Is Washington Losing Latin America?

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DRIFTING DANGEROUSLY

Relations between the United States and Latin America today are at their lowest point since the end of the Cold War. Many observers in the 1980s had hoped that Latin America's turn toward democracy and market economics, coupled with Washington's waning emphasis on security matters, would lead to closer and more cooperative ties. Indeed, for a time, the Americas seemed to be heading in the right direction: between 1989 and 1995, Central America's brutal wars were largely settled; the Brady debt-relief proposal (named for then U.S. Treasury Secretary Nicholas Brady) helped end Latin America's decade-long, debt-induced recession; the United States, Canada, and Mexico signed the North American Free Trade Agreement (NAFTA); the United States hosted the hemisphere's first summit meeting in more than a generation; and in 1995 a bold Washington-led rescue package helped prevent the collapse of Mexico's economy. But much of this progress has since stalled, with U.S. policy on Latin America drifting without much steam or direction.

After 9/11, Washington effectively lost interest in Latin America. Since then, the attention the United States has paid to the region has been sporadic and narrowly targeted at particularly troubling or urgent situations. Throughout the region, support for Washington's policies has diminished. Few Latin Americans, in or out of government, consider the United States to be a dependable partner. U.S.-Latin American relations have seriously deteriorated -- the result of failures of Washington's leadership, the United States' uncompromising stance on many critical issues, and the unwillingness of the administrations of both Bill Clinton and George W. Bush to stand up to powerful domestic constituencies.

The United States is not the only culprit, however. Latin American leaders have also performed badly. Most Latin American governments have only partially completed the political and economic reforms needed to sustain robust growth and healthy democratic institutions. They have mostly neglected the region's deep economic inequities and social tensions. Too often, Latin American governments have only grudgingly cooperated with the United States and one another. Some of the region's leaders have turned to populist and anti-American rhetoric to win supporters and votes.

So far, Washington's tattered relations with Latin America have mainly translated into a series of lost opportunities for both sides. At a time when the Bush administration needs partners and allies across the globe, the

United States and its international agenda are discredited in Latin America. Democratic progress is faltering in the region, in large part because of the dismal economic and social performance in country after country. The United States still has a big market in Latin America, with U.S. exports to the region valued at more than $150 billion a year, almost as much as the value of its exports to the European Union. But two-thirds of that goes to Mexico, while Brazil and other South American markets remain relatively untapped in the absence of more productive hemispheric trade arrangements. The burgeoning Hispanic population in the United States is already providing important new links to countries throughout Latin America, but its potential contribution is constrained by Washington's muddled and unworkable immigration rules.

U.S. interests in the region are endangered in other ways, too. Oil and natural gas supplies from politically troubled Venezuela and other energy-rich Andean nations are less secure than ever. Several small and weak states in the Caribbean and Latin America are at risk of becoming permanent centers of drug activity, money laundering, and other criminal operations. Stability is threatened by the upsurge of crime and violence almost everywhere in Latin America. The United States could end up paying a stiff price for the region's economic reversals and unsettled politics. Unfortunately, there are few prospects for a turnaround in U.S.-Latin American relations anytime soon.

SOUTHERN EXPOSURE

At the beginning of his administration, President Bush declared that Latin America would be a priority for U.S. foreign policy. The White House hailed the region's progress toward democracy and market economics and set out to complete the ongoing negotiations for a hemisphere-wide free-trade pact, build broader economic partnerships, and resolve such chronic problems as immigration and drug trafficking. The administration was confident that it could reinvigorate relations with the region's two largest and most influential countries, Brazil and Mexico. In particular, it saw the newly installed government of President Vicente Fox, whose election ended 70 years of one-party rule in Mexico, as a special opportunity to reshape and deepen the relationship.

Five years later, the Bush administration's attitude has changed markedly. U.S. officials have been regularly disappointed by developments in Latin America across an array of issues. Economically, the region has been limping along for years. True, the past two years have brought mostly good news: foreign investment has started flowing in, trade has expanded at a strong pace, family remittances are surging, and inflation remains low. But few analysts are confident that the gains can be sustained. The region's economic improvement is mostly the result of a particularly benign global economy that has boosted Latin America's commodity exports and kept interest rates down, easing the burden of the region's high debt.

Even under these conditions, the growth rates of Latin American countries have trailed those of countries in more dynamic regions. Most Latin American countries are caught in a slow-growth trap, a consequence of the region's low educational standards, paltry investment in technology and infrastructure, pitifully low rates of saving, derisory levels of tax collection, and politically divisive inequalities. In 2004, its best year in two decades, the region's economy expanded by 5.5 percent. In contrast, India has been averaging 6 percent growth annually for 15 years, and China's economy has grown by 10 percent for 25 years.

Even more troubling to U.S. officials has been the evolving political situation. Washington likes to tout Latin America as a showcase for democracy. Democratic politics are still the norm in the region; only Cuba remains under authoritarian rule. But in the past decade, nearly a dozen elected presidents have been forced from office, many by street protests or mob violence. Despite holding elections and plebiscites, Venezuela today barely qualifies as a democracy. The same is true of Haiti, which more and more is coming to resemble a failed state. In Bolivia and Ecuador, fractious politics are reinforced by deep social, ethnic, and regional divisions. In Nicaragua, an alliance of corrupt legislators from the left and the right has so paralyzed the government that next year's presidential election may restore to power Washington's nemesis Sandinista leader Daniel Ortega. And these are not the only countries in the region where democracy is under stress and could deteriorate quickly.

Although a majority of Latin American citizens still consider democracy to be the best form of government, most hold a low opinion of their government and leaders. In many places, the performance of public institutions, tainted by corruption, has been lackluster. Judicial systems in the region are mostly slow moving and unfair. Legislatures operate erratically. Political parties are weaker and less representative than ever. Only a few Latin American countries, most prominently Chile, have bucked the region's discouraging trends and made progress in consolidating democratic politics.

The Bush administration's disillusionment with Latin America goes well beyond the region's economic and political failings, however. Washington has bristled at Latin America's opposition to much of the United States' post-9/11 security agenda. The White House was outraged when Chile and Mexico, Latin America's representatives on the UN Security Council in 2003 and two of Washington's closest allies in the region, opposed a resolution endorsing the invasion of Iraq. In fact, of the 34 Latin American and Caribbean countries, only seven supported the war. Six of them (Costa Rica, the Dominican Republic, El Salvador, Honduras, Nicaragua, and Panama) were engaged in trade negotiations with the United States at the time. And the seventh, Colombia, receives more than $600 million a year in U.S. military aid.

YOU SAY YOU WANT A REVOLUTION

More serious than Latin America's distaste for U.S. policies, however, is the emergence of Venezuelan President Hugo Chavez as a vexing and potentially dangerous adversary. Under Chavez, Venezuela has developed close ties to Cuba and is now generously subsidizing the island's economy. Some in Washington think this support could complicate Cuba's post-Castro transition by helping a repressive regime hold on to power. And there are more immediate concerns. Although the nature of Chavez's involvement remains murky, administration officials are convinced that he is provoking instability in some of the most volatile states in the hemisphere, including Bolivia, Ecuador, and Nicaragua. His alleged links to Colombia's leftist guerrillas and the sanctuary they enjoy in Venezuela also worry U.S. officials.

Furthermore, Chavez's ambitions are not limited to stirring up trouble in a few neighboring countries. He has made clear his intent to forge a wide anti-U.S. coalition in order to replace Washington's agenda for the hemisphere with his own -- one that rejects representative democracy and market economics. So far he is a long way from succeeding: no other government has followed his economic or political lead. Indeed, nearly every Latin American country still sees its future as being linked to the United States and wants to strengthen its relations with Washington. Nonetheless, the United States is alarmed by the prospects that Ortega could take power in Nicaragua and that a radical government could come to power in Bolivia if the left-wing indigenous leader Evo Morales wins the presidential elections in December 2005. has close ties to both leaders and is assisting them financially.

Despite his failure to export his "Bolivarian Revolution" thus far, Chavez, buoyed by enormous oil revenues and virtually unchecked power at home, is working to increase his influence in the region. On his watch, Venezuela has launched Petrocaribe, an energy alliance designed to deliver subsidized oil from Venezuela to the small states of the Caribbean, and begun financing Telesur, a regional news network intended to compete with the BBC's and CNN's Spanish-language programs. Venezuela is nearing full partnership in Mercosur, South America's most important free-trade zone, which also includes Argentina, Brazil, Paraguay, and Uruguay (Bolivia, Chile, and Peru are associate members). And Chavez has proposed the creation of Petrosur, which would be a confederation of the region's state-owned petroleum companies; he has also suggested forming a nuclear energy consortium with Brazil and Argentina and establishing a South American development bank.

Venezuela and the United States have clashed repeatedly at the Organization of American States (OAS) and other regional institutions. Last November, when President Bush and the hemisphere's 33 other elected presidents and prime ministers traveled to Mar del Plata, Argentina, for the fourth Summit of the Americas, violent anti-American demonstrators filled the streets. Chavez was the only head of state to join the protests (although his ally and Bolivian presidential candidate Morales joined him). His raging polemics fired up the crowds and revealed once again his political reach and popularity in the region. Although the other national leaders largely ignored him, the world press gave ample coverage to his antics.

Washington is galled that no government in Latin America has yet been willing to help it challenge Chavez. Even governments closely associated with Washington have some sympathy for the Venezuelan leader's anti-Bush, anti-American polemics. Although from time to time Brazil has helped restrain Chavez, President Luiz Incio Lula da Silva, a staunch democrat, said in the fall of 2005 that Venezuela suffered from an excess, not a lack, of democracy. At last year's meeting of the OAS General Assembly, Latin American diplomats rebuffed a U.S. proposal to establish a committee to monitor democracy in Latin America, which was seen as a U.S. effort to put a spotlight on Chavez's democratic failings. Many regional governments are unhappy with Chavez and his policies, but they are unwilling to risk their commercial and financial relationships with Venezuela or pay the domestic political costs of opposing him.

THE CHINA CARD

Washington also worries about China's growing presence in Latin America, a concern that has already been the subject of congressional hearings. In fact, some members of Congress view China as the most serious challenge to U.S. interests in the region since the collapse of the Soviet Union. They cite the huge financial resources China is promising to bring to Latin America, its growing military-to-military relations in the region, and its clear political ambitions there all as potential threats to the long-standing pillar of U.S. policy in the hemisphere, the Monroe Doctrine.

China's interest in Latin America is significant and expanding. The region has become a vital source of raw materials and foodstuffs for China. In the past six years, Chinese imports from Latin America have grown more than sixfold, or by nearly 60 percent a year. Beijing also faces a major political challenge in the region: of the 26 countries that recognize Taiwan, 12 are in Latin America or the Caribbean. China is intent on reducing that number through aggressive diplomacy and increased trade, aid, and investment.

Bush administration officials have watched China's growing commercial and political engagement in the region closely. Chinese President Hu Jintao traveled to Latin America twice in the past two years, spending a total of 16 days there. The White House could not have missed the warm welcome he received in the five Latin American countries he visited, the concessions the host governments offered him (such as the quick granting of "market-economy status" to China), and the enormous expectations his presence created of major Chinese investments in roads, ports, and other infrastructure. Hu's trips have been reciprocated by a long series of visits to China by Latin American heads of state, economic officials, and corporate leaders.

Many people in Latin America look to China as an economic and political alternative to U.S. hegemony. Although officials in some of these countries are concerned that China, with its lower manufacturing costs, will cut into their sales, profits, and investment, others (mainly South America's food- and mineral-producing nations) largely see China as a major potential partner for new trade and investment. Brazilian leaders, including President Lula, have said they want to establish a strategic relationship with Beijing that might involve trade in high-tech products, mutual support in international organizations, and scientific and cultural collaboration. Interestingly, the recent advances of China (and India as well) have prompted some Latin Americans to examine their own economic and political development, producing a new wave of self-criticism about the region's stumbling performance in recent years and intense discussion about what can be learned from the success of some Asian countries.

It is too early to predict what China's longer-term influence on Latin America will be. Chinese trade with Latin America, for instance, may be expanding rapidly, but it still amounts to less than ten percent of U.S. trade with the region. Some of the Latin American countries that were the most eager to forge strong links with China are now having second thoughts. At the time of Hu's November 2004 visit, Argentina and Brazil forecast huge increases in Chinese investment in both countries. Less than a year later, the two governments acknowledged that China's actions had fallen short of their expectations and said they were now eager to stem escalating Chinese imports. Brazil's foreign minister, Celso Amorim, complained that their "expectations were greater. ... Investment is coming slowly." In fact, it has barely come at all.

China is still a long way from threatening or even really competing with the influence of the United States in Latin America. But as in other parts of the world, China is pragmatically and aggressively seeking economic and political advantages there. A few commentators have suggested that with its strong ties to Cuba, growing interest in Venezuela, and presence in Panama, China represents an emerging security risk to U.S. interests in the hemisphere. Most analysts, however, doubt that any of China's initiatives in Latin America will provoke a confrontation with the United States. They point to Beijing's general caution in its relations with Washington, China's recognition of the preeminence of the United States in Latin America, and the far greater importance China assigns to other items on its agenda with the United States.

For its part, Washington is watchful but unalarmed. In testimony before Congress in 2005, then Assistant Secretary of State for Western Hemisphere Affairs Roger Noriega was sanguine about China's budding relationship with Latin America, while also noting, "We will be attentive to any indication that economic collaboration will feed political relationships that could run counter to our key objectives for the region." If Beijing and Washington do spar, it will be over issues that are more important to both of them, such as Taiwan, North Korea's nuclear weapons, and their continuing trade and economic disputes.

AT ARM'S LENGTH

Disappointment with the U.S.-Latin American relationship is a two-way street. Anti-Americanism has surged in every country in Latin America. People in the region, rich and poor, resent the Bush administration's aggressive unilateralism and condemn Washington's disregard for international institutions and norms. A recent Zogby poll of Latin America's elites found that 86 percent of them disapprove of Washington's management of conflicts around the world. Only Cuba and Venezuela are openly hostile toward the United States, and most Latin American governments continue to seek close ties with the United States, including free-trade arrangements, immigration accords, and security assistance -- even though many of them no longer consider the United States to be a fully reliable partner or want to be Washington's ally. The region's leaders are well aware of the overwhelming political and economic strength of the United States and are pragmatic enough to work hard to maintain good relations with the world's only superpower. But they view the United States as a country that rarely consults with others, reluctantly compromises, and reacts badly when others criticize or oppose its actions.

For many in the region, Washington's championing of human rights and democracy now rings especially hollow. Most Latin Americans were dumbfounded by U.S. actions at Abu Ghraib and Guantnamo Bay. The U.S. government has long scolded Latin American countries for their violations of human rights and their shabby judicial procedures, but it suddenly seemed to be playing by a different set of rules when its own security was at stake. Latin Americans, mindful of what have often been devastating U.S. military actions in the region, have never been comfortable with unilateral U.S. interventions and have steadfastly resisted the use of force to promote democracy. Washington's initial enthusiasm for the short-lived April 2002 coup against the freely elected Chavez government raised questions in virtually every country in Latin America about the sincerity of the Bush administration's commitment to democracy. So did Washington's pressuring President Jean-Bertrand Aristide to leave Haiti in 2004.

What the majority of Latin American countries most want and need from the United States are productive economic ties, such as the free-trade agreements Washington concluded with Chile in 2003 and the countries of Central America and the Dominican Republic in 2005. These will bring sizable benefits to the countries involved, and they have kept the U.S. trade agenda active even as the negotiations for a free-trade area in the Western Hemisphere remain stalled. But Washington can do better. In the recent past, Latin Americans have particularly welcomed four U.S. initiatives: the Brady debt-relief plan, introduced in 1989; President George H.W. Bush's 1990 proposal for a hemisphere-wide free-trade area; the 1993 adoption of NAFTA, which prompted negotiations over the proposed Free Trade Area of the Americas (FTAA); and the rescue of the Mexican peso in 1995. There has been no U.S. economic initiative in Latin America of similar magnitude for the past decade.

Most Latin American governments want to negotiate free-trade accords with the United States. Knowing the trade politics of Washington, they are even prepared to accept conditions they consider to be less than fully fair or balanced. Still, they resent Washington's unwillingness to compromise on most issues, such as the trade-distorting support payments the U.S. government makes to U.S. farmers, harsh U.S. antidumping rules, and Washington's demands for new standards of intellectual property protection. Sky-high tariffs and quota limitations on sugar, orange juice, cotton, and many other high-volume Latin American exports make the United States seem ungenerous and breed cynicism about Washington's advocacy of free trade.

Another sore point, particularly for Mexico, Central America, and the Caribbean, but also for an increasing number of South American countries, has been U.S. immigration policy, which has remained basically unchanged for two decades. Latin Americans see immigration as a solution both to their own high unemployment and low wages and to the huge demand for workers in the United States. They argue that the United States should accept larger numbers of immigrants. Instead, Washington has stiffened enforcement measures at its borders, an action that has not reduced illegal immigration but has raised the costs and risks of entering the United States and kept many immigrants in the underground economy, where exploitation is common. Worse, state and local governments in the United States are increasingly implementing harsh anti-immigrant initiatives, and armed civilian volunteers occasionally take it upon themselves to patrol the U.S.-Mexican frontier to keep immigrants out. A related issue concerns the U.S. practice of deporting convicted felons, including naturalized U.S. citizens, to their countries of origin, where many join extraordinarily vicious street gangs. All of this generates extensive press coverage in Mexico and other countries that send immigrants to the United States, making it appear that the United States is becoming increasingly anti-Latin American.

Perhaps what most troubles Latin Americans is the sense that Washington just does not take the region seriously and still considers it to be its own backyard. Less than a week before 9/11, President Bush made the stunning declaration that the United States' most important relationship worldwide was that with Mexico. No one was surprised by the dramatic shift in U.S. priorities in the aftermath of the attacks toward a reemphasis on security and the Middle East. But the virtual exclusion of Mexico and the rest of Latin America from the U.S. foreign policy agenda was brusque and unexpected. Today, Washington seems to notice only those developments in Latin America that look like direct challenges to its own interests, such as the growing influence of Chavez, the expanding presence of China, or the reemergence of Ortega. On issue after issue, Latin American officials feel they are not consulted, and when they are, they sense that their views carry little weight with U.S. decision-makers.

A VERY LONG ESTRANGEMENT

There is little reason to expect that U.S. relations with Latin America will improve soon. More likely, they will get worse. The region will remain peripheral to the central concerns of U.S. foreign policy, which are the war against terrorism, securing and rebuilding Iraq, the Arab-Israeli conflict, and nuclear proliferation. With new presidents scheduled to come to power in nearly a dozen Latin American countries over the coming year, some important political shifts will certainly occur. But many conditions in Latin America are unlikely to change much. At best, the region will sustain its recent modest economic growth, but it will not offer the trade and investment opportunities that U.S. businesses find in Asia and central Europe. Latin America's social and political tensions will persist, and much of the region will remain alienated from the United States. Chavez is likely to continue his adversarial stance toward the United States for some time, and it may get even stronger if he further consolidates power at home and continues to earn and spend Venezuela's enormous oil profits. The elections in Nicaragua and Bolivia may even provide him with new allies.

Still, there are some U.S. policy initiatives that could improve hemispheric relations. What Latin American governments consistently press hardest for are changes in U.S. farm policy that would lower barriers to the region's food and fiber exports. In particular, they want cuts in U.S. subsidies to agricultural producers and reductions of tariffs and quotas on key commodities. These changes would not only increase Latin American exports and create jobs, but they would also revive negotiations toward the proposed FTAA and open the way to more secure access to U.S. trade, investment, and technology -- precisely what the region desires from its relationship with the United States. Such reforms would also end many bitter disputes with Brazil and Argentina, the region's largest agricultural exporters. The Bush administration basically supports this agenda and has taken the lead in the Doha Round of multilateral trade talks to push for an accord that would require Europe, Japan, and other governments, as well as the United States, to lower subsidies and other barriers. But powerful U.S. agricultural producers and their representatives in Congress make it impossible for the United States to reshape its farm policy on its own. On this front, Washington has refused to make even the smallest unilateral concession to Latin America.

For many Latin American countries, especially Mexico, U.S. immigration policy has become the most important issue in their bilateral relations with the United States. U.S. and Latin American policymakers largely agree on the basic principles that should guide a new U.S. approach to the issue -- including a substantial increase in the number of temporary workers granted lawful entry to the United States, the development of procedures for some undocumented immigrants to earn legal status, and the effective enforcement of any new legislation. President Bush has called for immigration reform essentially in accord with these principles. Yet disagreements over actual policies have so deeply divided Congress and the U.S. public that the chances are slim that any changes, besides more intense enforcement of existing laws, will be enacted. The weakening of the Bush presidency in recent months has made immigration reform even less likely.

Nearly all Latin American governments would welcome U.S. aid to accelerate their countries' economic and social progress. The Bush administration has made available modest amounts of new development financing for Latin America through the Millennium Challenge Account. But the program is designed to assist well-governed but very poor countries, and because Latin America's income levels are relatively high, only a few states in the region are likely to be eligible. Latin Americans often unfavorably compare the United States with the EU, which has transferred resources from wealthier to poorer regions of the continent on the premise that more equitable growth across the EU would benefit all of its members. But Washington has long preferred "trade not aid," viewing hemispheric free-trade arrangements as the best mechanism to boost Latin America's development because they not only expand trade but also attract foreign direct investment and foster wide-ranging reforms. In any event, with U.S. budgets now stretched thin by the Iraq war, the aftermath of Hurricane Katrina, and tax cuts, it is fanciful to contemplate larger aid flows to Latin America.

In short, the United States is in no position to pursue any of the initiatives that would address Latin America's priorities. Even if the administration were able to revamp U.S. policies, it is uncertain whether the region's governments would be prepared to strike the kind of bargains needed to secure the support of the U.S. Congress and the American public for the proposed changes. Any U.S. trade concessions on agriculture, for example, would require Brazil and other countries to drastically reduce their barriers to U.S. exports of food, manufactured goods, and services and accept stringent standards on copyright and patent protection. But successive Brazilian governments have never said whether they would accept these conditions. It is also uncertain whether Washington could count on the Mexican government's assistance in enforcing border controls in exchange for a substantial liberalization of U.S. immigration laws. Similarly, many Latin American governments might not want increased U.S. development and antipoverty support if, as is the case with EU support for its members, such assistance came with requirements for higher taxes and an array of new budget and financial rules.

Although U.S. relations with Latin America are at a low point and the prospects for improvement in the short term are not good, not all the news is bad. The United States and Latin America share many values and are still cooperating on many issues. Some bilateral relationships are remarkably strong. Washington has maintained an unusually productive relationship with Colombia over the past half-dozen years. U.S. aid programs, initially propelled by domestic concerns about increased drug trafficking, have helped make Colombia more secure and have strengthened the authority of its government. Similarly, Chile continues its exceptional economic and social progress, and its democracy has become more robust. Since 2004, when Chile's free-trade pact with the United States went into force, U.S.-Chilean trade has soared, further reinforcing the two countries' genuinely respectful and valued relationship (all despite Chile's opposition to the war in Iraq). At the United States' request, over the past year Brazil has led some 7,500 peacekeepers (mainly from Latin America) in Haiti, helping reestablish security and order there as the country prepared for elections in December.

Despite their disagreements and dissatisfaction with U.S. policy in the region, most governments in Latin America want to strengthen their relations with Washington. But the Bush administration has demonstrated neither the determination nor the capability to pursue policies in the Americas that would mobilize the support of the other nations of the hemisphere. Latin American countries, divided among themselves, are by no means clamoring for a renewal of hemispheric cooperation. Chavez's antics at the Summit of the Americas in November 2005 obscured the real tragedies of the gathering -- that is, how little the leaders accomplished, how badly the hemispheric agenda has unraveled, and how deeply divided the countries of the Americas are. Despite enthusiasm in the region for economic partnership, Latin Americans' fundamental ambivalence toward the United States' foreign policies has forcefully reemerged.

The costs of this impasse may be high for both the United States and Latin America. Another financial crisis in Argentina or Brazil could have global ramifications. So would a political confrontation in oil-rich Venezuela and or an intensification of the armed conflict in Colombia. Greater regional integration and political cooperation could benefit all the countries of the Western Hemisphere, as they have in Europe. But the United States and Latin America have demonstrated neither the will nor the ability to travel that road together.