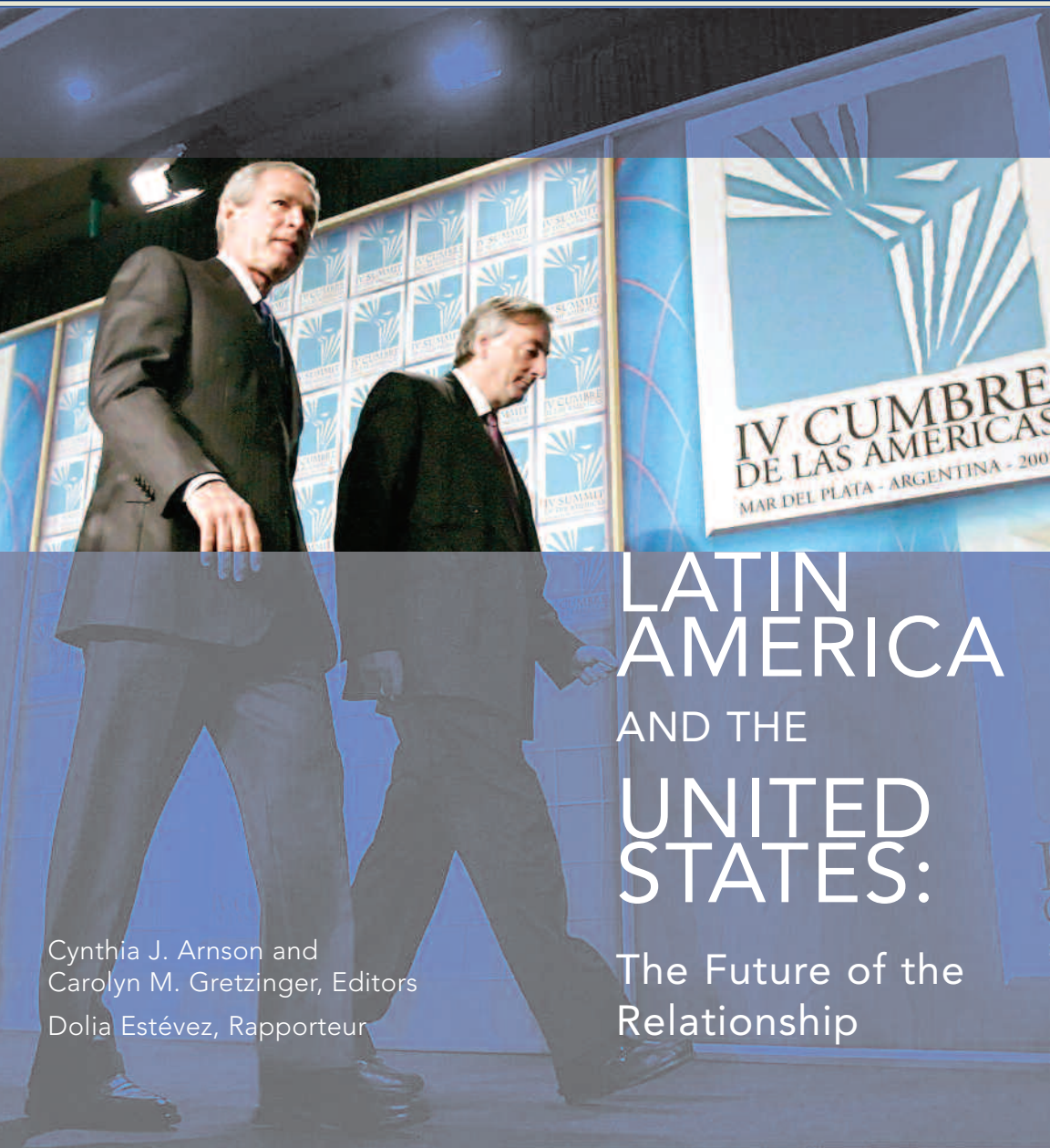




Woodrow Wilson
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Latin American Program



COUNCIL OF THE
Americas



LATIN AMERICA AND THE UNITED STATES:

The Future of the
Relationship

Cynthia J. Arnson and
Carolyn M. Gretzinger, Editors
Dolia Estévez, Rapporteur

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August 2006

Cover: U.S. President George W. Bush and Argentine President Néstor Kirchner at the Fourth Summit of the Americas, Mar del Plata, Argentina, November 2005.

CONTENTS

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INTRODUCTION AND OVERVIEW	1
PANEL ONE	5
PANEL TWO	9
CLOSING	13
FORUM PARTICIPANTS	15

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INTRODUCTION AND OVERVIEW

The Council of the Americas, the Council of American Ambassadors, and the Woodrow Wilson International Center for Scholars co-sponsored the forum *Latin America and the United States: The Future of the Relationship* on April 25, 2006. The purpose of the program was to explore key issues in the U.S.-Latin America relationship amid growing political and economic challenges for U.S. policy in the region.

Two panels of leading experts, including former senior government officials, policy analysts and practitioners, and opinion leaders offered Latin American and U.S. perspectives on the areas of greatest convergence and divergence in the relationship now and in the future (Please see page 15 for the list of participants).

The forum took place at a time of tremendous flux in Latin America and the U.S.-Latin America relationship. Some of the change may be explained by the pace of presidential succession in the region, with about a dozen elections taking place between November 2005 and the end of 2006. Differing degrees of economic integration with the United States—between countries that have concluded free trade agreements with the United States and those that have not—have led some to point to ever sharper divisions between North and South America, a dynamic fueled by Venezuela’s mid-year accession to the Mercosur trading bloc formed by Brazil, Argentina, Uruguay, and Paraguay. Meanwhile, progress toward the creation of a Free Trade Area of the Americas (FTAA) remains halting if not altogether stagnant.

If the quantity of U.S. foreign policy attention to Latin America has declined amidst ongoing crises in Iraq, Afghanistan, and the Middle East, the quality of the relationship has also deteriorated on many fronts. The war in Iraq and associated policies have driven a wedge between the United States and most countries of the Western hemisphere. The anti-terrorist

emphasis of U.S. foreign policy following the terrorist attacks of September 11, 2001, is not accorded the same priority throughout the region, with the exception, perhaps, of Colombia. An embrace throughout most of the hemisphere of democracy and democratic governance similarly cannot mask widely different perspectives on anti-narcotics policy and illegal immigration, two other U.S. priorities. Several panelists argued, however, that the deterioration in U.S.-Latin American relations is a shared responsibility. U.S. policymakers have been disappointed by the failure of Latin American governments to support U.S. positions internationally or to engage the United States on various issues of concern to Washington. In the U.S. view, countries of the hemisphere have given short shrift to the erosion of liberal democracy under Hugo Chávez in Venezuela, and have failed to exercise parallel leadership toward the achievement of an FTAA.

Common wisdom, and particularly U.S. journalistic coverage of Latin America, has pointed to the region's "shift to the left" and the re-emergence of populism as sources of renewed friction between the United States and its neighbors. For some, the United States' erratic handling of oil-rich Venezuela demonstrates the failure to understand the transformation in Latin America's political landscape and therefore, the failure to engage constructively with other democracies in the region. Others, however, have argued that political labels are not very useful in explaining either the domestic or foreign policies of key Latin American countries. More important, these analysts claim, is that democratic consolidation and trade liberalization remain the dominant trends in the region. Similarly, political developments—particularly electoral outcomes—in Latin America have been attributed to the fraying of the "Washington Consensus" and the failure of market reforms to achieve a reduction in poverty and inequality. Still others have questioned the degree of elite and popular repudiation of liberal reforms, attributing populist trends and resurgent nationalism over natural resources to a global and cyclical spike in commodity prices.

The range of views expressed in this document represents in microcosm some of the broader intellectual currents and debates shaping U.S. relations with countries of the Western hemisphere. It is surely an understatement to say that few dispute the need for improvement in the quality of the U.S.-Latin American relationship. How to achieve that amidst deep asymmetries within the region and between the region and the United States is a key question. Part of the answer, for both the United States and Latin American countries, no doubt lies in demonstrating greater sensitivity to

each others' domestic priorities as well as the way that domestic politics shape foreign policy options and constraints. Only then can the countries of the hemisphere define and work diligently toward the achievement of shared foreign policy goals.

Cynthia J. Arnson
August 2006

PANEL ONE

Ricardo Hausmann argued that there is a connection between high commodity prices and the shift toward populism in Latin America.¹ He contrasted the current “spirit of the times” with the period between 1999 and 2002, when Latin America suffered a deep recession and nations lost enthusiasm for structural economic reforms. As a result, the region experienced an anti-reform backlash.

Since 2002, Latin America has been in a recovery phase, brought about in part by higher commodity prices and the lower cost of financing. In explaining the shift toward populism, Hausmann maintained that the average Latin American voter will choose a candidate who guarantees economic stability and a good investment climate when the economic situation is difficult and investment opportunities are limited. However, when commodity prices are high, there is a tendency to forget about future growth and seize current assets and reassert a nationalist agenda. He cited the case of Argentina which privatized its state oil company, Yacimientos Petrolíferos Fiscales (YPF), in the early 1990s when petroleum prices were low. In today’s market, in which a barrel of oil is selling for over \$60 thus increasing the value of YPF’s assets, the Argentine government is keenly interested in re-nationalizing the company.

In addition to the domestic implications, Hausmann warned that countries which benefit from high commodity prices may be emboldened to project their influence internationally. Venezuela, for example, could use its petrodollars to thwart U.S. efforts to deny Venezuela a non-permanent seat on the U.N. Security Council. However, he continued, the full consequences of increased commodity prices for resource-rich countries and their global activities are not yet known.

Hausmann also asserted that the U.S. declaration of victory in the Cold War has been ephemeral in Latin America. For a time, Fidel Castro was weakened but not defeated. He now has new allies. Hausmann alluded to

what he called a “new kind of Cold War,” which eventually could lead to a split between the moderate left and the radical left in the region. In the former group, he counted Presidents Luiz Inácio Lula da Silva of Brazil and Michele Bachelet of Chile, with Cuba’s Fidel Castro, Venezuela’s Hugo Chávez, and Bolivia’s Evo Morales in the latter.

Hausmann recalled that during the Cold War with the Soviet Union, the United States did have a policy toward Latin America, exemplified by the Alliance for Progress and support for international financial institutions such as the Inter-American Development Bank. Now, he said, the United States has no effective strategy for the region.

Characterizing the state of U.S.-Latin American relations as a “mixed bag,” **Carl E. Meacham** outlined progress and challenges in the four major areas that define the relationship: immigration, trade, energy and narco-trafficking. He indicated that the United States must change the perception that Latin America is last on its list of priorities. One way to accomplish this, he suggested, is to develop a common agenda that takes into account issues of concern for Latin America, such as poverty reduction and job creation. The challenge for the United States is to develop a pragmatic approach that meets Latin American expectations and recognizes U.S. political and budgetary constraints. A key question is how to help other countries further their interests while also identifying those that can help the United States further its own.

Meacham outlined five priorities for U.S. policy in the region:

- Develop a closer economic partnership with Mexico, with an eye toward improving wages to help curb immigration flows.
- Strengthen the political relationship with Brazil, given its influence in the region.
- Clearly define the terms and expectations in the relationship with Venezuela. The stakes are higher in light of Venezuela’s role as a major U.S. oil supplier. A suspension of oil shipments is a real possibility in order to influence U.S. mid-term elections.
- Enhance the relationship with Chile, which has reduced poverty and created jobs through market-based policies. The United States should do more to promote the Chilean model of market success.

- Bolster the U.S. image in the region by allocating more resources for public diplomacy. Improving the U.S. image would make it easier for Latin American governments to work with Washington in pursuit of common goals.

Meacham concluded that while Latin America deserved a more expansive U.S. approach, it remains a low foreign policy priority.

Paulo Sotero responded to Carl Meacham’s call for more vigorous U.S. public diplomacy, arguing that no effort to improve the U.S. image in the region would be successful if the United States were still conflicted over whether or not to torture suspects captured in the war on terror. Straying from U.S. values—and from what Latin Americans believe to be U.S. values—could not be countered by public relations campaigns. The United States has lost credibility as a result of the war in Iraq and the Abu Ghraib scandal, Sotero said, but if any candidate in Brazil attempted to sound an anti-American theme to win votes, he would lose. That is because Brazilians see their problems as Brazilian in origin and do not blame the United States.

The greater cooperation between the United States and Brazil that began under Presidents Clinton and Cardoso has continued into the Bush and Lula period. Although Bush and Lula come from different political backgrounds, they have a respectful, correct relationship, and business interests in both countries have pushed their respective governments to improve relations. Good relations between the United States and the hemisphere begin, however, with Mexico. How the immigration debate unfolds in the United States will have an enormous impact on perceptions of the United States throughout the hemisphere.

Sotero lamented that U.S.-Latin American relations are dominated by the headlines and by the U.S. conflict with Venezuelan President Hugo Chávez in particular. The U.S. reaction to Chávez is reminiscent of the Cold War, Sotero stated, but democracy, not ideology, is what most defines the hemisphere. Democracy and free elections sometimes produce leaders such as Evo Morales in Bolivia. Given its extensive investments in Bolivia, however, Brazil is probably much more concerned about Morales than the United States is.

U.S. protectionism is growing, even among liberals, and is driven by legitimate security concerns. The World Trade Organization negotiations in Doha, he noted, will be key in defining the trade debate in the United

PANEL TWO

States, but most politicians do not want to debate trade in an election year. When and if the Doha negotiations are finally concluded, discussion of the Free Trade Area of the Americas (FTAA) may be resurrected, providing an important signal for the region.

Sotero emphasized there is room for greater cooperation between Brazil and the United States on energy; Brazil could be an important partner in reducing the U.S. dependence on oil by exporting its state-of-the-art technology to produce ethanol. Even though immigration issues are more important for Mexico and Central America, Brazil could also be an important partner on immigration. Turning to security issues, Sotero described U.S. counternarcotics policies as totally bankrupt and unlikely to succeed in the long run. With respect to the Triple Frontier area between Brazil, Argentina, and Paraguay, Sotero maintained that there was little hard information to substantiate claims that Middle Eastern terrorists were active. The government is unwilling to discriminate against Brazilians of Arab descent on the basis of intelligence that Sotero likened to the U.S. insistence that Saddam Hussein was building weapons of mass destruction.

Sotero concluded that no significant changes in U.S.-Latin American policy are likely in the near future. He went so far as to maintain that Latin Americans prefer it when the United States does not have a policy, given how complicated some policies have been in the past.

1. During the discussion period, several audience members challenged this proposition, suggesting that the populist shift has more to do with domestic politics and the internal dynamics of reform and counter-reform than with the price of commodities.

Former National Security Council staff member **Richard Feinberg** argued that the Bush administration's global policies, the invasion of Iraq, the prisoner abuse scandal, and the "politization of counterterrorism," have had a profound and deleterious impact on U.S. credibility in the Western hemisphere. He said that the Bush administration's "blindness" to poverty and social concerns had driven a wedge between Washington and center-left governments in the region while the Democrats' contrary position on the Central American Free Trade Agreement (DR-CAFTA) very much tarnished their image in Latin America as well. These causes of divergence are not likely to fade in the near future.

Feinberg acknowledged, however, that Washington is not solely responsible for the deterioration in U.S.-Latin America relations. Brazil, for example, has kept the United States at arms' length when it should have been in the lead in negotiating a free trade agreement. Brazil's failure to exercise leadership—to take risks or commit resources in pursuit of foreign policy goals—is reflected in the crumbling of Mercosur and the absence of trade agreements with the European Union, the Andean nations, and Mexico. Mexico, which had been exercising leadership, was now retreating into a "protective porcupine shell."

Feinberg questioned whether Latin American countries themselves were interested in multilateralism—whether, for example, such countries as Brazil, Mexico, and Argentina were willing to commit sizable financial resources for the Organization of American States to improve its functioning. He also wondered aloud whether Latin American countries would discard the quota system in the Inter-American Development Bank and instead put money behind quality programs and fully implement the Millennium development goals. With respect to trade, given that Latin

Americans have blocked proposed environmental and labor safeguards in free trade agreements, Feinberg again questioned the willingness of Latin Americans to put in place progressive measures.

Feinberg identified as a key paradox the fact that Latin America is increasingly integrated at the same time that political fragmentation in the hemisphere has also increased. In elaborating on the political landscape in the region, Feinberg identified three types of regimes: “efficient modernizers” such as Mexico, Colombia, Peru, and the countries of Central America and the Caribbean; “social democrats” represented by Lula’s Brazil or Bachelet’s Chile; and “impetuous populists” in Venezuela and Argentina. Despite media coverage, the “impetuous populists” are still a small minority. Overall, he said, moderate, center-right and center-left governments still dominate. Brazil and Mexico, the countries that matter the most to the United States, are “maturing democracies.” That, Feinberg said, is the main story, not the election of Evo Morales in Bolivia.

Generalizations about the region are less relevant than ever, according to Feinberg, suggesting the need for an adjustable and multi-leveled U.S. policy approach. Continued market integration and democratic consolidation remain the trends, he said, even though there is greater differentiation among the nations of the hemisphere.

Jorge G. Castañeda concurred that there is shared responsibility for the “serious deterioration” in U.S.-Latin American relations, yet he could not recall a previous era of so much anti-Americanism in the hemisphere and so many outstanding bilateral issues.

Castañeda distinguished between what he called the “right left” and the “wrong left,” arguing that the Bush administration does not differentiate between the progressive reformers and the irresponsible populists such as Hugo Chávez. He also said that it is not clear to Latin American governments that there is an advantage to being a friend of the United States as opposed to a vociferous foe. He cited the case of Mexico, where Vicente Fox tried to change Mexico’s outlook towards the United States. When he was rebuffed by the United States, Fox was “lynched domestically” because he “went out on a limb” and got nothing in return.

Castañeda outlined several proposals to address the deterioration in relations. First, he advocated the creation of a new joint U.S.-Latin American Commission, similar to the Rockefeller Commission or the Kissinger Commission, to be appointed by President Bush and co-chaired by former Presidents George H. W. Bush and William Clinton. The Commission’s

purpose would be to generate ideas on how to improve the relationship. Insisting that Latin American participation in this Commission was absolutely essential, Castañeda proposed former Presidents Ernesto Zedillo of Mexico, Fernando Henrique Cardoso of Brazil, and Ricardo Lagos of Chile, as ideal candidates. He emphasized that these leaders know how to govern responsibly and how to manage relations with the United States. Moreover, they have authority in their own countries and immense prestige in the United States and around the world. Castañeda cautioned, however, that without support from the Bush administration, the initiative would not move forward.

Second, the United States and Latin America should work together to strengthen the international agreements on human rights, democracy, trade, environment, and labor that have been put in place over the years. Ensuring compliance with these agreements, including the Inter-American Democratic Charter and other international treaties, is an effective basis for relations, particularly as they relate to the “wrong left.” Pointing out Chávez’s violations of these agreements—rather than picking a fight with him—is a better approach.

The third proposal relates to bilateral issues. Castañeda indicated that the United States and Brazil should find ways to tackle their strong differences over trade and agricultural subsidies. For Mexico, immigration remains the single most important issue on the bilateral agenda with the United States. An effective reform of immigration laws would have an enormous impact not only in Mexico but also in Central America and the Caribbean. Politically, such a reform would constitute a plus for Fox, helping him to finish his administration on a high note and strengthening the chances for continuity in the July 2006 Mexican presidential elections.¹

Bob Davis argued that U.S. indifference to Latin America and the U.S. fear of acting were worsening anti-Americanism in the region. He suggested that Latin America simply did not matter enough to U.S. policymakers and speculated that the region would only attract more attention when economic growth rates were higher. He offered two explanations as to why the U.S. press focused so much attention on the region’s “populist turn.” One was that it was new; a second reason was that, in Davis’ view, Latin America is the only region in the world where market-led globalization remains a contested issue, where politically-relevant groups and leaders are saying ‘we don’t want this.’ On trade, Davis held that the free trade agreements were largely one-sided in favor of the United States.

Davis agreed with Jorge Castañeda about the importance of immigration reform, but argued that it will not solve immigration's underlying cause, i.e. the “extraordinary failure” by the Mexican and Central American governments to create enough economic opportunities at home to keep people from leaving in the first place.

1. Mexico held presidential elections on July 2, 2006. Felipe Calderón of the ruling National Action Party (PAN) was declared the winner, with a margin of roughly half a percentage point. As of this writing in August 2006, the election results were still being contested by the opposition candidate, Andrés Manuel López Obrador, of the Democratic Revolutionary Party (PRD). [Ed.]

Julia Sweig argued that the disconnect between American power and American influence is derived from what she called the “80/20 dynamic,” by which political elites in the United States, i.e. foreign policy scholars, elected officials, opinion leaders, etc., talk only with their counterparts, i.e. foreign policy and domestic elites in Latin America, to the exclusion of the majority of the population. She cited the “Chalabi effect” whereby U.S. policymakers based much of their 2003 decision to invade Iraq on information provided by Ahmed Chalabi and his Iraqi National Congress.

Her new book, *Friendly Fire: Losing Friends and Making Enemies in the Anti-American Century*, uses Latin America's experience with American power as a point of departure to consider other countries' cases and how “one President and one war could so galvanize global public opinion against the United States.” In Sweig's opinion, the recent period of “abysmal” U.S. relations with Latin America coupled with the changes in the region, i.e. more open societies and a deepening of democracy, have demonstrated that the United States must pay more attention to the domestic politics of these nations in a way that it has not done heretofore. Sweig noted that it is paradoxical that the United States, a country with so much power and access to technology and so many resources, is increasingly detached from the domestic politics of other nations.

Sweig also stressed that “who we are and what we do at home” does matter. It might be that most policy choices Latin American governments and civil societies make are domestic ones, but for the United States in the 20th century—“the American Century”—our “cachet” had to do not only with the policies that the United States pursued abroad, but also with who we were at home. The United States domestically was following a progressive trajectory, broadening the political tent and developing a middle class

meritocracy. The erosion of that meritocracy absolutely does matter in terms of the U.S. image and how it is projected abroad. She warned that unless the United States puts its own house in order, the capacity to be a model abroad will continue to decline.

Sweig concluded by emphasizing that she was encouraged by the dialogue on Latin America-U.S. relations that is underway. She agreed with Castañeda's proposal to create a U.S.-Latin America Commission and called for its implementation even in the absence of a Bush administration endorsement.

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