



A New President, a New Paradigm

By Roger F. Noriega

U.S. policy in Latin America and the Caribbean always seems to inspire criticism: Too much, too little, too late. Back off. Get in the game. Don't just stand there, do something. Don't do something, just stand there. Our geographic closeness has meant a rich, natural partnership, but this proximity easily stirs concerns over sovereignty. When the United States is preoccupied with events in other parts of the world, regional pundits accuse Washington of indifference. If we speak clearly on the issues in Latin America, we are excoriated for poking our nose "where it doesn't belong." So where does this leave U.S. foreign policy in the region? It could be that what we do may not be as important as how we do it. The first step in developing a new paradigm for engaging the Americas is using the 2008 election cycle here at home to develop a serious domestic constituency for our policy. Then we should shape that policy through a conscientious dialogue with stakeholders in the region.

It would be an exaggeration to say that the fate of Latin America hangs in the balance in the 2008 U.S. presidential elections. Only those with the most paternalistic of views of the U.S. role in the region would indulge such an overstatement. But as the political and economic dynamics shift both in the United States and in the region, it is time to take stock of current U.S. policy toward the hemisphere and evaluate our successes, failures, opportunities, and looming challenges.

Why should we care? The Western Hemisphere is home to three of our top four foreign suppliers of energy. We share thousands of miles of land and maritime borders with Canada, Mexico, and Caribbean countries. A great majority of its inhabitants share our Judeo-Christian values, and our cultural and familial ties are growing stronger every day. Elected leaders in the Americas by and large share a common respect for democratic institutions and are working to strengthen the rule of law. Most of them welcome positive economic and political relations with the United States. Our trade with the Americas is growing faster than with the rest of the world in

absolute terms,¹ with about a half a billion market-savvy consumers whose purchasing power is on the rise and who crave U.S. products. Our businesses have \$403 billion invested in Latin America and the Caribbean.²

Although U.S. aid, trade, and investment are a net plus for the region, whether these nations go boom or bust does not strictly depend on what we do. The fundamental work required to sustain growth and spread prosperity in Latin America and the Caribbean must be done by our friends—for themselves. Nonetheless, how we address a number of pressing issues can help our friends and advance our own interests:

- What we do about pending regional and global trade agreements could propel or stall global commerce that creates millions of U.S. jobs.
- How we treat our Colombian allies could impact our credibility as a reliable partner.
- Whether we respond adequately to Mexican and Andean requests for anti-drug aid will impact the quality of life of a generation of at-risk youth and the innocent victims of deadly drug cartels.

Roger F. Noriega (rnoriega@aei.org) is a visiting fellow at AEI. His law and advocacy firm, Tew Cardenas, LLP, represents foreign governments and companies.

- How to resolve the illegal immigration conundrum may mean helping our neighbors grow their economies so desperate people do not have to abandon their homes to survive.
- How vigorously we defend representative democracy may determine whether the pendulum swings backward to populism, dictatorship, class warfare, and instability.

Whether, when, or how these problems are resolved, the long-suffering citizens of affected countries will muddle through, as they always have. But in case the plight of the Latin American people is not enough to stir the interest of U.S. voters, we must remember that the stakes are high for us as well. The United States cannot pretend to compete in a global economy with our natural trade partners merely treading water. We cannot protect our people against post-9/11 threats if our nearest neighbors are weak, unstable, or hostile. We need them growing with us. Unlikely as it is that the presidential campaigns will focus on any issue that has nothing to do with Iraq, a genuine debate about these issues now could produce a new framework for engaging these nations—not as clients, but as partners. What are the problems, the opportunities, and the solutions that candidates and voters should consider?

The Problems

A Message in Need of a New Messenger. Of course, the election of a new U.S. president is an opportunity for renewal. President George W. Bush’s trip to the region this past spring reminded us of his deep-seated commitment to fighting poverty through trade and democracy. But Bush would be the first to admit that discord over the U.S. war in Iraq has undermined his ability to “connect” with the region.

At the same time, in recent years, several countries have chosen leaders who define themselves in opposition to “the empire.” Their divisive, populist rhetoric sows unrest in the Americas and challenges the consensus behind free market policies and democracy. The very idea that any government—let alone a foreign one—can resolve the region’s social ills with another aid program is simply unrealistic. Nevertheless, U.S. interest is measured

by many in terms of the generosity of our aid. And despite the fact that President Bush has doubled aid, visited the region more than any other U.S. president, and developed lucrative incentives for reform, some opinion leaders complain that he has not done enough.

The simple fact is that expectations for a U.S. president who promised to “look south” were always too high. And the fact that we have had to deal yet again with deadly threats in other parts of the world has left the audience in the Americas unimpressed. A new U.S. president can reinvigorate the North-South dialogue, particularly if he or she gives U.S. voters reason to

reflect on the untapped potential and tangible threats alive in the hemisphere.

Divisive, populist
rhetoric sows unrest in
the Americas and
challenges the consensus
behind free market
policies and democracy.

A Fragile Consensus. It is fair to say that, until recently, U.S. policy has been shaped around a tacit bipartisan consensus in favor of democracy and free markets as a development model for the region. Since the bitter, polarizing debates over President Ronald Reagan’s policy to roll back communist threats in Central

America, successive administrations have cultivated broad, bipartisan support for helping our neighbors consolidate fragile democracies through market-led growth.

George H. W. Bush launched the North American Free Trade Agreement (NAFTA), the Enterprise for the Americas Initiative, and the Brady Plan (which addressed the region’s debt crisis). Bill Clinton led the “Mexico bailout,” which came on the heels of the 1994 peso devaluation, and he launched the modern Summit of the Americas process that same year. Plan Colombia, developed late in the Clinton years, is a prime example of a Democratic administration forging an ambitious initiative with the full backing of congressional Republicans. George W. Bush continued that remarkable program, and he advanced a multilateral foreign policy and regional trade plan with tacit Democratic support.

That fragile bipartisan spirit is being sorely tested as new Democratic majorities in both houses of Congress take the reins on key issues. Democrats suspicious of the Bush administration were immediately confronted with votes on currently pending trade agreements with Colombia, Panama, and Peru. Those seeking progress will find hope in Senator Max Baucus (D-Mont.), chairman of the Senate Finance Committee responsible for international trade, and Representative Charles Rangel (D-N.Y.), chairman of the House Ways and Means Committee, who are

more favorably disposed toward trade agreements than the party rank and file. While they have advanced the agreement with Peru after initial doubts, they will be hard-pressed to muster sufficient votes to pass the pending treaty with Colombia. Democrats and their allies in the labor movement cite the deaths of labor organizers in making very harsh judgments about Colombia, despite the progress that this friendly nation has made in improving the well-being of its people.³

The Perils of Stiffing an Ally. If Colombia is left at the altar without a trade deal, the impact on U.S. credibility and influence will be devastating. Some of the same politicians who chide the Bush administration for under-funding aid programs may be among those voting to deny a faithful ally in the region a path to sustainable prosperity. The same people who have served up sober critiques about U.S. indifference or arrogance toward the region will be dealing our image the harshest blow in decades by stiffing a key ally who has done all the right things.

In addition to trade, the U.S. aid program for Colombia faces an uncertain future in the Democratic Congress, despite the fact that most experts regard it as an impressive success story. A staggering amount of cocaine has been interdicted before it could be shoveled onto U.S. streets and schoolyards, and the coca production chain has been severely disrupted. Virtually all of Colombia's opium poppy crop, used to produce heroin, has been eliminated. The Colombian security forces have taken back the streets in urban areas, and kidnapping and murder rates are in steep decline for the first time in two decades. As narcoterrorist networks have been attacked by Colombian security forces, 35,000 paramilitary fighters have laid down their arms. Colombia's economy has rebounded from recession, proving that sound policy—not poisonous populism—is the answer to the region's nagging social unrest.

The Ill Effects of "Bolivarian Imperialism." Another challenge in the region is the discord sown by Hugo Chávez, Venezuela's budding dictator. Chávez has backed

antiestablishment candidates throughout the region and has seen allies elected in Bolivia, Ecuador, and Nicaragua. The recent anti-U.S. tirades unleashed by Bolivian president Evo Morales and Nicaraguan president Daniel Ortega at the United Nations General Assembly prove that Chávez's "Bolivarian imperialism" is making strides.

The general public in Latin America has an overwhelmingly positive view of free markets. A recent Pew Global Attitudes Project survey showed that of the countries surveyed, a majority had positive opinions of capitalism, free trade, and foreign companies. Respondents in all countries surveyed expressed greater support for increased trade ties than those in the United States.

Ironically, even the good news for Chávez is not so good. High commodity prices have produced a windfall for Latin American nations rich in raw materials, fossil fuels, and farm products. Although this income has buoyed economies, there is no guarantee that governments will use these resources wisely to support sorely needed institutional reforms, capital investment, and sound economic policies. If the commodity boom postpones reform, Latin American nations may find themselves unable to keep pace with Asian countries that have retooled to compete in the global economy.

Perhaps even more troublesome for Chávez and Venezuela is the inevitable fall in commodity prices that will necessarily put an end to the generous but poorly structured social programs that have won Chávez domestic and international support. But no matter what his political fate is, decades of genuine economic reform have been lost. Chávez has squandered billions in petrodollars by focusing on short-term programs that do not make a dent in structural poverty

at the same time that he has decimated institutions essential to long-term growth. How U.S. policymakers help pick up the pieces when the Bolivarian project fails will shape our relationship with the region as a whole for decades to come.

Tentative U.S. Leadership. For the time being, Chávez is on a roll, and U.S. diplomacy may be shrinking from the challenge. His brazen march toward dictatorship continues with very little comment from U.S. diplomats, who are struggling to look unperturbed but not indifferent. Constitutional shoving-matches in Bolivia and Ecuador have drawn little or no attention. Those who once joined the United States in speaking their minds in the defense of democratic values—Canada, Chile, Central American countries, and Colombia—have gone

silent. Those who wished that the United States would work more collegially have failed to coax the Organization of American States (OAS) to assume its rightful role in the multilateral defense of democratic order. So, when epic opportunities present themselves to save Venezuela or help Cuba in the months ahead, the OAS will be sitting on its hands. It has been only a few short years since OAS countries agreed to promote and defend a “right to democracy.”⁴ The grandiose rhetoric about solidarity and a democratic hemisphere has not even been given a decent burial.

The Opportunities

Free Markets Still Matter. Despite these challenges in the U.S. body politic and in the region, opportunities remain. For example, most countries retain an abiding commitment to free market policies. One-time labor leader Luiz Inácio Lula da Silva has adhered to far-sighted economic policies as president of Brazil. Left-of-center leaders in Chile, Peru, and Uruguay advance responsible policies at home and are open to free trade with the United States and other countries.

Even the general public in Latin America has an overwhelmingly positive view of free markets. A recent Pew Global Attitudes Project survey showed that in the countries surveyed (Argentina, Brazil, Bolivia, Chile, Mexico, Peru, and Venezuela), majorities have positive opinions of capitalism, free trade, and foreign companies. In fact, respondents in all countries surveyed expressed greater support for increased trade ties than those in the United States. With the exceptions of Venezuela and Bolivia, all countries showed greater support for foreign companies than five years ago, and except for Bolivia, support for free trade has risen in the past five years.⁵ This resilient consensus leaves the next U.S. president room to maneuver in reinvigorating the vision of a hemisphere-wide free trade area. While some countries will opt out of this initiative at the present time, this does not mean that the promotion of this vision and framework should wait on the unwilling.

Chávez Gives Charisma a Bad Name. Another opportunity is that Chávez may be running out of steam in Venezuela and in Latin America at large. His grandiose schemes, unfulfilled aid pledges, and overheated rhetoric have turned off leaders in the Americas, as well as most U.S. observers. He lacks the wit or the political space at home to convert his petrodollar diplomacy into a tangible

model for the Americas. The expected death of Cuban dictator Fidel Castro presents another opportunity to bury the past in Latin America. If the United States is able to rally its neighbors in calling for democracy in Cuba at long last, our policy in the region will be reenergized by the challenge.

A New Paradigm

A Commitment to Access and Consultation. How the next president devises a new policy for the Americas may be as important as *what* that policy turns out to be. We might manage to bury paternalism if, rather than delivering a vision for the region on stone tablets, the next president were to lay out some basic arguments for why the region matters and then pledge months of consultation with key neighbors, culminating in a vision statement issued at the Fifth Summit of the Americas, scheduled for 2009 in Trinidad and Tobago.

The new president’s early months in office can include Oval Office meetings, phone conversations, and visits to the region. But he or she should not be pressed to map out a ten-year strategy for the future in the first days on the job. Indeed, the greatest contribution to building a solid policy is laying a foundation of mutual respect and consultation. In the meantime, our neighbors should not wait until after our presidential election for their “marching orders.” They should embrace an opportunity to shape the new U.S. president’s perceptions of the Americas and offer their own ideas to construct a new framework for U.S. engagement.

The new U.S. president should find a way to consult regularly with our key Latin American neighbors, starting with his Brazilian and Mexican counterparts. A semi-annual tripartite meeting could produce a consensus on key political and economic issues. The leaders would not have to issue statements or plans but could instead use a private, ad hoc dialogue to discuss confronting threats to security, reanimating the OAS, using the Inter-American Development Bank (IDB), launching new initiatives, or bringing the region together on a global issue. Frankly, leaders of our key neighbors deserve this sort of access. It sends a message to the rest of the region that they get it.

Getting over “The Wall” on Immigration. Although border security is a bona fide crisis today in the United States, high-pitched rhetoric about illegal immigration and the spectacle of building an actual wall on our southern border is a disaster for our image in Latin America.

The Bush administration appears determined to apply vigorous border enforcement measures that may satisfy the legitimate concerns over a porous border. It is probably too late for President Bush to resuscitate his guest worker program. The next president should be committed to modernizing U.S. immigration laws to accommodate the natural ebb and flow of *legal* foreign workers who contribute to our economy and have the option of returning to their native countries. Of course, anything that we do to contribute to long-term economic growth in the region will increase jobs so that people can remain in their own countries and become consumers of U.S. goods and services.

Promoting a Free Market Culture.

The real reason many policymakers seem single-minded about free trade is because it is all about freedom—not as an after-thought but as a central tenet. The only people who talk about trade as a panacea are those who want to discredit it when it turns out not to be. The rest of us acknowledge that there must be a conscious, tangible link between free market policies, democracy, and the rule of law in order to get where we want to go. So we cannot give up on trade, which must remain a cornerstone of a new paradigm. A new president must look beyond congressional vote tallies and diplomatic impasses and offer a plan to knit together willing trade partners by breaking down barriers to commerce by 2010.

World Bank president Robert Zoellick, Bush’s former top trade negotiator and deputy secretary of state, has outlined a vision for an Association of American Free Trade Agreements to institutionalize a culture of free trade, target barriers to economic cooperation, and engage the private sector in implementing agreements. Free trade agreements are a good starting point, but we need to link trade with “aid, good governance, property rights, and better working and environmental conditions.”⁶ Zoellick’s vision is a recipe for continued U.S. leadership in engaging like-minded countries to use economic integration to fight poverty and offer people hope.

Even Brazil, which has insisted that a Free Trade Area of the Americas (FTAA) is impossible without a global accord on reducing developed-world agricultural subsidies that disadvantage farmers in developing nations, could contribute to a pro-trade consensus. As part of this initiative, Lula could rally the developing world to use Bush’s

commitment to eliminate all farm subsidies to dislodge Europe and Japan from their self-serving positions.⁷ Breaking that impasse at the World Trade Organization talks would rescue the Doha round, open up room to move toward an FTAA, and bolster rules-based trade that benefits all humanity.

We should embrace willing partners in Chile and Uruguay, up through the Andes and Central America, and into North America, including those countries with which we already have trade agreements. However, free trade agreements are not the only tools for breaking down barriers to commerce, integrating economies, and empowering entrepreneurs. The United States should look at its previous efforts in North America to expand its partnerships with Canada and Mexico beyond NAFTA, such as the Security and Prosperity Partnership for North America, and deploy similar programs in the rest of the hemisphere. Furthermore, trade

The first and last goal of free market policies is to propel sound microeconomic reforms to attack the structural poverty in which 200 million of our neighbors live today.

facilitation agreements can serve as multilateral roadmaps that countries can follow to retool their economies to stimulate broad-based growth within national economies as well as among them. We must also find ways to facilitate trade and investment with Colombia in the months ahead, even without a trade accord.

Our words and deeds should emphasize that the first and last goal of free market policies is to propel sound microeconomic reforms to attack the structural poverty in which 200 million of our neighbors live today. The United States should encourage reforms to make it easier to start a small- or medium-sized enterprise or access credit so that individuals can improve their own lot in life rather than have to rely on corrupt and inefficient governments. Eventually, government will catch up, but poor people should not be expected to wait. We should work with our neighbors to identify best practices for educating at-risk youth, helping the poor, and retraining workers displaced by trade agreements. Mexico’s housing credit initiative and Brazil’s “Bolsa Família” (a stipend for families) are examples of home-grown initiatives that help the poor help themselves.⁸

A private consortium of universities and civil society organizations should be encouraged to increase ten-fold the number of partnerships with and within Latin America and the Caribbean—promoting a culture of learning, technology transfer, government accountability,

and community-based solutions. National governments should be encouraged to partner with the private sector to design sound and sustainable economic policies and to align training and research dollars with the real needs of the labor market.

At the same time, the small island states of the Caribbean also deserve special attention. While Chávez has offered aid in the form of subsidized oil loans (which saddle these most indebted states with even more debt), the United States has a real opportunity to play a constructive role in the Caribbean. A new administration could help forge an agreement that combines permanent preferential access to markets for goods and services with political and technical support for economic and political integration among its small island states. We could reverse the “brain drain” by mobilizing the Caribbean diaspora to expand its vital but scarce middle-management corps and incentivize trade and investment among the small but growing economies of the Caribbean basin. Such an international plan might encompass the Caribbean states plus the United States, Brazil, Mexico, Colombia, Central America, and others with an interest in the sub-region. Promoting stability of these small states will enhance their ability to work together (and with us) to control migration and drug trafficking.

Our cooperation should have a security component: transnational cooperation and information-sharing to attack drug syndicates and gangs that operate with virtual impunity across borders. We should reinforce existing international programs to strengthen the capacity of governments to attack the acute threat of gang violence and to cooperate with one another in an integrated strategy to bust up the drug-trafficking organizations that produce, transport, and distribute deadly drugs in our countries.

Promoting a Practical Agenda. The next president must advance a practical “competitiveness” agenda in the Americas, modeled on the highly successful Asia-Pacific Economic Cooperation (APEC). While the OAS and the Summit of the Americas churn out diplomatic poetry about defeating poverty in theory, APEC deals in reality. While the OAS political bodies offer up high-minded, long-winded, nonbinding declarations, APEC issues technical to-do lists outlining the measures that

participating governments must adopt to break down barriers to economic integration.⁹ For example, one of the initiatives approved at the 2004 APEC summit was the development of a strategic plan for teaching English as a medium for business. One can only imagine the debate that would be ignited if such a notion were raised in the OAS; APEC’s delegates recognized the lingua franca of global business and adopted this proposal by consensus because it just made sense. The point is not that English is the answer, but that Latin America must spend its time seeking—and adopting—practical solutions to fighting poverty. We need more prose and less poetry.

A special envoy will only work if the envoy is *special*—someone who can capture U.S. interest and mobilize resources not only in the government but in society at large.

Making Governments Accountable for Fighting Poverty by Empowering People. Accountability produces progress. A new U.S. agenda should stress the work that countries must do for themselves in order to jump-start their economies, beginning

with a robust respect for the rule of law and democratic institutions. Representative legislatures stand for the wishes and needs of the people and produce practical laws. Independent courts see to it that laws are applied without favor or discrimination. Fair regulations enhance quality of life and protect public health and safety. Even fair taxation has a role to play by supporting a state that has the weight and resources to enforce the rules of the game without fear or favor. Separation of powers provides checks on abuses of power. Democratic institutions intended to empower people have not kept pace with popular dissatisfaction. Many of those living on the margins of life have concluded that democracy has failed them.

Governments that pretend to be democratic without respecting free institutions are condemning their nations to failure. A sound regional policy should promote adherence to these tenets because they produce more just and prosperous societies. The United States should distinguish between countries that dismantle these democratic institutions and those that merely lack the capacity to strengthen good governance. U.S. aid should be reserved for countries committed to accountable, effective government. The United States has a successful track record in providing funding and technical assistance to such initiatives as Colombia’s judicial reform or Central American transparency. International organizations such as the OAS and the IDB must hold countries accountable for denying

their people the sound, institutional democracy they deserve. The new U.S. president should be faithful to these ideals and be prepared to take the heat for promoting a policy that values *values*.

Burying Paternalism in a New Paradigm

A renewed message deserves new tools for sustaining our engagement, both diplomatically in the region and bureaucratically at home. A special envoy will only work if the envoy is *special*—someone who can capture U.S. interest and mobilize resources not only in the government but in society at large. A Democratic president should name someone like former Florida governor Jeb Bush to this post; a Republican should designate former president Bill Clinton. Both have the knowledge and credibility to keep the region on the political radar screen and lead a national conversation about the importance of the Americas to our national interests.

Congress has an indispensable role to play in evaluating administration policies and adequately funding initiatives that get it right. A bipartisan, bicameral working group on the Americas should be established by a joint resolution of Congress to hold a series of hearings in the country and in the region to help forge sound policies and build a constituency for ambitious, adequately funded solutions.

The particular ideas and broad strategy suggested here envision robust and creative U.S. engagement to supplement what countries must do for themselves. The 2008 elections present an opportunity for leaders of both parties to move beyond the past and revive our diplomacy in ways that reflect the respect and intensity with which we view our neighbors. This approach also expects the region's perceptions of the United States and of their own responsibilities in this relationship in a more modern, mature way. We can turn the page and bury paternalism if we develop a national consensus recognizing the importance of the region to our own future. In turn, we could produce a genuine partnership with our neighbors committed to solving problems, seizing opportunities, and growing together.

AEI research assistant Megan Davy and editorial assistant Evan Sparks worked with Mr. Noriega to edit and produce this Latin American Outlook.

Notes

1. Author calculations based on U.S. Department of Commerce and International Trade Administration TradeStats Express database, available at <http://tse.export.gov> (accessed October 25, 2007).

2. U.S. Department of Commerce, Bureau of Economic Analysis, Balance of Payments and Direct Investment Position Data, available at www.bea.gov/ (accessed October 25, 2007).

3. See Richard Lugar, "We Should Help Colombia," *Miami Herald*, October 8, 2007.

4. "The peoples of the Americas have a right to democracy, and their governments have an obligation to promote and defend it." (Organization of American States, General Assembly, "Inter-American Democratic Charter," Article 1, September 11, 2001.)

5. Pew Global Attitudes Project, "World Public Welcomes Global Trade—But Not Immigration," October 4, 2007, available at <http://pewglobal.org/reports/pdf/258.pdf> (accessed October 25, 2007).

6. Robert B. Zoellick, "Happy Ever AAFTA," *Wall Street Journal*, January 8, 2007.

7. President Bush made a public commitment before a world audience at the UN General Assembly Summit on September 14, 2005, saying, "We must work together in the Doha negotiations to eliminate agricultural subsidies that distort trade and stunt development, and to eliminate tariffs and other barriers to open markets around the world. Today I broaden the challenge by making this pledge: the United States is ready to eliminate all tariffs, subsidies, and other barriers to free flow of goods and services as other nations do the same." (George W. Bush [statement, 2005 World Summit, United Nations, New York, September 14, 2005], available at www.un.org/webcast/summit2005/statements/usa050914.pdf (accessed October 25, 2007).

8. See Roger F. Noriega, "Struggle for the Future: The Poison of Populism and Democracy's Cure," *Latin American Outlook* no. 6 (December 2006), available at www.aei.org/publication25225/.

9. There are several inter-American organizations dedicated to fighting drugs and terrorism that specialize in practical, technical agendas. The summit process produces reams of recommendations, but governments are not held accountable to adopt these measures.