U.S.—Latin American Relations

Shannon K. O’Neil
Senior Fellow
Council on Foreign Relations

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Introduction

The start of the twenty-first century has been momentous for Latin America. Most economies grew solidly, spurred by the expansion of the global south. Socially, the middle classes multiplied, driving consumption and new political demands. Politically, trajectories diverged with some countries pushing forward to consolidate democracy and others eroding democratic institutions and even basic rights. Broadly across the region, security worsened as crime rates soared.

The United States changed as well. The nation embarked on two wars in the Middle East and experienced its worst recession since the Great Depression. Through the shale revolution, it found a new bounty of extractable oil and gas. And it experienced demographic shifts as the median age of its population increased from 35.3 to 37.6 and the share identifying as white fell to less than 75 percent, its lowest level in recorded history.

In the wake of these shifts, U.S.-Latin America policy has in some instances evolved, and in others failed to adapt. This paper will talk about what has changed, what hasn’t, and the potential positive ways to advance relations.

Regional Trends in Latin America

Two big trends—one good, one bad—define Latin America over the last decade. The most positive is the economic story. In a region known for decades as a place of have and have nots, the start of the twenty-first century has seen the rise of a middle class. According to the World Bank, the percentage of Latin Americans now considered part of this middle has grown to 30
percent, up more than 50 percent from a decade ago.iii These changes have had big effects on the economy, society, and politics in many nations.

In part this reflects overall growth. From 2000 to 2013, average regional growth topped 3 percent a year (and reached nearly 4 percent in the larger economies), bringing the combined gross domestic product of the region to over six trillion dollars.iv Of the twenty-six Latin American countries measured by the World Bank, eighteen countries, or over two-thirds, are now classified as upper middle income, up from just seven in 2000.v

Over the last decade, trade flows rose 10 percent year-on-year, driven in part by new markets and new demands.vi Some 60 percent of Southern Cone exports went to emerging economies in 2012, up from 45 percent in 2000, even while Mexican and Central American flows remained heavily focused on the United States.vii

Part of these alterations reflects a commodities boom, driven by Asian (particularly Chinese) demand. But another part resulted from concrete policy choices—in particular the proliferation of free trade agreements (FTAs), which rose from ten in 2000 to approximately sixty-five signed agreements today.viii Looking forward, one of the most heralded and potentially far reaching of these trade alliances is the Pacific Alliance—founded by Mexico, Colombia, Peru, and Chile in 2012—which goes beyond most traditional FTAs, combining economic, financial, and diplomatic initiatives to deepen integration.

Conversely, the single most worrisome trend is the rise of crime and violence. Between 2000 and 2010, homicide rates in Latin America increased 12 percent—the only world region that saw its rate grow.ix With 23.4 homicides per 100,000 people in 2012, Latin America’s rate nearly doubles Africa’s (12.5 percent).x Mexico has seen the starkest increase, from a historic
low of just under 8 homicides per 100,000 in 2007 to over 21 in 2012.\textsuperscript{xii} Venezuela too has seen rates spike, and Central America has joined Southern Africa as the two subregions with the highest murder rates in the world.\textsuperscript{xi} Only in Colombia have murder rates fallen.

Other illegal activities—robberies, kidnapping, and extortion—have become more common as well. A 2011 Latinobarometro survey found that citizens in twelve of the eighteen participating Latin American countries rated crime and insecurity as their country’s most pressing problem.\textsuperscript{xi}iii

Scholars point to many factors for the deterioration in the rule of law. One is the rise of gangs, which account for an estimated 30 percent of all homicides in the Americas (compared to just 1 percent in Europe and Asia).\textsuperscript{xiv} Another are weak justice systems. Only one in four homicides in the Americas end in conviction—compared to the world average of 43 percent—illustrating the depth of impunity.\textsuperscript{xv} A comprehensive United Nations Development Programme report also points to the “mano dura” or iron-fist policies of recent years, which have led to “the strengthening of criminal networks, congestion in already overcrowded prisons, human rights violations—particularly against youths and minors—and abuse of authority.”\textsuperscript{xvi}

These trends of economic growth combined with deterioration in security form a backdrop for U.S.-Latin America relations, shaping policies and outcomes.

\textbf{U.S.-Latin America Relations Today}

\textit{Economic Ties}

U.S.-Latin American economic relations continue to be quite strong. The United States remains the region’s main trading partner with $850 billion in total trade (including over $500 billion
The United States is also the largest source of foreign direct investment, providing nearly a quarter of the $173 billion that flowed into the region in 2012. Other countries have expanded their economic presence in the region, in particular China, driven by the nation’s demand for natural resources. Still, U.S. exchanges dominate, and are also deemed more beneficial to their Latin American partners, as they are more likely to include manufactured goods and components—a sign of intra-industry trade. The regional supply chains and value added paths that form as a result have greater potential to improve standards of living over the long term.

The United States has maintained an active trade agenda with Latin America. In the wake of the collapse of the Free Trade Agreement of the Americas negotiations, the United States moved forward on bilateral and smaller regional agreements. It signed agreements with Chile in 2003, Central America and the Dominican Republic in 2004, Colombia in 2006, and Peru and Panama in 2007, all of which are now in effect. With Mexico, the United States has worked to deepen economic links by addressing bilateral issues and irritants through the U.S.-Mexico High Level Economic Dialogue and the U.S.-Mexico High Level Regulatory Cooperation Council. Both countries are also working towards speeding the movement of goods across the border as Mexico implemented a single electronic customs window in 2012, and the United States has promised to follow suit by 2016.

More encompassing U.S. trade negotiations are, for once, not ignoring Latin America. The Trans-Pacific Partnership, or TPP, aims to create an integrated economic platform that spans the Pacific Ocean, incorporating Peru, Chile, and Mexico alongside Canada, Australia, Japan, Malaysia, Vietnam, Brunei Darussalam, New Zealand, and Singapore, and representing a combined GDP of twenty-seven trillion dollars.
Still, the blossoming of trade and embrace of globalization is not region wide. Brazil remains relatively closed to the United States and much of the rest of the world, with few FTAs and stagnating trade due to falling commodity prices and targeted protectionist measures. The ALBA countries—Bolivia, Ecuador, Venezuela, Cuba, Nicaragua, et. al.—too remain behind substantial tariff walls, with average rates 50 percent above the global average. The United States does and should continue to work closely with the like-minded and interested potential regional economic partners, forging deeper economic links.

*Prioritizing Bilateral Relations*

In recent years, the disaggregation of Latin American policy initiatives has been a positive development in U.S.-Latin America strategy. As the region diverges in myriad ways—economically, politically, and socially—addressing issues on a regional level becomes less and less effective. Significant time and resources are now dedicated to developing discrete policies for Mexico, Brazil, and Venezuela, as well as smaller sub-regions such as Central America. Better addressing the real issues, opportunities, and aggravations in these relations, this disaggregation is a welcome trend that could go further.

Colombia offers one of the best opportunities in the near future. If the current negotiations with the FARC are successful in ending the decades-long conflict, Colombia will need substantial resources to win the peace. These include funds for land restoration and restitution, support for the return of six million displaced Colombians, the reintegration of an estimated 8,000 FARC militants, and funds for victim compensation. U.S. direct aid and rallying of the international community to support this historic event will be vital in making the peace a reality.
Relations with Brazil too may be open to change, bridging the current distance. Aecio Neves, the opposition presidential candidate, promises a closer relationship with the United States. If current president Dilma Rousseff wins a second term, a new administration provides an opportunity to move beyond the tensions created by the 2013 NSA surveillance revelations to address areas of mutual benefit, including investment and trade, as well as shared tests, such as rising instability in Venezuela.

Argentina represents a medium term opportunity. In December 2015, a new president will enter the Casa Rosada, opening up the space to shift the tenor and build a more constructive relationship with the United States.

*Improving Security*

Security is not only one of Latin America’s biggest challenges, but also one of the most difficult areas for U.S.-Latin American relations. Despite now four decades of the war on drugs and billions of dollars in aid and assistance, the flows of narcotics continue to the world’s largest consuming nation, and the rates of violence have only increased. Basic safety has been undermined in areas of many countries.

To help Latin American nations take on these security challenges, the United States needs to move further away from its historic focus on stopping drugs to strengthening the rule of law. This in turn requires a shift from a reliance on Latin American militaries to building connections to and supporting their police forces. Also vital is strengthening the region’s justice systems. Only by diminishing impunity can these countries contain crime.
There are some encouraging steps in these directions in the evolution of Plan Colombia, the Mérida Initiative with Mexico, and with aspects of the U.S. involvement in Central American security, for instance through the Central American Regional Security Initiative (CARSII). All have moved over time to focus more closely on improving justice systems and professionalizing police forces. Still, this shift could and should go farther.

In addition, given the changing tone of drug debates in the region, the United States has to do more than just ignore or even listen quietly; it needs to engage. Today, not just former but sitting presidents, including Juan Manuel Santos of Colombia and Otto Pérez Molina of Guatemala, have called repeatedly and publicly for a thorough reevaluation of existing drug policies and supported marijuana legalization in their respective countries. In May 2013, the Organization of American States released an in-depth study of the drug problem in the Americas, which evaluates potential paths forward for the region. This has spurred much discussion, if little consensus, within the region on the best direction forward, as elected leaders throughout the region struggle with the costs of crime, violence, and enforcement measures on citizens’ daily lives and with public opinion more generally.

**Changes in the United States that Will Impact U.S.-Latin American Relations**

As important as the conversations in the region are, so too is evolving drug legislation within the United States. Two states—Colorado and Washington—have fully legalized the sale of marijuana for recreational use, and some twenty allow quite liberal medical use. These state and local laws conflict with federal prohibitions, yet so far neither Congress nor the Obama administration have decided to challenge them, leaving the United States looking hypocritical at
best and criminal (according to the policies enforced in many Latin American countries with U.S. encouragement and assistance) at worst.

A second shift is the importance of Hispanic voters. In the 2012 presidential elections, a record eleven million Hispanics went to the polls—predominantly for the Democratic Party. Political analysts credit the turn-out with swaying elections in crucial swing states, including Colorado, New Mexico, Nevada, and Florida. This population continues to grow—with an estimated sixty-five thousand young Hispanics turning eighteen each month and eligible to vote. The effects on domestic politics are apparent in the current pre-presidential candidate positioning. In early September 2014, Hillary Clinton and New Jersey Governor Chris Christie crossed paths in Mexico City (notably, the only other countries Christie has officially visited are Israel and Jordan).

The growing political heft of citizens of Latin American heritage provides an opportunity for greater consideration of Latin American issues in U.S. foreign policy. The challenge for advocates will be to take advantage of the potential, and if given the resources and focus, to adapt current policies and create new ones that take into account the changing realities throughout the hemisphere.

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4 Latin America and the Caribbean had an average GDP growth rate of 3.1 percent from 2000 to 2013 based on the World Bank’s GDP Growth (annual %) data. The eight largest economies had an average growth rate of 3.9 percent. World Bank, “GDP Growth (annual %),” accessed October 8, 2014,


xxiv Average rate calculated from World Bank data on “Tariff Rate, applied, weighted mean, all products” by taking a simple average for all countries and ALBA countries for years 2009-2013. ALBA countries average is 7.5 percent versus world average of 5.1 percent. World Bank, “Tariff rate, applied, weighted mean, all products,” accessed October 8, 2014, http://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS.


