, there were many sales of lower-technology weapons. Due to the return of democratic governance, President Clinton lifted the ban in 1997, which generated a heated debate over the advantages and ramifications of the new policy. The debate covered a variety of concerns, but the most important issues were social programs, weakening of democracy, and regional security.

Military spending has not detracted from social program budgets because the military budgets for the past several years had been stagnant or decreasing. Democracy actually strengthened and not weakened since the lifting of the ban because most militaries considerably down sized personnel and governments maintained a relative degree of civilian control. Lastly, regional security remained stable. Only Chile and Brazil expressed serious interest in purchasing advanced arms. These new sales would however improve U.S. military influence in the region through interoperability, communication, and joint exercises. Arm sales would also encourage open communications between similar democratic institutions, which would only continue to strengthen democracy and aid Latin America in it pursuit for peace and stability.

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V. CONCLUSION

The debate over lifting the arm sales ban to Latin America has brought many new issues to light and has settled old debates. However, the most important of these issues is the stability of the regional security system. Many critics believed that when President Clinton lifted the arm sales ban in 1997 that this would instigate an arms race throughout the region. They believe that the political and the economic conditions in the region still allow an arms race to occur and the previous policy of the arms sales ban prevented arms races from occurring in the past. This thesis argues that contrary to the critics view, an arms race is not occurring today. The lifting of the ban has done nothing to initiate an arms race today and there are explanations that support this.

There are three explanations for why an arms race has not occurred. One explanation is that of the emergence of the zone of democratic peace and complex interdependence in the region provides too many ideological and structural safe guards against an uncontrolled violent escalation and competitive build-up of weapons. The second explanation is there is a substantial relationship between GNP growth and military expenditures in an arms race. The military expenditures of the two rival dyad cases that I examined are independent of each other, which suggest they are not necessarily competing against each other in terms of arms acquisitions because the constraints imposed by fragile economies limit their ability to do so. The last explanation is that U.S. foreign policy has been a neutral factor in limiting or preventing arms sales. Historical data shows that Latin American nations will purchase weapons, even advanced weapons, when they want from available suppliers and U.S. policy will not deter them.

A. DEMOCRATIC PEACE AND COMPLEX INTERDEPENDENCE

Chapter II explored the applicability of democratic peace and complex interdependence theories. After a theoretical review, the principals of the two theories were each applied to a case. The first case was the long-time rivalry between Argentina and Brazil. The competition for hegemony and natural resources led these two countries into an intense rivalry. Once Argentina realized it could no longer compete with the size and power of Brazil it knew the only way to gain from the situation was through compromise.

The normative ideas of the democratic regime in Argentina and Brazil understood negotiations and compromise. The regime knew ultimately it would gain more through cooperation than competition. Both countries also understood and accepted the involved costs to continuing the competitive rivalry. The new interdependent relationship encouraged the opening of multiple communication channels, which limited the role for the use of military force to settle disputes and did not place an established hierarchy among any issues.

The second case involved Peru and Ecuador’s border dispute. This case represented how the democratic peace theory applied to Latin America. These two countries showed how war and arms racing only happened when at least one of the countries was not democratic. However, when both were democratic they were able to resolve their dispute without further conflict. The normative ideals of self-preservation and material well being regardless of cultures and beliefs tied with the structural components of democracy ensures there are common checks and restraints placed on the system to limit the use of force in a conflicting situation. This was seen in the resolution of the border dispute. Ultimately, no matter how many arms these countries have or may desire to obtain, the fundamental ideals and structure of democracy along with interdependence will prevent them from arms racing against each other.

B. ECONOMIC DETERMINANTS OF DEFENSE EXPENDITURES

Chapter III explained the relationship between economic growth and military expenditures in the two dyads of Argentina/Brazil and Peru/Ecuador. These two dyads showed that the relationship between GNP and military expenditures were not as simple as the "Guns for Butter" trade-off. In Argentina's case, the military expenditures were more erratic compared to GNP growth. The inconsistency of defense spending was correlated to short-term security shocks on the system. In Brazil's case its military expenditures were steadier over the period. This stability subjected a long-term goal for military spending regardless of GNP growth because spending always returned to a constant level. When the military expenditures of the two rival countries were compared, there was no sign of competitive spending.

For the Peru/Ecuador case the results were similar. Peru's military expenditures were independent of economic growth. The increases in defense spending occurred in response to an increase in border tensions and not economic growth. This indicated that Peru's expenditures were also influenced by short-term shocks similar to Argentina, while Ecuador on the other hand maintained a more stable expenditure pattern. Ecuador was able to maintain a consistent expenditure level with the annual oil revenue the military received.

The review of the relationship between GNP growth and military expenditures for these two cases suggest there is not a concrete explanation for whether economics can promote or prevent an arms race from occurring. However, what the data does show is that militaries with long-term expenditure goals may suppress any initiation of an arms race because defense spending is more constant and predictable. This predictability would contrast with arms racing because most arms races mainly involve increased short-term military

expenditures in response to a rivals' previous increase in expenditures.

C. U.S. ARMS SALES POLICY TO LATIN AMERICA

Chapter IV explored the last possible explanation for why an arms race does not exist today and that is U.S. foreign policy. A review of over thirty years of U.S. arms sales policy leads to the conclusion that it does not matter. From 1960-1977 the United States followed the policy set forth by the Nixon Doctrine. This doctrine allowed Latin American countries to combat their own conflicts with supplied U.S. arms. What followed was a tremendous influx of advanced weapons to the region, which many critics believed sparked a slue of military coups and human rights abuses. From 1977-1997, the United States attempted to enforce an arms sales ban prohibiting all advance weapons from being sold to the region. Although the ban was in place, it did little to prevent advanced weapons from being sold. Many Latin American countries bought advanced weapons from Europe, Soviet Union, and Eastern Block countries. Following this period the political landscape changed.

By 1997, all countries were democracies with civilian control of the militaries and human rights abuses had disappeared. The ban was lifted to reintroduce U.S. military influence and continue to strengthen democracy throughout the region. However, everyone did not share this view. Critics insisted that lifting the ban would weaken democracy, detract money from social programs, and initiate an arms race. In actuality, democratic governments have continued to strengthen control over their militaries, decrease military expenditures, while only two non-rival countries have expressed an interest in purchasing advance weapon systems from the United States.

D. RESULTS

The theories of democratic peace and complex interdependence in Chapter II offer the most likely explanation for why an arms race is not occurring in Latin America today. Ever since democracy has spread throughout the region, traditionally rival countries are resolving disputed issues through means other than military force. So if military force is no longer the primary means of issue settlement, there is not a need to arms race. While economic determinants to military expenditures in Chapter III present another possible avenue to explain an absence of an arms race, it does not offer any definite supporting evidence. However, Chapter III does show there are two ways to categorize military expenditures. One way is through long-term goals and the other way is through short-term shocks. These ways will help predict how a country's military expenditures will react to economic and security concerns. Lastly, Chapter IV concluded that U.S. foreign policy was determined to be a neutral factor for either supporting or preventing an arms race. As seen through history, Latin American countries will determine for themselves when they purchase advanced weapons. Even with the establishment of a ban, Latin American countries purchased advanced weapons from other non-participating countries. As the United States continues to have an open dialogue with Latin America, support for democracy and future arm sales will be instrumental for maintaining a successful policy in the region and reducing the possibility of an arms race in the future.

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