

Linkages between Economics, CBMs, and Regional Security in the Southern Cone

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Twenty years ago, many observers believed that Argentina and Chile were very near war over disputed territorial claims in Patagonia, the Strait of Magellan, the Beagle Channel, the island of Tierra del Fuego, and along the Andean ridge. Thanks to the welcome mediation of Pope John Paul II, both countries signed the Treaty of Peace and Friendship in 1984 which committed both countries to the resolution of conflicts through peaceful means.

With all but the most minor territorial disputes resolved, Argentina and Chile moved toward cooperative measures to develop energy resources and cross-border infrastructure to generate economic growth. Energy development in the Southern Cone, as elsewhere, was long regarded as a crucial aspect of national defense, mandating strict national control of domestic resources. With the emergence of the Southern Cone Common Market or MERCOSUR, national economic reforms in Chile and Argentina, and the growing appreciation of the need to pool resources in a competitive global economic environment, new opportunities for cooperation emerged.

In 1991, Argentina and Chile formalized their efforts in an Agreement on Economic Complementariness to develop new transportation systems across the Andes, so that oil and gas from Argentina could be purchased by Chileans and shipped to their industries. In mid-1991, Argentina began to privatize their national oil company, the Yacimientos Petroliferos Fiscales (YPF), which was operating at a net economic loss. This privatization, completed in 1993, provided great scope for investment by the highly successful Chilean pension fund—a private fund regulated by the government—which was then looking to expand into international economic ventures. This investment sparked extensive cross-border infrastructural developments to enable the newly privatized YPF to export oil and gas to Chile. In this way, economic imperatives have diminished traditional barriers of national security in the Southern Cone, placing investors in both countries in an unusual position of co-dependence. The substantial Chilean pension funds invested in the Argentine energy sector constitute a creative, mutually beneficial confidence-building measure (CBM).

Economic imperatives have also led to useful CBMs in the military sphere. Cooperation between the Argentine and Brazilian military forces dates back to the Treaty of Friendship and Cooperation of 1932, although cooperative ventures languished until 1967. In that year, Argentina, Brazil, Uruguay, and Paraguay (who would later form MERCOSUR) established a maritime patrol and coordination agreement which resulted in several joint exercises. In conjunction with these developments, the US navy, beginning in 1959 and continuing every year thereafter, has conducted naval exercises with major South American nations using the operational exercise name of UNITAS. In this program the US navy follows the coastline of

South America, conducting joint exercises with each host country and other invited participants. By 1978, Argentina and Brazil were conducting extensive and cooperative naval operations in each other's waters and complementing these exercises by exchanging students at war colleges and other similar professional institutions. Argentina, in particular, has used the UNITAS program to initiate and coordinate multilateral naval exercises in the region.

Facing economic hard times in 1993, the Argentine navy could not afford to operate its aircraft carrier. Argentina and Brazil conducted a joint exercise in which Argentine naval air forces carried out flight operations (touch and go landings) from the Brazilian carrier. This exercise has been subsequently repeated and accompanied by extensive joint planning and officer exchanges.

Using the umbrella of MERCOSUR, the military chiefs of the MERCOSUR countries, plus Chile, have held meetings in each other's federal capitals. These meetings have resulted in exchanges of force structure and deployment information, discussion on future force planning, and other national security topics. Perhaps as a result of these meetings, Brazil was the first to issue publicly a Defense White Paper in 1996. Chile issued its first Defense White Paper in 1997. Argentina has committed to releasing a White Paper in the summer of 1998.

