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to an emphasis on impressing foes and friends with expensive "symbols," notably a 600-ship "show-the-flag" Navy and an array of high-technology armor and aircraft. The WWNH philosophy makes it logical to underfund unit readiness, keep munitions stockpiles low, and "not be overly concerned whether a weapons system [e.g., the B-1 bomber] works before it is bought in large numbers."

Meanwhile, Pentagon tests (such as "Nifty Nugget" in 1978) have shown grave deficiencies in U.S. mobilization and deployment planning for a possible war in Europe. The 1983 invasion of Grenada revealed so many weaknesses in command and control that it helped spur last year's congressional overhaul of the U.S. military command system. The 1986 raid on Libya showed that two U.S. Sixth Fleet carrier task forces still needed help from 18 land-based Air Force F-111 bombers to strike targets defended by what Ahearne calls a "second-rank military power."

"Supporters of the current [defense] programs," says Ahearne, "argue that the reason war has not happened and won't, is [because the Soviet Bloc's leaders are deterred by] the strong and large forces of the United States. But our adversary is smart . . . the originator of the Potemkin Village, a façade. The USSR is not likely to be fooled. Real deterrence requires real capability."

Contadora Confusion

"Contadora: The Failure of Diplomacy" by Bruce Michael Bagley, in *Journal of Interamerican Studies and World Affairs* (Fall 1986), Univ. of Miami North-South Center for the Institute of Interamerican Studies, P.O. Box 248134, Coral Gables, Fla. 33124.

The so-called Contadora nations have been trying to negotiate a peace pact in Central America for over four years. But their efforts are doomed, suggests Bagley, a Johns Hopkins University specialist in Latin American affairs, because the interests of the United States and Nicaragua are fundamentally at odds.

Representatives from Mexico, Colombia, Venezuela and Panama first met on Panama's Contadora Island in January 1983 to discuss how they could peacefully contain the revolutionaries in Nicaragua and El Salvador, and limit U.S., Soviet, and Cuban activity in the region. Their September 1983 "Document of Objectives" called for the expulsion of all foreign troops, bases, and advisers from Central America, and for the holding of (verifiably) democratic elections. In public, the Reagan administration applauded the "Contadora process," but supported the *contra* rebels against Nicaragua's Marxist regime. The Kissinger Commission's January 1984 report to President Reagan warned that the Contadora nations' interests "do not always comport with our own."

In September 1984, the Contadora group released its first draft treaty—the so-called Revised Act, which required Nicaragua to expel all Soviet Bloc military advisers, halt arms imports, reduce its 60,000-man army, and end all assistance to the Salvadoran guerrillas. It also instructed Washington to cease its support for the *contras* and end U.S. military maneuvers in the region within 30 days.

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Nicaragua, perhaps as a bold propaganda move, accepted the treaty, which Washington dismissed as a "draft" document. Seeking the Reagan administration's support, the Contadora group presented a revised proposed treaty on September 12, 1985, which eliminated the requirement that the United States immediately cease supporting the *contras*. This time Nicaragua refused to sign and in December seconded Costa Rica's proposal for a six-month suspension of the Contadora negotiations. The talks eventually did resume, and produced, on June 6, 1986, a treaty that linked the banning of U.S. advisers, bases, and exercises to limits on the size of the Nicaraguan army. Once again, Nicaragua accepted the treaty, but Washington rejected it.

The Reagan administration, Bagley concludes, simply will not trade U.S. acceptance of the Nicaraguan regime for Managua's promises not to team up with Cuba and the Soviet Union, or to threaten its neighbors. There is "little benefit to be gained from talking about a negotiated accord," one U.S. official told Bagley, because Washington has been "hoping for the overthrow [by the *contras*] of the Sandinistas."

For their part, President Daniel Ortega's Sandinistas have done little to allay Washington's suspicions. Managua has failed to hold elections that included opposition leaders, or (as El Salvador, Honduras, and Costa Rica have requested) to reduce the number of its own troops and Soviet Bloc advisers in Nicaragua.

As long as Washington rejects the Sandinistas, and Managua's actions inspire mistrust in Washington, the much-touted Contadora process, Bagley says, will remain "largely irrelevant."

ECONOMICS, LABOR & BUSINESS

Rohatyn's Plea

"The Blight on Wall Street" by Felix Rohatyn, in *The New York Review of Books* (Mar. 12, 1987), 250 West 57th St., New York, N.Y. 10107.

Today's stock market has soared to record highs, but this boom, warns veteran investment banker Rohatyn, has little to do with America's real economic growth. While speculators make runaway profits, "business is relatively slow and major sectors of our economy are in serious difficulty."

Shakily financed corporate takeover bids head Rohatyn's list of market abuses. Speculators with no long-term interest in the target attempt to acquire a company by "raiding" its stocks (buying up large numbers of shares) for quick profits. The corporate "raider" finances his bid with "junk bonds" that cost him little up front and give high yields. Financial institutions sell these bonds (which substitute for real equity) "in the tens of billions of dollars."

Under today's market rules, raiders can make bids without committing themselves to purchase. Once a bid is made, short-term traders rush to acquire large speculative holdings of shares. Generally, if the target com-