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**US POLICY IN LATIN AMERICA:
IT MATTERS AT HOME**

Core Course IV Essay

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CORE COURSE IV
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Until recently, US foreign policy in Latin America was overshadowed by the economic and political turbulence of Eastern Europe, the Baltics, Russia, and Southeast Asia. The collapse of the Soviet Union, the war in Bosnia, trade conflicts with Japan, and a multitude of United Nations peacekeeping initiatives throughout the world captured the focus of senior US policy makers. Latin America, with the vast majority of its states forging towards enhanced democratic rule and economic stability, failed to achieve the same level of keen US interest. As recently as 1992, global economists continued to portray Latin America as the next great investment opportunity. The transition from authoritarian leadership to democratic rule and more investment-oriented internal economic policies throughout the region, suggested that Latin America "... was poised for a new boom. . . Five of the six fastest rising stock markets in the world (in 1991) were Latin American"¹ It clearly appeared that success in Latin America had been achieved.

But all in Latin America may not be as it appeared just a short time ago. Unequal distribution of wealth, continuing budget deficits, and growing distrust in governmental institutions remain potential threats to the accomplishments of the past few years. Coupled with the recent financial crisis in Mexico, Latin America has recaptured our interest. This essay assesses US interests in the region, recommends US policy objectives in Latin America, and analyzes alternative strategies for accomplishing those objectives.

US major interests in Latin America, more than ever before, relate directly to our domestic well-being. Unlike our earlier twentieth century experiences, concerns for safe passage and the threat of non-hemispheric intervention and influence in the region no longer remain of critical importance. As the region has matured, so have our interests. The end of the Cold War, the transition to more democratic philosophies of governance throughout the southern hemisphere, increased regional economic interdependence, and the growing population of Latin Americans residing in the US have significantly changed

¹ Howard A. Abramson, "Latin America: Ready for Partnership?", *Foreign Affairs*, Vol 72, Issue 1, 1993, 74

US interests in the region. There is general recognition that trends in Latin America influence the entire spectrum of US economic, political, and social domestic conditions.

As a result of these changes and a more mature recognition of the domestic importance of Latin America, our major interests in the region include: access to Latin American economic markets, protection of American investments in the region, elimination of illegal drug production and trafficking, and curtailment of the mass migration of unskilled Latin Americans to the US in search of employment and greater human rights protections. This is not to say that environmental, humanitarian, and other political conditions have no place among US interests, for they do. However, the impact of these peripheral interests have far less direct and immediate influence upon US domestic prosperity and security. In the absence of a major military ideological threat, trade, investments, drugs, and illegal immigration remain of critical importance to US domestic well-being.

US exports to Latin America have increased dramatically in the last ten years. In 1993, US manufacturers exported nearly \$80 billion of goods and services to our neighbors in the southern hemisphere. It remains the only region of the world where the US enjoys a trade surplus.² Similarly, foreign investment in Latin America more than tripled between 1980 and 1990.³ US capital represents a significant share of this \$10 billion increase and a major commitment to future US economic prosperity. As a consequence, continued economic growth in Latin America must remain a critical objective of US foreign policy. Our financial relationships have now matured to a point where economic failure in Latin America will have a significantly adverse impact upon the US economy. Either fiscal or political instability in the region could threaten US access to Latin American markets and the security of US investments in the region.

²Feinberg, Richard E., Substantive Symmetry in Hemispheric Relations, Democratic Values and Economic Thoughts, Vital Speeches of the Day, Vol 60, Issue 17, June 15 1994, 527

³Swan, Philip L. Economic Reform in Latin America, Business Economics Magazine, Vol 27, Issue 2, Apr 1992, 20

Drug production and trafficking in Latin America and their volatile impact upon the US domestic scene requires no lengthy discussion. One need only look to the local media for daily evidence of the violence, corruption, and destruction of social values that the scourge of illegal drug production has had in our communities. Although it is arguably time for an unconventional domestic response to our own problem, there can be no doubt that, in its present form, drug production and trafficking in Latin America continues to threaten our domestic well-being. The influence of drug traffickers among Latin American government officials, whether through bribery and corruption, or by threat of violence, also continues to exacerbate Latin American democratization and stability. The issue of illegal drug production and trafficking remains of critical importance in the conduct of US-Latin American relations.

As has been so evidently clear in the last few months, illegal immigration of unskilled workers from Latin America remains a subject of great political debate at both the state and federal levels of US government. More than half of the undocumented immigrants who enter the US annually come from the Caribbean and Latin America.⁴ The subject receives almost daily attention from the news media, and, as demonstrated during the California gubernatorial race, this migration remains of significant importance to US citizens. The seemingly unimpeded flow of illegal immigrants into the US from points south has not only contributed to the debate of the domestic economic conditions, but also demonstrates the US government's inability to secure its borders. Although more efficient domestic controls have been suggested, US interest in Latin American economic, political, and social conditions, which contribute to the attractiveness of migration, cannot be discounted.

Securing US interests in Latin America requires a combination of intricately related economic, political, and social policy objectives, all relevant to maintaining stability in

⁴ Orvenha, 21.

this historically turbulent part of the world. It is regional stability, above all, that will foster confidence among external, as well as internal role players, that the transformations which occurred during the 1980's and early 1990's will succeed in integrating the region into a prosperous member of the world community. The objectives most essential to maintaining regional stability include the redistribution of internal wealth, strengthened and more efficient governmental service institutions, strong support of fiscal policies favorable to continued economic growth, and expansion of regional cooperation agreements among states.

Although much of Latin America enjoyed significant economic growth in the last 15 years, prosperity remains disproportionately in the hands of a privileged few. "... millions of Latin Americans who earlier thought they had it made to the middle class have been impoverished .. According to U.N. statistics, 44% of Latin Americans live at poverty levels, three percent more than ten years ago ... the wealthiest 20 percent of families today earn more than 30 times what the poorest 20 per cent earn, .." ⁵ Unemployment remains high throughout the region, and contributes to the great divisions which exist between economic classes. This continuing disparity of wealth, in an environment of heightened expectations for future prosperity, will contribute to increasing social unrest. If efforts to ensure more equitable distribution of wealth are not embedded in the policies of existing democratic governments, instability will threaten the pluralistic achievements of the past decade.

Redistribution of wealth requires expansion of employment opportunities to accommodate the area's rapidly growing working-age population. More effective land reform and reconfiguration of the tax base to reassign the burden more equitably among all economic classes remain critical to Latin American stability. Although we are limited in our ability to directly affect Latin American domestic economic policy, US support of

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on-going democratic reforms and encouragement of increased international investment in the region's industrial base will contribute to increased employment and the needed reforms. If internal democratic principles mature, Latin American leaders will eventually succumb to the grievances of the electorate, and institute the necessary economic reforms. As reforms are implemented, foreign investments in Latin America will appear more secure, and consequently, more attractive, increasing employment opportunities in the region. A policy of continued engagement in pursuit of further democratic development and increased international investment will contribute to regional stability and the maintenance of US interests in Latin America.

Although strengthening of all governmental institutions in Latin America is required, reform of the region's judicial system is particularly important. Judicial reform in Latin America must be accomplished if the region's history of corruption and inequality are to be overcome. "It is not just that corruption is common almost everywhere. It is that judges tend to take their orders from the executive."⁶ Insufficient separation of powers between the Executive and Judicial branches among most Latin American democracies contributes to an environment of unbalanced executive power. In addition, the status of the judiciary must be heightened to better insulate judges from the corruptive influences of the elite, the drug lords, and the criminal elements of Latin American society. Both the people of Latin America and those contemplating investment in the region must be confident that impartial judicial relief of injustice remains available. Confidence in judicial equity and impartial treatment among the Latin American population and international investors is essential to stability and to the security of US interests in the region.

As with the need for greater economic equity among the region's economic classes, US means of directly affecting the necessary changes remain limited. The US must continue to exert political pressure upon Latin American leaders to provide greater autonomy,

⁶Anonymous, *The Other Obstacles to Change*, *The Economist* Vol 329 Issue 7837 Nov 13 1993 25

increased pay, and enhanced protection to their judiciaries. Means of improving the status of judges in the Latin American society should be explored. Increased non-governmental contacts between US and Latin American judiciary representatives should be encouraged as means of training and orienting Latin American judges to their role in an adversarial system of justice.

As with the judiciary, the effectiveness and legitimacy of other civil institutions must be improved. If recent achievements towards democratic reforms in Latin America are to be sustained, increased confidence in the ability of civil institutions to provide public services and to manage the internal affairs of the state is essential to credibility of those reforms. As a result of the significant downsizing of Latin American governmental organizations under economic pressures and continued inefficiency and corruption, there is growing uncertainty among the populations of the region that expected improvements in governance and services will materialize. Such uncertainty breeds opportunity for those with insurgent causes. If stability and confidence in Latin American democratic governments are to be maintained, more efficient institutions are required. "In many Latin American countries, building effective state capacity - rather than further cutting back the state - is a central task for the 1990's."⁷

US strategy must encompass both political and social means in pursuit of stability. Strong US support for the democratic reforms must continue. As democracy becomes increasingly embedded in the region, the influence of the electorate and their demands for more responsive government will ensure greater efficiency. A separate and strong judiciary and more efficient law enforcement programs will assist in eliminating the corruption and drug cartel influence so prevalent in government institutions regionally. The US should provide technological assistance to Latin American governmental

⁷Lowenthal 88

institutions and offer training assistance as a means of aiding regional governments to accomplish more with less

Economic growth equates directly to not only reduced potential for regional social unrest and an enhanced ability of Latin American governments to provide services, but also contributes to a relatively secure environment for US investments and continued growth of export markets for US goods and services. Relief from economic stagnation will provide new employment opportunities, reducing the Latin American motivations to migrate north in search of work and eliminating rural dependence on drug production as a means of subsistence.

Reduced trade barriers to US imports, debt relief, and increased international investment are essential to future economic growth in Latin American. US policy should seek to expand the provisions of the North American Free Trade Agreement (NAFTA) to the region. Elimination of trade barriers will increase US import of Latin American goods, reducing regional trade imbalances, and encourage greater US and international investment in the region. Debt relief remains essential. The practice of exchanging foreign debt for equity in Latin American nationalized industries, begun in 1982, should be further encouraged.⁸ These highly successful exchanges have not only reduced the demand for international currency to pay debts, but have, more importantly, served to redistribute government owned organizations to individual entrepreneurs, effectively reducing the size and burden of governments in the area. Although reduced trade and debt relief will, in themselves, provide a more attractive environment for international investment, strong US support is essential. The recent Clinton administration action to underwrite nearly \$40 billion in loan guarantees to the Mexican government is an example of such support. As unpopular as such a guarantee may appear in the short term, the potential long term benefits far exceed the immediate risks.

⁸Swan 22

Finally, US policy objectives must include further expansion of regional cooperation agreements. Latin America has made progress towards reducing the adversarial relationships which have characterized their recent histories. However, "While wars have ended, divisions and rivalries have not. Efforts at integration have been hampered by suspicion, conflicting interests, and differing agendas."⁹ Continued democratic reforms in the region will assist in opening government activities to the press and public, thereby reducing suspicions between neighbor states. Similarly, greater participation in regional councils and cooperative agreements will ensure contacts between Latin American states, contributing to reduced tensions and open discussions of conflicts. Greater interaction among Latin American governments will foster more responsible behavior and enhanced understanding of the dilemmas with which all are confronted.

To this end, the US should continue to rely upon the Organization of American States (OAS) as a medium for problem resolution in the region, and should encourage further development of economic, political, and security coalitions among Latin American states. The US must remain an active, yet impartial, party to all major Latin American economic and political activities. Our support for the application of democratic principles must not cease at the national level, but must be expanded to encompass the conduct of international relationships as well.

US interests in Latin America: access to export markets, security of investments, elimination of drug production, and control of illegal immigration, are, more than ever, tied directly to our domestic prosperity. If these interests are to be secured, stability in Latin America must be maintained. Redistribution of wealth, judicial reform, more effective government institutions, fiscal policies supportive of continued economic growth, and greater regional cooperation are essential to maintaining the needed stability. The

⁹Millett, Richard L. Central America's Enduring Conflicts, XXXXXXXXX 124

current Administration's Latin American foreign policy appears to accomplish these objectives

The concept of "Engagement and Enlargement", unlike perhaps other regions of the globe, does not fit in Latin America. Continuation of democratic reforms remains a key element in achieving US regional policy objectives. Only through engagement in Latin America and the enlargement of democratic principles can we hope to secure our interests. However, because of its seemingly recent unique and direct impact upon US domestic concerns, the administration must reevaluate policy priorities. NAFTA, the "Mexican bailout", drugs, the economy, and illegal immigration have captured the attention of all Americans. The Administration must better explain US interests in Latin America and act forcefully now to secure those interests.

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