

The US and Latin America: A New Phase in a Complicated Relationship (ARI)

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Theme: The Fifth Summit of the Americas has served to put relations between Latin America and the US back on the agenda.

Summary: The Fifth Summit of the Americas has served to put relations between Latin America and the US back on the agenda. However, it is too early to say what direction they will take. On the US side, President Barack Obama has raised the possibility of building a relation with, rather than for, Latin America. As for Latin America, the various governments have made the future of the relationship contingent on the resolution of the Cuban issue, as though they were unable to make positive, assertive proposals for dealing with Washington.

Analysis: The weeks leading up to Obama taking office and the first weeks of his Administration have been characterised, as far as Latin America is concerned, by a flurry of speculation as to the direction of his Latin America agenda. It has been weighed down by the legacy of George W. Bush, not only as regards the deterioration of the US image in Latin America but also the difficult state of several bilateral agendas. Nevertheless, in March there was a major diplomatic offensive (with trips and several meetings) and several important announcements, theoretically in preparation for the Fifth Summit of the Americas, which was to be held in April in Trinidad and Tobago. The meeting between the region's leaders confirmed the approach that the Obama Administration is prepared to take in US relations with Latin America. The summit not only provided evidence of the leadership that the new man in the White House is willing to exercise, but also of today's new reality in Latin America. It also brought cordiality and common sense back to this kind of gathering.

The new team in Washington has generated major expectations of change in US policy towards the region. This could lead to frustration if no real progress is made. Beyond the accuracy or not of some of the analyses of the main features of Obama's leadership, the interesting thing is that much of what has been said addresses the changes that he will introduce in his relations with Latin America. However, not much has been said about what Latin America wants from the US.

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This confirms the asymmetrical nature of the relationship, due to both Washington's 'imperialism' and Latin America's responsibility. Hence, this focuses on the issues that will be most important in the relations between the two sides and how the different players will presumably act. After analysing the Cuban problem as a central point of reference, the paper looks at the issues that help explain the weight of Latin America in US foreign policy and what keeps the relationship going. It will conclude with the main guidelines of Washington's policies towards the region.

Cuba is paradigmatic in that, as seen in the recent summits held in Brazil in December 2008, it has become the yardstick by which many regional governments want to measure their ties with the US. The election of Barack Obama fostered great hopes for a possible normalisation of bilateral ties between Washington and Havana after many years of iron-fisted policy, that has been as sterile as that which seeks dialogue with the Castro regime. Thus, the US eased controls on travel by Cuban-Americans to the island and on the amount of money they can spend. There was also talk of changes in the Cuban exile community in Miami and of a more open attitude towards dialogue, favoured by the fact that Obama has no electoral debts to pay back in Florida.

Without a positive response from Cuba to these signals, there will be limited scope for change. As in all relationships, this depends on how both sides act, although in this case it is only what the US does or does not do that people look at. We know less about Cuba, given the opaque nature of its government; we know Raúl Castro has said he wants to engage in dialogue with no conditions, but not much else. This is an unrealistic position if not accompanied by measures that respond to the actions taken by the US. Changes in the Cuban cabinet and the departure of Felipe Pérez Roque and Carlos Lage have only added further uncertainty.

Cuba's incorporation into the Rio Group and statements by Latin American Presidents in favour of Cuba's rejoining the Organisation of American States (OAS) are not enough to encourage dialogue. Nor are Raúl Castro's vague proposals, or his brother Fidel's scolding of the US President. In any case, the issue was discussed thoroughly at the Fifth Summit of the Americas and in its preliminaries, either formally, in the wake of talks between the Brazilian President Luiz Inacio Lula da Silva and Obama in Washington, or informally and off the agenda. Perhaps because he could not hold a parallel summit, as he did in Mar del Plata, the Venezuelan President Hugo Chávez convened a special summit of the ALBA group a day before the Summit of the Americas in Trinidad and Tobago. As Cuba is a member of ALBA, in Venezuela there was debate on the strategy to follow in Trinidad. Judging from the results, the strategy was not too successful. Chávez had said he would take the Cuban issue to the summit. 'Our artillery is getting ready. There is going to be good artillery', he said, only to later wonder aloud: 'How could I go to a summit attended by the US and Canada but not by Cuba?'. Perhaps the answer can be found in his present to Obama: the book *Las venas abiertas de América Latina*.

How Much does Latin America Matter in the US?

Much has been written about secondary role taken by Latin America on the US international agenda after the 11 September 2001 terror attacks, but much less about what the US means for Latin America. In recent years, Latin American leaders have repeatedly said that they were fortunate because the US seemed to be looking in another direction. But when the moment of truth comes, they all cry out in the face of adversity. This happened recently with Bolivia, which, along with Venezuela, is carrying out a policy of greater confrontation with the US (expelling the ambassador and other officials from the

embassy in La Paz and expelling the DEA and USAID). But when Evo Morales saw how the US markets were closing, he complained loudly. After the suspension of the Andean Trade Promotion and Drug Eradication Act (ATPDEA), his government did everything it could to keep those markets open.

As Latin America is relatively free of conflict and has a lesser presence of international terrorism, the Bush Administration looked elsewhere –where its priorities lie, both in terms of the economy and of national security–. The State Department has a different interpretation. According to Thomas Shannon, Assistant Secretary of State for Western Hemisphere affairs since 2005 and still in that post, Bush made many trips to the region and this was evidence of his interest in it. Obama's initial handling of Latin America is marked by a certain degree of continuity on the surface, beginning with the presence of Shannon, who is highly regarded in the region, especially in Brazil. His staying on in the first months of the Administration reflected a desire to have an experienced team at the Trinidad summit and avoid anything that smacked of improvisation on sensitive issues. Despite these signs of continuity, there are suggestions of more important moves, which will be discussed further on. There is every indication that changes will be made in relations with Latin America, even if only in style, although also on major issues such as the closure of the prison at Guantánamo Bay and measures linked to drug trafficking.

In late May 2008, during the US election campaign, Obama gave a speech in Miami in which he set out some of his policy priorities for Latin America. Implicit in this was Obama's promise to confront Latin America and its problems with a non-traditional approach, different from the classical one that gave a hierarchical structure to relations in the hemisphere. However, he insisted on the old idea of US leadership: a paternalistic concept that does not sit entirely well in the rest of the region.

In order to see how much Latin America matters in the US agenda it would be necessary to determine the overall priorities of the US government, including some domestic issues. The most important ones include the economic and financial crisis and the growing government deficit, the situation in Iraq and Afghanistan, which is linked to the Middle East conflict and the Iranian nuclear programme, relations with Russia and China, and questions of energy supply. Even taking into account that there are other issues as well, those cited are without a doubt the most important ones and carry a greater weight than others that might interest the countries of Latin America.

For this reason it is important to ask where Latin America stands on the US foreign policy agenda and at the same time pose the following very basic questions: does Latin America exist? Does the US have an overall policy towards the region, or are there just different bilateral policies to confront the changes the region has undergone in recent years? There are a series of central elements in the regional relationship and agenda that require the strengthening of ties of great historical importance. They include drug trafficking, energy security, trade and investment, the future of the OAS, migratory movements and remittances. Added to this are certain bilateral relationships which, for different reasons, have a more important meaning for the US Administration than the rest: Mexico, Cuba, Colombia, Venezuela, Bolivia and Ecuador. Brazil has taken on a special value for the Obama Administration, as seen in the recent summit.

Thirty percent of US oil imports come from Latin America. For geographical, logistical and cost-related reasons, it is the region from which most crude is imported, even more than from the Middle East. Five of the top 15 US suppliers¹ are Mexico (3rd), Venezuela (4th), Brazil (9th), Colombia (11th) and Ecuador (12th). Venezuela holds a key position, despite the aggressive nature –at least verbally– of President Chávez. It is a paradox that many of the dollars that hold up his regime, and allow him to carry out his domestic and international policies, come from the US. Washington is not happy with this, and there are negotiations under way for Brazil to increase its oil exports once its major undersea fields start producing within seven or eight years. These are located off the coast of the states of Rio de Janeiro and São Paulo. The main fields are Tupi and Carioca.

Brazil has significant advantages compared to Venezuela. Both its government and its political system are more trustworthy than the Bolivarian alliance, and the same applies to legal security and fulfilment of contracts. Furthermore, for now Brazil is beyond OPEC discipline. Given the characteristics of Brazilian foreign policy, and the independence it likes to show with regard to international powers, it would come as no surprise if it chose not to join OPEC. Brazil is still not a member of the OECD either.

Trade, economic and financial relations are important in both directions. In many countries of the region, foreign direct investment (FDI) from the US continues to be relevant, despite inroads by Europe, especially Spain. Total FDI taken in by Latin America exceeded US\$ 100 billion for the first time in 2007, and 30% of it came from the US. Although FDI from the US was smaller in 2003-07 than in 1998-2002, it continues to be relevant. Three of the US's top trading partners are Latin American: Mexico, Venezuela and Brazil. In 2006 trade with these three countries was worth around US\$500 billion. In 2007, US trade with Latin America totalled around US\$560 billion. In 2006, according to figures from ECLAC, of the 20 largest non-financial multinational companies present in Latin America, nine involved US capital.

Added to this is the not erroneous perception in Latin America that the current economic crisis was imported from the US: the 'jazz effect' that the Argentine President Cristina Kirchner mentioned in a speech to the UN General Assembly. Despite the initial belief that the crisis would not hit the region, today it is believed that its impact will be devastating, not just on exports of raw materials but on tax revenues and through rising poverty and unemployment. Aside from the region's wish to diversify markets and the growing weight of exports to Asia, beginning with China and India, there is still much dependence on the US market. And all governments know, starting with the anti-US ones, that in order for everyone to overcome the crisis, the US must do it first.

Immigration is an issue that is increasingly important on the regional agenda, although with time it takes on more relevance for both sides. It has economic, political, cultural and linguistic repercussions. The US now has some 40 million Hispanics, just over 14% of its population. Spanish is used more and more in election campaigns and more attention is paid to the Hispanic presence at different levels of government and in Congress. In the 2008 presidential election, two of every three Hispanic votes went to Obama, although this does not reflect the diversity of the various Hispanic communities, or regional differences, or the way these people vote in local and state elections.

¹ Some of the data that follow come from Stephanie Miller, "Desafíos y oportunidades: Barack Obama y América Latina", in Carlos Malamud, Paul Isbell, Federico Steinberg and Concha Tejedor (Eds.), *Elcano Efe Latin American Yearbook 2009*, Madrid, 2009.

In the other direction, there are a growing number of retired US citizen in Mexico, Costa Rica and Panama. The main reasons are the good weather, lower cost of living and access to cheaper health care. In the last decade of the 20th century, the number of Americans living in Mexico rose 17%, while in Panama it jumped 136%. The trend towards moving to these or other countries would be even greater if issues involving health insurance were to be resolved.

Remittances sent by Latin American immigrants living in the US are another major issue, although in 2008 the volume fell slightly because of the economic and financial crisis. In 2006, Latin America received US\$68 billion in remittances, of which US\$42 billion (more than 60%) came from the US. In 2007 the overall figure slipped to US\$66.5 billion. For some Latin American countries, remittances account for more than 10% of GDP, such as Guatemala (10.1%), Nicaragua (14.9%) and El Salvador (18.2%). In Honduras the proportion is 25%. In the past few months remittances have dropped more than 5% and their volume is expected to decline even further.

Obama's Policy Towards Latin America

The future of US relations with Latin America is marked by important international challenges linked to street crime and drug trafficking, trade ties, social inequality and institutional weakness. Although the US has already adopted some measures, it is still early to say what the main thrusts of Obama's policy will be. However, the importance he attaches to the issue is becoming increasingly visible. Some of the names of his diplomatic team for the region are known, starting with Shannon, although it is not clear if he will keep his job. If he is replaced, Arturo Valenzuela is one of those best positioned to succeed him. Dan Restrepo, who was in charge of Latin America during the presidential campaign, has been appointed to the National Security Council, Nancy Lee is the new Assistant Secretary for Western Hemisphere Affairs at the Treasury Department, and Frank Mora, who is of Cuban origin and relatively moderate, was appointed to be the top official for Latin America at the Pentagon. During the campaign, Obama suggested several times that he would reinstate the position of White House special envoy to Latin America. Although the President has already appointed special envoys for other parts of the world, showing his interest in giving a greater role to diplomacy than in the past, nothing firm has been done for Latin America.

Secretary of State Hillary Clinton has unveiled certain key points of what her policy will be towards the region, especially with regard to the most controversial countries (Venezuela, Bolivia and Nicaragua), but there are no clear proposals for most of the items on the agenda. However, her trips to Mexico, Haiti and the Dominican Republic have served somewhat to pave the way. As was expected, at the summit in Trinidad Obama highlighted some key points on divisive issues (Cuba, Venezuela, drug trafficking, immigration, trade and migratory policy, energy security and promoting democracy), although he did not go into much detail. Still, at their meeting in Washington Obama and Lula did address some of the most controversial issues.

In the first months of the Obama Administration the emphasis was on preparing for the summit. But this was done not just by the Administration itself but also by some think tanks in the US.² In the month before the summit, with the goal of preparing its content and assuring the development of some points, there was a veritable diplomatic offensive

² See 'A Second Chance. US Policy in the Americas', Inter American Dialogue, Washington, March 2009, and 'Rethinking US-Latin American Relations. A Hemispheric Partnership for a Turbulent World', The Brookings Institution, November 2008.

by senior government officials. Obama received Lula in the White House, and Vice President Joe Biden travelled to Chile and Costa Rica. In Chile, he attended the Progressive Governance Conference on 27-28 March, and met Michelle Bachelet, Lula, Tabaré Vázquez and Cristina Kirchner. Meanwhile, Clinton and the Homeland Security Director Janet Napolitano visited Felipe Calderón in late March to discuss the 'new policy' towards Mexico in the war on drug trafficking, which would be complemented with the deployment of US forces on the border.

Congress also became involved. Its speaker, Nancy Pelosi, said she regretted a cut in funds for the Mérida Plan and said she would send a congressional delegation led by the Chairmen of the Intelligence, Armed Services and Foreign Relations Committees. Obama, who met Calderón in Washington before assuming office, travelled to Mexico as part of his programme for the Summit of the Americas. This was yet another sign of the importance his Administration attaches to the fight against drug trafficking.

Drug trafficking and other forms of organised crime have become a serious threat to the governability of certain countries in the region. Until now, the US has been more concerned with international terrorism, as far as national security goes, than with drug trafficking. However, the open war that Calderón has declared against this problem, which spreads beyond the southern border of the US, is significantly affecting the latter's territory. It is no longer just a question of precursors for drugs and powerful, modern weapons –purchased by drug lords– coming from the US, or that its banking system serves to launder cartel money. Rather, the US is starting to count victims of its own and the southern US states (Arizona, California, New Mexico and Texas) are becoming battle grounds for rival Mexican drug gangs. Thus, the attempt to label Mexico a 'failed state' did not go far. It is no such thing.

In light of these visits, it remains to be seen how much the Obama government will get involved in a war that it can no longer simply watch from the sidelines. For this reason it is important to see how the Merida Plan will evolve, and what policy Obama will pursue in Central America and the Andes region. Central America is steadily becoming a land open to conquest by the drug cartels, and this situation compounds a geo-political panorama that is increasingly complicated. Nicaragua and Honduras have linked up with ALBA (the Spanish acronym for the Bolivarian Alternative for the Americas) and are in the sphere of influence of Venezuela's President. In El Salvador, the triumph of Mauricio Funes has prompted many questions about how the regional balance will evolve.

The Andean region continues to be the one that produces the most coca, but the DEA's interest in it has declined because most of it goes to Europe. As in the case of Central America, there are significant variations from one country to the next. Bolivia, which wants coca leaves to be legalised and does not pursue overcropping (Evo Morales was initially an organiser of coca growers), has expelled the DEA from its territory. Ecuador is going to close the base in Manta, which the US uses to monitor and combat drug trafficking. For some time now, Venezuela has not cooperated with the US. But US relations with Peru are strong; the two countries recently signed a free-trade agreement. They are also very strong with Colombia. It also remains to be seen what effect Vice President Francisco Santos' controversial statements will have, to the effect that Plan Colombia is a thing of the past. Although senior officials in the government of Alvaro Uribe criticised them, it is possible there might be another reading of them in Washington. There might be major changes over the mid-term on this issue.

Amid the economic crisis, calls against protectionism have been more evident. Brazil was one of the first countries to protest when the US Congress hinted at a 'buy American' policy. This was linked to a widespread belief in Latin America that Democrat-run governments are more protectionist than Republican ones. The issue of trade is an important one on the agenda, and not just because congressional approval of free-trade accords with Colombia and Panama are pending, but because of other important considerations, such as the future of the Doha Round of trade talks. Initially there were fears of an attempt to amend the North American Free Trade Agreement but these have been dispelled. But some points remain to be settled in the free trade agreements that are pending, and for now there is no sign of resolution.

Beyond the general issues discussed here, the emphasis in US-Latin America relations will be on bilateral agendas. Some will matter more than others, such as those involving Mexico, Brazil, Colombia, Venezuela, Bolivia and Cuba. Among important absences can be cited Argentina. President Kirchner only received a courtesy call from Obama before seeing him at the G-20 summit in London. This situation shows the growing lack of importance of some countries in the region, which have shut themselves off as a result of isolationist policies.

In that regard, it will have to be seen how the US handles its relations with 'leftist governments', although they will probably be dealt with in a nuanced way, on a case-by-case basis, depending on the nature of each country. The warm reception granted to Lula and Obama's personal call to the President-elect of El Salvador, Mauricio Funes, in which he congratulated him and offered him a meeting at the summit in Trinidad, are a sign that there will be different kinds of US treatment depending on the messages Washington receives. Venezuela and Bolivia are the best examples of a different kind of relationship.

For a variety of reasons, the Obama Administration has decided to channel its relations with Latin America, to a large extent, through Mexico and Brazil, and not just because both are members of the G-20. The bilateral relationship between the US and Mexico is quite special. It basically revolves around major issues: drug trafficking, immigration (there an estimated 10 million illegal Mexican immigrants in the US) and certain labour-market and environmental problems linked to NAFTA.

The meeting with Lula marked the beginning of a new phase in relations with Brazil, one that could be based on cooperation. However, some analysts think that aside from good chemistry between the two leaders, the new relationship will not go beyond the realm of the symbolic.³ Lula had to choose between presenting the bilateral agenda and the regional agenda and he chose the latter. By depicting himself as the regional leader, and holding the meeting within the limits of general issues, he did not prepare for the summit in Trinidad or the G-20 session in London, and he neglected some important issues in the bilateral relationship. However, Lula left Washington with the distinction of being the first Latin American leader to meet Obama and with a commitment from the American leader to visit Brazil soon and work in R+D projects in renewable sources of energy.

The bilateral relationship is at an important stage, which dates back to the Bush era. Two-way trade totals US\$54 billion: US\$26 billion in exports to Brazil and US\$28 billion in imports. However, there are issues that remain to be resolved, such as a 54 cent tariff that

³ Paul Isbell, 'Obama recibe a Lula en la Casa Blanca', http://www.infolatam.com/entrada/obama_recibe_a_lula_en_la_casa_blanca-13004.html.

the US charges for each barrel of Brazilian ethanol that is imported into the country, a tough question to settle under current circumstances, and the Doha Round of talks. Had he chosen to promote Brazil's interests, Lula could have offered preferential treatment in sales of oil in exchange for a reduction in the ethanol tariff and better terms for Brazilian steel, orange juice and cotton to gain access to the US market.

Conclusions: How new will the Obama Administration's policy towards Latin America actually be? There is much talk of this, and US officials insist they will not be paternalistic. That, in and of itself, is good. However, during the two Bush terms and even before them, the US opted for a policy of non-interference in the region, or at least less interference. But that did not mean it was abandoning it altogether. Thus, there is a big contrast between US behaviour in the last decade of the 20th century and the first of the 21st century on the one hand, and the 1960s and 70s on the other. While the latter period was marked by US support for military dictatorships, in the former US officials showed disregard for the so-called 'turn to the left' by some Latin American leaders.

This is the line of action in the face of the important political changes that are taking place in the region. That said, these same changes are revealing the existence of major contradictions between countries, if not a rise in bilateral conflicts, which makes it increasingly difficult for there to be an overall policy for the region. The US, along with Spain, was one of the few countries to have a policy for the region as a whole. In this respect there should be a strengthening of bilateral relations, each with its own agenda. At the same time, for different reasons, priority will be given to ties with the two regional powers, Mexico and Brazil.

It is likely, as seen at the summit in Trinidad and Tobago, that the profile of the new US President will allow for more dialogue in resolving some old conflicts and others which are not so old, such as those with Cuba and Venezuela. But for dialogue to move forwards, what is needed is a greater commitment from the non-US side, and above all more clarity from Latin American governments as to what they expect from Washington. In general, this is a task that remains pending and hinders progress in the search for shared solutions to common problems.

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