



8

REVITALIZING TIES TO LATIN AMERICA

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Relations between the United States and the 33 countries that make up the Latin American and Caribbean region have fallen into a state of neglect in recent years. Washington's policy focus has been consumed by terrorism and the wars in Afghanistan and Iraq. In the process, Latin America and the Caribbean countries have dropped off the U.S. political radar screen.

THE GLOBAL CONTEXT

While the United States has been focused elsewhere, important trends have swept the Latin American and Caribbean region. The region's countries have begun to diversify their economic and political relations. Brazil, in particular, emboldened by strong economic growth, has been pursuing a more active regional and global role. Democratic institutions have been strengthened in most countries in the region. Fiscal and monetary discipline have become a cornerstone of economic policy. The region has also suffered from its share of financial

crises, and relatively feeble rates of growth and job creation have frustrated the expectations of the middle classes and the poor. Poverty, violence and inequality remain major—and in some countries growing—challenges.

Meanwhile, the region's residents have grown increasingly alienated from the United States. In a 2007 Zogby poll of Latin American elites, only 14 percent of decisionmakers from the region described Washington's handling of relations with Latin America as "good" (13 percent) or "excellent" (1 percent). The remaining 86 percent thought U.S. policy was "fair" or "poor." But 27 percent of Latin American elites described China as the country they believe is most important to their region's future—a close second after the United States (30 percent).

Neglect of Latin America and the Caribbean and alienation from its leadership are proving costly to the United States because no other region has a greater impact on the daily lives of Americans. Through their impact on flows of natural resources, goods and investment, shifts in the region can affect the health of U.S. firms and the U.S. economy. In addition, shifts in migration patterns can have an impact on U.S. labor markets, politics and society. The United States has a large

stake in the future of Latin America and the Caribbean, but unless it reengages with the region, its ability to influence transformative trends will continue to decline.

THE CHALLENGE

For the United States, the challenge is how to design a constructive agenda with the countries of Latin America and the Caribbean and to forge partnerships that can help it advance its short- and long-term strategic interests. With the exception of Europe, Latin America and the Caribbean is the region that most closely shares U.S. political and economic values and institutions; rehabilitating the United States' image in this region should be easier than elsewhere in the world. Key U.S. interests in the region include not only pursuing the traditional counternarcotics and investment- and trade-promotion agendas but also promoting energy security, managing migration flows, strengthening democracy and the rule of law, combating criminal networks and supporting efforts to build more cohesive and equitable societies in the region.

There are a number of obstacles on the road to constructive reengagement. First is the powerful pull of more urgent challenges in the Middle East and Asia, which divert high-level attention and resources from Latin American and Caribbean issues. Second is a strong temptation to treat the region as a single entity, though it has a number of very different political and economic structures. What is needed is a creative mix of bilateral, subregional, and hemispheric institutions and initiatives.

Third, some leaders in the region (especially Hugo Chávez, Evo Morales, and Fidel Castro) have exerted too strong an adversarial hold on Washington's attention, often pushing it into costly, counterproductive confrontations. Instead, U.S. policymakers should focus on understanding these leaders' interests and the configuration of economic and political forces that keep them in power. A fourth obstacle is that U.S. policy tends to alternate between neglect and obsessive attention to a few issues that affect Americans directly, such as drug trafficking and migration. What is needed is more consistent, sustained attention on a wider scope of issues, including those that Latin American and Caribbean governments see as shared challenges, and those issues in which hemispheric cooperation is essential for progress.

AMERICA'S OPPORTUNITY

The next U.S. president needs to pursue several opportunities in relating to the Latin American and Caribbean countries:

- > **Relaunch relations:** The first step of the next U.S. administration should be a symbolic relaunching of relations with Latin America, starting with a reference to the region in the president's inaugural speech and a series of visits by senior officials to the region.
- > **Diversify the agenda for the region:** U.S. policymakers should diversify the high-level agenda for the region beyond counternarcotics, immigration, and trade to include energy cooperation and integration, water management, financial regulation, environmental protection and competitiveness. Energy, in particular, is an area of high potential for hemispheric cooperation—to liberalize trade in ethanol, promote the integration of power grids, build stronger safeguards for the peaceful development of nuclear energy and sponsor research to develop cellulosic ethanol and other renewable energy sources.
- > **Address U.S. fears and concerns:** On the hard issues of trade and immigration, the next administration will make no progress unless it first directly addresses the American public's fears and concerns. Without expanding and strengthening Trade Adjustment Assistance and investing in U.S. competitiveness, there will be no domestic constituency for expanded trade with Latin American and Caribbean (or other) countries. In addition, the U.S. government would be well advised to renew its efforts to pursue a hemispheric agreement rather than rely exclusively on bilateral trade deals, which cause trade diversion and create regulatory confusion. Finally, without a system that ensures the safe, legal and temporary movement of the region's workers into the sectors of the U.S. economy that need them most, progress on immigration will remain elusive.
- > **Strengthen regional institutions:** The weakened Organization of American States could serve as a useful forum for promoting regional security cooperation and democratic institutions. But first, the OAS needs to be strengthened financially and institutionally. Another institution ripe for improvement is the North American Development Bank, set up to finance environmental protection projects in the U.S.-Mexico border region. An informal steering committee, modeled on the Group of Seven and composed of heads of state from the region's most important countries, could help guide the work of regional institutions and strengthen cooperation.

> **Contribute to the region's social agenda:** U.S. policymakers need to identify opportunities for the United States to contribute to the social agenda in Latin American and Caribbean countries. This means rethinking U.S. aid policy toward the region, improving aid coordination with other donors and directing aid to those sectors where the impact will be greatest per dollar spent. U.S. aid agencies should also be more transparent about the purposes of their aid to the region's countries (poverty reduction, counternarcotics, security) and should evaluate that aid's effectiveness only on the basis of its intended purpose.

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