



## What Are US Interests in Latin America?

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**Theme:** The fourth Summit of the Americas, held in Mar del Plata, Argentina on 4-5 November, offered an opportunity for the United States to reaffirm its commitment to Latin America. But the failure by leaders in the hemisphere even to agree on a final summit document increases the likelihood that the United States will further disengage from the restive region.

**Summary:** On the eve of his first visit abroad (to Mexico) in February 2001, US President George W. Bush promised to build a 'Century of the Americas'. But that promise was destroyed by 9/11, which sunk Latin America near to the bottom of US foreign policy priorities. Since then, Washington's engagement with Latin America has primarily been to promote security, free trade and democracy, a policy mix the White House believes is necessary to achieve long-term regional stability. But negotiations to establish the Free Trade Area of the Americas (FTAA), a hemispheric free-trade pact that has been the centrepiece of US policy in Latin America for more than a decade, have effectively been deadlocked since February 2004, primarily over issues related to farm subsidies and intellectual property rights. Although some countries had hoped that the Mar del Plata Summit would revive the FTAA talks, the meeting reached an impasse when five of the 34 countries present refused to accept a US deadline for resuming negotiations. As the White House now considers its near-term options in Latin America, it will take a more pragmatic approach by abandoning grand hemispheric visions and focusing instead on securing smaller but achievable bilateral and sub-regional trade agreements. Without the incentive of the FTAA to keep it interested, however, the US will pay even less attention to Latin America than it has in the past.

### Analysis

#### *Searching for a Consistent Latin America Policy*

US President George W. Bush frequently pledged both before and after the 2000 presidential elections that a 'fundamental commitment' of his administration would be to strengthen US relations with its northern and southern neighbours. 'Our future cannot be separated from the future of our neighbours in Canada and Latin America', he said. But six years into the Bush presidency, the region still occupies a very low rung on his foreign policy agenda.

Indeed, Latin America has rarely been a top priority in US foreign policy, nor is it likely to be so anytime soon. This is not entirely surprising: no country in Latin America controls the sea lines of communication of the world's great maritime, manufacturing and/or trading powers, and American geo-political thinkers who chart the course for US grand strategy often refer to South America as the 'quarter-sphere of strategic marginality'.

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Moreover, there is only one major conflict in Latin America today (the internal war in Colombia), making it one of the least conflictive regions in the world.

The relative importance of Latin America to Washington declined even further after 9/11 enshrined terrorism as the number-one threat to US security, and defending the continental United States became the primary objective of American foreign policy. Then-Secretary of State Colin Powell confirmed this when at a congressional hearing in February 2004 he announced that the White House would reduce its foreign policy budget in Latin America by more than 10% in 2005. The administration had 'greater priorities of a more serious nature' elsewhere in the world, he said.

The corresponding lack of Cabinet-level interest and support for Latin America, as well as the perceived inability of the Bush Administration to advance a coherent policy toward the region, has strained bilateral relations between Washington and many Latin American capitals. Combined with lacklustre economic performance across much of South America, among other issues, the United States now finds its image, influence and credibility in the region at low ebb.

The problem has been exacerbated by the perception of disarray within the Bush Administration's Latin America policy team, which at the senior level has lacked an influential guiding hand, and at the lower level has often appeared to be working at cross-purposes and without support from the top. Indeed, the job of Assistant Secretary of State for Western Hemisphere Affairs, the region's top diplomatic post, remained vacant until late July 2003, when Bush's first term was nearly over.

After his re-election in November 2004, Bush assured Mexican President Vicente Fox that during his second term, the US would pay more attention to Latin America. Since then, other administration officials have made similar commitments, with US Secretary of State Condoleezza Rice and her deputy, Robert Zoellick, both visiting the region in 2005, and US Secretary of Defence Donald Rumsfeld doing so twice. Moreover, in a move that some seasoned observers say represents a genuine effort to inject some clarity and consistency to US policy, Rice has reshuffled the State Department's Latin America team.

Chief among the changes is the arrival in October 2005 of Thomas Shannon to replace Robert Noriega (who had poor relations with Congress) as Assistant Secretary of State for Western Hemisphere Affairs. Shannon, a soft-spoken and highly-respected career diplomat with considerable first-hand knowledge of the region, previously ran the Latin America team at the National Security Council (NSC) as an assistant to Rice when she was the National Security Advisor. He is low-profile and non-confrontational.

But other analysts say this shows that the White House has not altered its basic approach to the region. They say that filling the region's top job with a career diplomat instead of with a political appointee will ensure continuity (not change) because careerists specialise in implementing policy, not in making it.

In fact, those most encouraged by the reshuffle appear to be Cuban-American activists, a powerful political constituency that often shapes the outcomes of US presidential elections in Florida, who are pushing for a further tightening of sanctions against the government of Fidel Castro. Shannon's position at the NSC, for example, is now being filled by Dan Fisk,

a former aide to retired Senator Jesse Helms, who helped draft the 1996 Helms-Burton Act and has consistently advocated hard-line positions on Cuba.

Moreover, in July Rice appointed Caleb McCarry, an influential long-time aide to Representative Henry Hyde, the powerful chairman of the House International Relations Committee, as the State Department's first Cuba transition coordinator. In an excellent example of how domestic politics often intersect with foreign policy, the newly-created position was proposed by the US Commission for Assistance to a Free Cuba, which ahead of the 2004 presidential elections presented Bush with a 500-page report that includes recommendations on how to hasten a transition to democracy in Cuba and plan the US response for assistance to a post-Castro Havana. Indeed, Cuba was recently added to the National Intelligence Council's watch list of 25 countries in which instability could require US intervention.

Even if the Bush Administration re-energises its Latin America policy, few analysts expect major changes to core US strategic and foreign policy priorities: securing the free flow of energy supplies from the Andean region, containing Cuba, aiding Colombia, advancing free trade and promoting democracy. This relatively benign policy mix would change, of course, if Venezuela, which Rice has said is a 'destabilising influence', manages to provoke the United States into a confrontation.

#### *What Are US Interests in Latin America?*

The overarching US national interest in Latin America is stability, which is held together by three main strands: military, economic and political.

Militarily, Washington seeks to prevent the emergence of any military threats to US territory from Latin America (except for 1962, when Cuba invited the Soviet Union to station nuclear missiles on the island, no country in Latin America has ever posed a direct threat to the United States). It also seeks to prevent hostile powers from gaining influence in the region and improving their capacity to damage US economic and political interests (which is why the Pentagon is wary about the increasing presence of China in Latin America). Furthermore, US policymakers after 9/11 view regional terrorism, as well as the trafficking of drugs and illegal immigrants, as threats to national security. Indeed, security issues so dominate US foreign policy towards Latin America that the Pentagon is now one of the principal interlocutors in the region, and Colombia, Cuba and Venezuela are its top military concerns.

Economically, the United States seeks to promote market-based reforms that keep Latin America open to US goods and capital. A major objective is to break down trade barriers and promote investment with the aim of creating enough jobs in Latin America so that migrants have less incentive to illegally enter the United States in search of economic opportunities (the United States receives an estimated one million illegal immigrants from Latin America every year). Based on the premise that the most effective and rapid means to economic development (and thus stability) is trade, the centrepiece of US economic policy towards Latin America is the pursuit of bilateral and regional free-trade agreements.

Politically, the US seeks to promote democratic reforms that advance political openness and hold governments accountable to the rule of law. Although all countries in Latin America except for Cuba now hold competitive elections, and most Latin American leaders generally aspire to Western-style democracy, in countries where democratic

reforms are shallow populist agitators are rolling back democratic governance and market reforms achieved over the past decade. The lack of faith in failed institutions in some countries has fuelled the emergence of anti-US, anti-globalisation and anti-free-market demagoguery. Nevertheless, a pan-Latin American opinion survey published in October 2005 by Latinobarómetro, a Chile-based polling organisation, finds that although only about half of Latin Americans are convinced democrats, and only one in three is satisfied with the way their democracy works in practice, some 62% say that in no circumstances would they support a military coup. Moreover, the poll shows that a clear majority believe that a market economy is the only means by which their country can develop.

#### *A Brief History of US-Latin American Relations*

Over time the United States has employed a number of different strategic approaches to Latin America. In the early 1800s, for example, US President Thomas Jefferson set forth the principles of Pan-Americanism, which called for resolving regional conflicts through peaceful means. Soon afterwards, in 1823 the United States declared through the Monroe Doctrine, a new policy with regard to interference by European nations in the affairs of the Western Hemisphere. Despite establishing US hegemony, the policy was initially welcomed by countries in Latin America because it virtually ended the European threat and all nations in the Americas were joined together by a common defence of freedom.

During the 30 years that followed the Spanish-American War of 1898 US strategic concerns in Latin America were viewed almost exclusively in terms of the Caribbean. Indeed, the Caribbean Basin was frequently referred to as the 'American Lake' which Washington needed to control if it were to deny hostile powers access to the soft underbelly of the continental United States.

By the early 1900s, the United States began to take on the role of regional policeman. Concerned that a crisis between the Dominican Republic and its creditors could spark an invasion of that nation by European powers, in December 1904 US President Theodore Roosevelt issued what came to be known as the Roosevelt Corollary, which held that the United States would intervene as a last resort to ensure that other nations in the Western Hemisphere fulfilled their obligations to international creditors and did not invite 'foreign aggression to the detriment of the entire body of American nations'.

Roosevelt's assertive approach to Latin America and the Caribbean has often been characterised as the 'Big Stick' policy. Although the Monroe Doctrine was essentially passive in that it asked that Europeans not to increase their influence or re-colonise any part of the Western Hemisphere, the Roosevelt Corollary in practice was interventionist in that the United States increasingly used military force to restore internal stability to nations in the Caribbean. Over time, the Roosevelt Corollary was used to justify US intervention in the Dominican Republic, as well as in Cuba, Haiti and Nicaragua.

The United States abandoned the 'American Lake' strategy in the early 1930s as part of the 'Good Neighbour Policy' articulated by Presidents Herbert Hoover and Franklin D Roosevelt. The foundations for this policy were laid in December 1933, when Secretary of State Cordell Hull headed the American delegation to the seventh Pan-American Conference held in Montevideo, and there won the trust of Latin American diplomats by voting in favour of a non-intervention agreement. That agreement was followed up in the Inter-American Conference for the Maintenance of Peace held in Buenos Aires (1936).

World War II, however, was a key turning point for US policy towards Latin America. As the war approached, Washington increasingly found itself competing with Berlin for influence in the region. This was especially the case in Brazil, where Germany displaced the United States as the leading exporter to that country in 1936 and 1937. Shortly after the September 1938 Munich Agreement, Roosevelt declared that 'the United States must be prepared to resist attack on the Western Hemisphere from the North Pole to the South Pole, including all of North America and South America'.

But this was a much bigger mission than the US military was prepared to execute, and although some strategists called for a return to the 'American Lake' concept, much of the strategic debate from 1938 to 1942 revolved around two competing policies towards Latin America: the 'quarter-sphere' and 'hemisphere defence' concepts.

The US military pushed for the 'quarter-sphere' scheme, which held that American strategic concerns in Latin America should be limited to a defensible outer perimeter that would have divided the northern half of the Western Hemisphere into two parts (resulting in a quarter-sphere). The area was framed by a line running from Alaska to the Galapagos Islands in the Pacific, across South America to the strategic eastern bulge of Brazil at Natal, then northward to Newfoundland. According to this concept, the United States would be obliged to protect only those Latin American territories lying within the perimeter.

But Roosevelt effectively transformed national defence into continental defence by insisting that the United States protect the entire hemisphere against attack from outside aggression. Although the State Department agreed with Army and Navy leaders that the United States did not possess the military resources to unilaterally defend the Americas, it also argued that security was a mutual responsibility and thus pushed for giving the countries in Latin America more of a voice in the military defence of the continent.

In this context, the United States achieved its goal of securing the adoption of a 'hemispheric foreign policy' at the eighth Pan-American Conference in Lima in 1938, where Hull obtained unanimous agreement on a declaration that 'affirmed the intention of the American Republics to help one another in case of a foreign attack, either direct or indirect, on any one of them'. The Declaration of Lima became the cornerstone for later negotiations to insure the political, economic, and military cooperation of the countries of Latin America against threats from the Axis powers.

After the war, the idea of hemisphere defence was embodied in the Inter-American Treaty of Reciprocal Assistance (the Rio Treaty of 1947), under which an armed attack or threat of aggression against a signatory nation, whether by a member nation or by some other power, was considered an attack against all. And in 1948, Roosevelt brought 21 Western Hemisphere nations together in what today is called the Organisation of American States (OAS).

During the Cold War, however, cooperation in the hemisphere was undermined because of the lack of agreement on the nature of the threat to the inter-American system. The United States, fearful of the spread of Communism in Latin America, pushed military solutions for what Washington viewed as a military problem. Although in 1961 President John F. Kennedy launched the Alliance for Progress, a US assistance programme for Latin America created mainly to counter the appeal of revolutionary politics, such as those

adopted in Cuba, the US emphasis on security often led Washington to support right-wing military regimes that were viewed as being friendlier to the United States than elected left-wing governments. By contrast, many countries in Latin America saw the spread of Communism as a response to poverty, inequality and political repression. Their preferred solution was economic development and large amounts of US aid.

When the Soviet Union collapsed, however, US aid money was redirected from Latin America to rebuilding Eastern Europe. In its place, in 1990 President George H.W. Bush proposed a post-Cold War 'Enterprise of the Americas' that called for a hemispheric free-trade zone stretching from 'Anchorage to Tierra del Fuego', an idea that was met with considerable enthusiasm across much of Latin America.

Building on the concept, President Bill Clinton hosted the first Summit of the Americas in Miami in December 1994, which initiated the process of creating the Free Trade Area of the Americas (FTAA). But the collapse of the Mexican peso just one week later was a pivotal event that marked the beginning of the end of bipartisan political support in Washington for new trade deals with Latin America. By the end of the 1990s, peoples and governments throughout the Americas had grown frustrated that so-called neo-liberal economic reforms advocated by the 'Washington Consensus' were failing to eradicate poverty in Latin America and the Caribbean.

In February 2001 Bush promised to build a 'Century of the Americas'. But seven months later the basic assumptions on which US foreign policy had been based during the 1990s changed when 9/11 enshrined terrorism as the number-one threat to American security. This reorientation of US policy had immediate consequences for Latin America: reminiscent of the Cold War, the United States was again viewing Latin America through the prism of security.

Today the Miami-based Southern Command (Southcom), the unified command responsible for all US military activities in Latin America and the Caribbean, has a more extensive presence in the region than any other part of the US government. With an annual budget of US\$800 million, Southcom, which has its earliest roots in protecting the Panama Canal, has more people (1,450) dealing with Latin American matters than those at the departments of Commerce, State and Treasury combined.

#### *Stability and Oil*

Although the United States now engages in military-to-military cooperation with most countries in Latin America and the Caribbean, Washington has pursued substantive bilateral relationships with only a few countries in the region which directly impact narrowly-defined US military/strategic interests. Chief among these is Colombia, the stability of which ranks as the top US security priority in Latin America. US strategists have long feared that instability in Colombia might spill over and destabilise neighbouring Bolivia, Ecuador, Peru and Venezuela, all current and/or future suppliers of energy to the United States.

Indeed, instability in the Middle East has made Latin America's energy resources more strategic to the United States than ever before. Colombia produces more oil than some countries in the Persian Gulf, and exports most of it to refineries in Texas and Louisiana. Meanwhile, neighbouring Venezuela is the fourth-largest supplier of oil to the United States after Saudi Arabia, Mexico and Canada. Moreover, Colombia, Ecuador and

Venezuela share 'La Luna' oil-source rock, which has generated more oil than any other source rock in the world, and Venezuela's Orinoco belt holds the largest accumulation of hydro-carbons anywhere on the planet (270 billion barrels of recoverable oil, 10 billion more than Saudi Arabia's total reserves). Bolivia and Peru, meanwhile, hold large deposits of natural gas.

The centrepiece of US policy towards Colombia (and the Andean region as a whole, which receives most of the US foreign assistance budgeted for South America) is the Andean Counter-Drug Initiative (ACI). The ACI is also the primary US programme that supports Plan Colombia, a six-year plan developed by Colombians to end the country's 40-year-old armed conflict, eliminate drug trafficking and promote economic and social development. In addition to ACI funding, Colombia also benefits from the Foreign Military Financing (FMF) programme and the Pentagon's central counter-narcotics account. Since the US began support for Plan Colombia under President Bill Clinton in 2000, US aid to Colombia has totalled US\$4.5 billion, making it the world's top recipient of US financial assistance after the Middle East.

After 9/11, US and Colombian objectives have evolved from a strict counter-narcotics focus to encompass counter-terrorism and infrastructure protection. A post-9/11 US\$28.9 billion supplemental anti-terrorism package allowed US military aid to be targeted against groups on the State Department's terrorist list, including both of Colombia's leftist rebel groups, as well as rightist paramilitaries. And in October 2004 Congress approved doubling the Pentagon's troop presence in Colombia to 800.

Although there has been measurable progress in Colombia's internal security (for example, it had the best-performing stock market in the world in 2004), as well as in the eradication of drug crops, critics of Plan Colombia argue that after five years there has been no effect with regard to price, purity and availability of cocaine and heroin in the United States (some 90% of the cocaine that enters the US originates or transits through Colombia). But in November 2005 the US Office of National Drug Control Policy released new data showing significant declines in purity (as well as increases in prices) of cocaine and heroin on American streets, which implies that the Bush Administration believes its policies in Colombia are having an effect. Indeed, the White House confirmed that it is determined to stay the course in Colombia when it requested that Congress continue to support Plan Colombia beyond the end of 2005, when it originally was due to expire, with an additional US\$550 million for 2006.

#### *Stability and Free Trade*

The centrepiece of the Bush Administration's inter-American agenda is the promotion of trade, which the White House contends is the most effective and rapid means to economic development. But critics of US policy point out that two decades of trade liberalisation and government deregulation have not substantially reduced poverty or unemployment in Latin America. Indeed, the region as a whole has never come close to achieving the rates of economic growth (at least 6% to 10% annually) that many economists say is necessary to raise living standards. As a result, many governments and voters in the region feel frustrated and are now reluctant to sign on to the US agenda for free trade.

Since the Free Trade Area of the Americas (FTAA) was originally conceived ten years ago (as a regional trade agreement including 34 nations of the Western Hemisphere), there have been several different drafts of the agreement, but the original January 2005 date for

signing has passed. At the centre of the impasse are deep differences between the United States and Brazil, which have competing visions over how the FTAA should operate. In the meantime, both countries are racing to improve their negotiating positions vis-à-vis each other by courting other partners in Latin America to join them in sub-regional trade pacts.

A Brazilian initiative includes the South American Community of Nations, a continent-wide free-trade zone that aims to unite two existing free-trade organisations (Mercosur and the Andean Community) and eliminate all tariffs between them by 2019. But the idea has angered Mexico, which by definition is excluded from the group. Brazil has also sought to reduce its dependency on trade with the United States by looking for new markets for its products, including China and the European Union. But talks on an EU-Mercosur free-trade agreement, which have been ongoing since 1999, remain stalled. At the same time, Brazil's aggressive diplomacy has also antagonised Argentina, a long-time rival.

The Bush Administration, meanwhile, is determined to continue advancing its trade agenda in Latin America, regardless of whether Brazil signs on to the FTAA or not. The United States has already made considerable progress in implementing a step-by-step strategy designed to circumvent and encircle Brazil through a network of bilateral deals, most of which include the same comprehensive provisions the US wants to include in a hemispheric FTAA. The United States now has free trade agreements with Chile, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and the Dominican Republic, and is currently negotiating other agreements with Panama, as well as with Colombia, Ecuador and Peru.

US strategists hope such deals will have the effect of isolating Brazil politically, since US trade partners will likely perceive that they have more to gain from close economic engagement with the United States than with Brazil. Indeed, most governments in Latin America continue to pursue policies that are favourable to US economic interests, and because the US economy dwarfs all others in the region, the majority of leaders in the hemisphere want freer trade because they know their long-term prosperity is tied to Washington. 'We are condemned to be traders', said former Costa Rican President Oscar Arias. 'We produce what we do not consume and we consume what we do not produce'. In this context, the United States believes that Brazil is overplaying its hand and eventually will sign on to the FTAA.

But the United States is racing against time. On the one hand, so-called fast-track authority, which gives the White House the power to quickly pass trade agreements that a Congress increasingly hostile to free trade cannot amend, expires in mid-2007. Although Bush has managed to push through Congress trade deals with Chile and Central America, stiffening opposition from domestic US farming, manufacturing and labour union lobbies implies that such deals will be more difficult to pass in the future.

On the other hand, the social fabric underpinning stable governance is crumbling in many Latin American countries. This has opened the doors across the region to populist leaders like Venezuelan President Hugo Chávez, who was elected on what amounts to an anti-free market and anti-US platform that calls for confrontation instead of cooperation with the United States. Although most leaders in Latin America are pragmatic and understand that their national interest lies in being part of the global economy (even if they want more input in defining the terms), more than a dozen major elections are scheduled to take place



in the region during the next 18 months, the outcomes of which may herald a new political landscape that is patently hostile to free trade.

If the FTAA ends in a stalemate, some analysts believe the hemisphere will fracture into two groups: one bloc of countries tied to Washington that will have free trade agreements with the United States, and an opposing bloc tied to Brasilia that will not. The paradox is that the United States and Brazil already have strong economic and political ties, and the former is the latter's number one trading partner, in both imports and exports. Moreover, Brasilia is a key regional interlocutor for Washington and the two cooperate on a wide range of international issues. So much so that on 6 November Bush visited Brazil and asked President Luiz Inácio 'Lula' da Silva for his help in reining in Chávez before he destabilises the whole region.

Although US-Latin American relations may not be as good as they once were, they are not yet as bad as they could be.

**Conclusion:** The main US interest in Latin America is stability. But lagging economic performance threatens to destabilise the entire region, which has the world's worst income distribution. There is a consensus on the need to restore economic growth to improve living conditions in Latin America, but there is no agreement on what measures are needed. The United States will continue to insist that trade is the best means by which to create jobs, and will offer free-trade pacts to those countries that want them. Meanwhile, the United States will limit its focus in Latin America to a few core strategic priorities, while at the same time hoping that regional instability does not precipitate a major policy crisis for the White House.