

US–Latin American Relations: A Tour d’Horizon, Mid-2010

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Since the Obama administration took office the relations between the US and Latin America have improved in several respects. But there are also disturbing developments.

On the Positive Side

Haiti

The rapid response of the US to the humanitarian crisis in Haiti has been impressive. It might be worth mentioning that the US and Brazil appear to be working closely together. But here a note of caution is in order – the US should not be seen as the key driver or dominant actor. This role should rather be taken over by Brazil.

The Summit of the Americas

The decision by President Obama to participate in the 2009 meeting in Trinidad and Tobago was greeted enthusiastically by the governments in the region – even that of Venezuela! It was taken as a welcome signal to the region that the US had turned a corner from the previous administration in seeking discussion and conversation rather than lecturing. But the sense that an opportunity has been lost due to the lack of follow-up pervades the hemisphere. Although there is time to recapture the spirit of the meeting, continued perceived inaction on the part of Washington will quickly neutralize the good will that the US gained with the President’s visit to the Caribbean. In this context, the visit of the Secretary of State to the region in March 2010 should be seen as a decision in the White House to make up for lost time.

Cuba

President Barack Obama's decision to close the Guantanamo Bay detention facility was met with enthusiasm, as was the decision by the White House to lift restrictions on remittances from Cubans in the US to their families on the island. As part of that decision, Cubans were permitted to visit Cuba for the first time in decades. Also certain to resonate very positively would be efforts by the US administration to further reduce the scope of the embargo against Cuba. For many years I and many specialists have believed that the greatest tool the US has to move the island towards a democratic transition is to lift the embargo and allow people and goods to flow freely. I doubt the communist regime would survive very long, as presently constituted, if that were to happen.

Brazil

With the signing of a Brazil–US military agreement on April 12, 2010, the first since 1977, military and security cooperation should improve. The main goal of the agreement is to promote cooperation in research and development, logistical support, technology security, acquisition of defense products and services, and engagement in combined military training and joint military exercises. While the treaty does not entail major practical shifts in the military relationship, it may pave the way for a significant increase in negotiations between the two countries' arms industries.

Chile

The offer of Secretary of State Hillary Clinton in Santiago, Chile, to provide assistance to that government after a devastating earthquake also deserves recognition.

Challenges and Mistakes

Honduras

Many of the countries in the region believe the decision of the US to recognize the newly elected government of Honduras without the return to the country of former President Manuel Zelaya was wrong. The US

was slow to understand the deep concern in the region with regard to a military coup d'état. For centuries, the region has been marked by painful and often bloody military action to remove civilian governments from power. For most of the states in the hemisphere, the Honduran incident re-opened old wounds. The ineffectiveness of regional organizations like the Organization of American States (OAS) was duly noted throughout the hemisphere. Some governments sought to use the coup shamelessly for domestic political purposes. Efforts at mediation by Costa Rica failed. The US has been reluctant to recognize the violence that took place in the country after the installation of the interim President. Honduras held national elections on November 28, 2009, and the elections have been recognized as clean and transparent. In her recent visit to Central America the Secretary of State called for the recognition of the new government. The US must now exercise great restraint but active diplomacy to restore Honduras to the OAS and to have the new government recognized as legitimate. This is a complicated task but one that needs to be given high priority.

Troops in Colombia

The decision to station US troops in Colombia, after losing access to bases in Ecuador, has raised suspicions about US intentions. It emphasized the belief that Washington cared only about the war on drugs and the fight against terrorism. The stationing of troops, combined with the strong financial commitment of the US through »Plan Colombia« to support Bogotá in its war against terrorists and drug cartels is controversial in the region. It is important to recognize that external forces have apparently worked incessantly to provide support to the guerrillas in Colombia. This deserves to be condemned in no uncertain terms by the US and all of the states in the hemisphere. However, the fact remains that there is a widespread belief in the region that it is the demand for drugs in the US and Europe that drives the crisis. The demand for drugs is, without a doubt, an issue that deserves greater attention, perhaps more than that of their supply.

Brazil, Iran and UN Sanctions

The issue of sanctions on Iran, a very high priority for the Obama administration, has been met by skepticism, particularly in Brazil, currently a

member of the UN Security Council, where sanctions will need to be endorsed. This is a complicated and increasingly conflict-fraught issue between Brasilia and Washington. For Brazil, Iran is a significant trade partner. Bilateral trade between the two countries reached approximately 1.25 billion US dollars in 2009, a 40 percent increase since 2003, when President Lula took office. Brazil's top exports to Iran are sugar and beef; Iran sends petrochemicals and auto parts to its counterpart. The National Iranian Oil Company has granted Brazil's state oil company, Petrobras, the right to explore offshore oil reserves and drill in the Caspian Sea. Today, Iran is a major oil exporter. Brazil, when it has developed its pre-salt petroleum and natural gas reserves off its southeast coast, will become an energy giant and potential member of OPEC. The two countries have maintained diplomatic relations for decades. In the early 1990s, Brazil considered selling equipment from its own unsuccessful nuclear program to Iran until the US intervened and prevented any agreement. Conversations have continued over the years and Brazil's position is that the International Atomic Energy Agency (IAEA), not the UN Security Council or industrialized countries, is the appropriate venue for resolving the dispute over Tehran's nuclear program.

Brazil supports the right of developing countries to have nuclear programs for energy purposes as stated in the Nuclear Non-Proliferation Treaty (1968). The immediate concern of Secretary Clinton during her visit to Brasilia was to gain President Lula's support for a new round of sanctions in the UN Security Council in the near future. But four countries – Brazil, China, Lebanon, and Turkey – have indicated that they may abstain from supporting a new resolution. Although a new resolution would need only nine of the Security Council's 15 votes to pass, the abstentions would be seen as a defeat because the US and its allies want to convince Iran that it faces economic and political isolation from all sides if it continues to develop its nuclear program. To the disappointment of Secretary of State Clinton, President Lula and his Foreign Minister repeated that Brazil does not believe in isolating any country if peace may be preserved. Brazil supports continued diplomatic efforts to bring Iran into compliance with the policies of the IAEA.

This is a classic North–South issue. Brazil and Iran, representing the South, argue that they are independent actors with the right to decide on the policies they will pursue in the modernization of their respective countries. The position of the US and its allies is diametrically opposed. The important issue at hand is that the dispute over UN sanctions must

not paralyze the dialogue between Brasilia and Washington on a wider and very important global agenda: international trade.

Trade and Finance

The failure of the World Trade Organization (WTO) Doha Round in 2008 was a blow to the hopes for a new global trade deal. The breakdown represented a polarization between leading emerging economies – Brazil, China, and India – and the US and the European Union (EU). One of many sticking points was high agricultural subsidies to protect domestic farmers in the developed countries, which effectively preclude agricultural imports from other countries. In turn, the developed countries fault the developing countries for failing to cooperate on important issues, such as intellectual property rights. This is an impasse that needs to be resolved.

In the context of trade differences, the US–Brazil cotton dispute demonstrates Brazil’s willingness to challenge Washington at the global level. After a seven-year trade fight over cotton subsidies, the US agreed, in April 2010, to pay 147.3 million US dollars a year to Brazil’s cotton farmers. The truce was negotiated as Brasilia readied 591 million US dollars in tariffs on US goods entering Brazil. The Lula government was also prepared to break patents on US seeds and pharmaceuticals, worth another 239 million US dollars. The WTO agreed with Brazil, in decisions in 2005 and 2008, that US subsidies on cotton cultivation and exports were unfair. The subsidy issue reflects domestic politics in the US Congress. Brazil and other agricultural exporters are waiting to see whether or not the Obama administration will have the capacity to work with Congress to reduce or eliminate these subsidies when the 2010 omnibus farm bill is considered.

A comprehensive trade arrangement is important to the hemisphere and it is critical that talks resume. There will be no success unless the region, particularly Brazil, is included in formulating the new agenda. Brazil often speaks for the emerging BRIC (Brazil, Russia, India, and China) countries. It is an important agricultural exporter and will be a significant energy player in the near future.

The financial crisis of 2008–2009, now apparently subsiding, was a shock to the hemisphere. The most important Latin American economies had introduced substantial banking and financial reforms over the preceding decade. It was apparent to them that the US and its industrial

allies had not. There is a great deal of frustration in the region with the unwillingness of the US and the EU to address a very complicated agenda for continued financial reform. The result was the resuscitation of the G20 (representing the major global economies), as a successor to the G8, the »club« of the industrialized countries. The G20 will now be the major forum for discussing the new financial architecture.

US–Mexican Relations

While the US scheme to work with Mexico in the context of the Mérida Initiative is welcome, it falls far short of what is needed to stabilize the 2,000 mile US–Mexican border and to address the deteriorating security situation in Mexico, a key partner of the US.

Unfortunately, the relationship between the two countries has deteriorated due to a prolonged and often difficult discussion over drugs, pushing into the background many of the other significant bilateral relations – trade, investment, immigration, remittances, and so on. The recent focus is symbolized by the Mérida Initiative, a security cooperation agreement between the US, Mexico, and Central America with the aim of combating the threats from drug trafficking, transnational crime, and money laundering. The assistance includes training, equipment, and intelligence-sharing. The Initiative was announced on October 22, 2007 and signed into law on June 30, 2008. The US Congress has authorized funding for the program, but additional aid will be required, and, most importantly, the focus must shift from only fighting drug trafficking and the associated criminality, to a wider commitment to economic and social development in Mexico and Central America. Alternative employment opportunities are needed. Higher quality education and health care are also required. These goals have been discussed for many years but have received little coordinated support.

The key issue in the bilateral relationship is the growing belief in Mexico and Central America that it is US and European demand for drugs that drives the violence. Mexico remains a transit, not a cocaine producing country. Marijuana and methamphetamine production does take place in Mexico and is responsible for an estimated 80 percent of the meth now sold in the US. Violence has escalated in Mexico as President Calderón has attempted to implement the Mérida Initiative. But public opinion, shocked by the increasing bloodshed among innocent people, is increasingly skeptical and even hostile to the initiative unless it offers a

non-violent future for Mexico. This is a critical foreign policy and border challenge for both countries.

Changing Realities in the Hemisphere

The »old« Latin America has disappeared. Beginning with the 1998 election of President Hugo Chávez in Venezuela, a group of countries with democratically elected leaders that reject US regional leadership has emerged. This is in part due to the failure of the »Washington Consensus« reform agenda in the 1990s that focused on macroeconomic issues relatively successfully but failed to address micro issues – job creation, education, social mobility, and the rule of law. While the countries that have joined together to oppose the US in the region – Venezuela, Ecuador, Nicaragua, Bolivia, and Argentina – have done little to address those micro challenges, they have developed a mantra of blaming capitalism and the market – embodied by the US – for the problems of the hemisphere.

New Latin American initiatives seek to further regional economic integration, address pending social problems, and promote greater political coordination. In 2008, the countries of the South American continent created UNASUR – the Union of South American Nations. A South American Defense Council was established in 2009. In December 2008, the countries of Latin America organized the first Latin American and Caribbean Summit for Integration and Development (CALC) in Brazil. Cuba was invited to participate; Canada and the US were not. The Rio Group, established in 1986 as a mechanism of cooperation and consultation, was recently expanded at a meeting in Mexico in February 2010 to include the Caribbean states. The Unity Summit has yet to define its structure and leadership, but it, too, excludes the US and Canada. While many are skeptical of the probability of any of these actually working, these initiatives demonstrate a willingness to work without the US. That reality needs to be understood in Washington.

Brazil has emerged as a critical spokesman and leader in the hemisphere. New economic players – China and India – are becoming important. China has replaced the US as the principal trade partner of Brazil and Chile. The European Union and Brazil signed an International Framework Cooperation Agreement in 1995, which entered into force in 1999. There are frequent visits, meetings, and mechanisms of consultation between the EU and Brazil and the other countries of the region.

Two events in April 2010 demonstrated the new influence of the »South.« Brazil hosted summits of the BRIC countries and simultaneously oversaw a summit of the IBSA states (India, Brazil, and South Africa). The BRIC meeting brought together the leaders of Brazil, the Russian Federation, the Republic of India and the People's Republic of China. This was the second high-level meeting; the first had been held in Russia. The final communiqué restated the agenda that the four countries have strongly supported in the context of the financial G20. They called for a comprehensive reform of the United Nations. While not openly endorsing membership on the Security Council, they recognized the importance of India and Brazil in international affairs. In very direct language, the BRICS stated that the IMF and the World Bank urgently need to address their legitimacy deficits. To do so will require first and foremost a substantial shift in voting power in favor of emerging market economies and developing countries. The leaders also endorsed the concept of an open and merit-based selection method, irrespective of nationality, for the leadership positions in the two institutions.

The BRIC leaders called for continuing reform in the regulation of financial institutions and procedures. They endorsed the need to complete the Doha trade round and called for effective implementation of new measures on climate change. The leaders supported the recent meeting in Moscow of the agricultural ministers of the four states where plans were discussed for quadripartite cooperation, with particular attention to family farming. As a result of the meeting, the four countries will create an agricultural information base; they will work to develop a strategy for ensuring access to food for vulnerable populations and to reduce the negative impact of climate change on food security.

At the Fourth Summit of IBSA, attended by Prime Minister Singh of India, President Lula of Brazil, and President Jacob Zuma of South Africa, the leaders endorsed the need for a reform of the United Nations, in particular an expansion of the Security Council to include developing countries. They called, as did the BRIC summit, for reform of the Bretton Woods institutions in order to enhance their accountability, credibility and legitimacy. The three leaders endorsed the resolution of the UN General Assembly to convene a Conference on Sustainable Development (Rio+20) in Rio de Janeiro in 2012. The three political leaders welcomed the outcome of the UN High-Level Conference on South-South Cooperation held in Nairobi in December 2009.

It is important to note that neither of these new entities is monolithic. Each member state will act to further its own national interest. But the commonalities between the final communiqués of the two summits are obvious. The US, and the old G7 group of industrial countries, need to recognize the emergence of new voices in the global system. None of the expectations of the countries in the South should be seen as threatening the interests of the developed countries. But as their importance increases, accommodation will be needed to preclude any misunderstanding that could escalate and damage the emerging, new global order.

Main Recommendations for the Obama Administration and the Congress

Schedule a visit by President and Mrs Obama to the region. Their »star power« is a major »plus« for the US. Increase visits by the Congress to meet with their counterparts, but, most importantly, with civil society groups in the hemisphere to explain US policy, both when it is complementary and when it is not.

Continue to strongly support the G20 as a key forum for addressing the urgent reforms that will be needed to stabilize the international financial system. This is and will remain the principal forum for global decision-making in the future.

Attempt to restart the Doha Round of trade talks. This will require compromise and skilled diplomacy. It matters both for the US and for the countries in the region. Protectionism is on the rise and only serious trade talks will open the way to reverse that trend.

Pursue UN sanctions against Iran, as deemed appropriate by the administration, but do not let it sour the bilateral relationship with Brazil. Good and candid relations with Brazil are important to the future role of the US in Latin America. One issue that may raise temperatures in both capitals is the possible decision by Brazil to buy and assemble 36 Rafale fighter jets with the French manufacturer Dassault Aviation. One of the finalists was the F-18 made by US-based Boeing. This will be another indication of Brazil's goal of achieving an autonomous foreign policy; it should not be viewed as inherently »anti-American.«

Revisit the Mérida Initiative with Mexico and Central America to expand its scope to include social and economic development goals. There may be no more important relationship than that of the US with Mexico.

The recent immigration law passed by the legislature in the state of Arizona should be a »wake up« call for the Obama White House that comprehensive immigration reform is needed.

Reconsider the embargo on Cuba. As I have indicated, it has been Castro's best weapon to retain tight control of the island. The free movement of people and goods will confront the Cuban communist regime with the new realities of the twenty-first century.

Work to resolve the Honduran issue quickly and judiciously. It should not be a major agenda item for the Americas, but should be addressed with care to prevent countries such as Venezuela from trying to manipulate any diplomatic solution to its advantage.

Focus US relations in the hemisphere on like-minded, democratic states, such as Brazil, Chile, Colombia, Costa Rica, Mexico, Peru, and Uruguay, among others. There is little that the Congress or the administration can do to change the ideological opposition of the non-friendly states. The best counterweight is to engage on all levels with those democracies that have similar interests and goals to those of the US. In doing so, it will be up to those opposed to the US to offer an alternative in the spheres of diplomatic, political, and economic cooperation.

Seek to cooperate with whatever regional initiatives are proposed as long as they do not present a security challenge to Washington.

Avoid letting other global issues distract the US from focusing on the key relationships within the Western Hemisphere.