

**Statement of Peter Hakim
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Obama Administration Policy in Latin America. Year II

The first year of the Obama Administration has demonstrated how difficult it is to improve the quality of US-Latin American relations and develop more productive regional ties.

Arguably, no event since John F. Kennedy's election in 1960 was more welcomed in Latin America or held out greater expectations for improving the region's ties with the U.S. than Barack Obama's electoral victory in November 2008. Yet one year after taking office, U.S. policy remains largely unchanged and it is hard to identify a single Latin American country that has a better relation with Washington today than it did during President Bush's tenure. Secretary of State Hillary Clinton's visit to Latin America just this past week was widely reported as a repair mission to put a damaged U.S. relationship with the region back on track

President Obama's debut into the divisive world of hemispheric politics was the April 2009 Summit of the Americas in Trinidad and Tobago, which brought him together with the Western Hemisphere's 34 other elected heads of state. And it was a successful start. The new president took full advantage of the two-day meeting to demonstrate his political and personal skills, as well as a clear intent to change the U.S. approach to Latin America.

He did not offer a grand vision or a new strategy for U.S. policy in the hemisphere. Instead, he promised a change in style and emphasis—fundamentally a turn to multilateralism and enhanced cooperation, and a closer alignment of the U.S. and Latin American policy agendas. The new President left Port of Spain with his own stature lifted and U.S. credibility enhanced. Expectations for the new administration were high throughout the region.

After the Summit, however, the new president ran headlong into the multiple roadblocks that frustrate change in U.S. relations with Latin America.

First, the Obama Administration's overcrowded agenda left little room for Latin America. President Obama dedicated most of his State of Union address on January 27th to domestic issues. Only 15 percent of his speech concerned foreign affairs. Latin America—aside from Haiti—was mentioned only briefly in a comment on free trade deals. The region cannot compete for Washington's limited foreign policy attention with the wars in Iraq and Afghanistan, Iran's nuclear ambitions and other security risks, China's expanding global muscle, or with critical international issues like the uncertain financial outlook and climate change.

Under the circumstances, it is not surprising that U.S. policy toward the region has been largely reactive, for the most part, responding to unexpected events like Haiti's tragic earthquake, the political crisis in Honduras, and South America's stinging criticism of the newest U.S.-Colombia security accord. Aside from Cuba, the Administration has proposed few new initiatives in the region, and has not yet offered a strategy for addressing the critical, long-standing problems in inter-American relation.

Second, the intense and bitter partisanship of Washington has compounded the problem of an overloaded agenda. Partisan congressional battles delayed critical diplomatic appointments for many months—including those of Western Hemisphere Assistant Secretary Arturo Valenzuela, and U.S. Ambassador to Brazil Tom Shannon. They also threw a monkey wrench into the Administration's efforts to design a coherent response to the Honduran crisis and other challenges in hemispheric affairs.

Neither Democrats nor Republicans have been eager to take on the politically volatile challenge of immigration reform, which remains the highest priority issue for Mexico and most nations of Central America and the Caribbean. The White House has not sought to press Democrats in Congress to advance critical trade matters, thus postponing congressional consideration of the Colombia and Panama free trade agreements and—in violation of NAFTA—keeping Mexican trucks off U.S. highways. To its credit, the Administration succeeded in limiting the reach of the protectionist “Buy America” clause demanded by many Democrats in the economic stimulus legislation.

Finally, an increasingly assertive and politically divided Latin America has also complicated U.S. policy making. Only a few countries are openly hostile to Washington, but across the region, governments are demonstrating a growing independence from the U.S., building diverse relations internationally, and increasingly resisting U.S. approaches. These are natural trends for a region of middle income countries that is expanding economically, more confident of its ability to resolve its own problems, and developing a significant global presence—but they should not be viewed as a cause of alarm. On the contrary, they should over time allow for more productive hemispheric partnerships. But, today they are a major source of friction in U.S.-Latin American relations, which have been strained in the past year by disagreements over Honduras, efforts to restore Cuba's OAS membership, Latin American opposition to the U.S.-Colombia defense pact, and Iran's ties to Brazil and other nations.

At the OAS's General Assembly meeting in early June, the U.S. reluctantly—and under considerable pressure from several Latin American governments—signed on to a unanimously-approved resolution that set a path for Cuba's return to the hemispheric organization, including requirements to accept the principals practices of the OAS. The resolution, importantly shaped by U.S. negotiators, was a constructive step for the U.S. and for the hemisphere—and it was fully consistent with U.S. policy. Still, American diplomats felt unduly pressed to deal with the issue at the OAS, which they feared could interfere with their cautious, bilateral approach to the politically perilous task of re-engaging Cuba.

When the initial response of the OAS, supported by every member government (including the U.S.) failed to reverse the Honduran coup and return President Manuel Zelaya to power, the consensus began to fracture and opinion in the U.S. and elsewhere in the hemisphere quickly polarized on what to do next. The Obama Administration came under intense, and unwanted, lobbying from all sides. When it decided to recognize the election of Porfirio Lobo, the clear winner of the November balloting, Washington found itself at odds with most governments of the hemisphere.

Although some bitterness remains, the Honduran crisis may finally be nearing resolution, as more and more countries accept the legitimacy of the Lobo government. Nonetheless, events in Honduras demonstrated how difficult it will be for the Obama Administration (or any U.S. administration) to pursue multilateral approaches in the face of Washington's polarized politics and a politically tense and divided Latin America. It is also true that the U.S. could have done a better job of managing Honduran policy. Washington often appeared ambivalent and inconsistent in its decision-making. At times, no one seemed to hold the reins on a day-to-day basis. Multilateralism will require more adroit political management at home and attentive diplomacy overseas.

In the midst of the Honduras affair, nearly every South American government vehemently condemned a new U.S.-Colombian agreement authorizing U.S. troops to continue to use Colombian military bases to help combat drugs and guerrillas. Latin America's deep distrust of the U.S. was on full display as the continent's other governments demanded to review every detail of the agreement and sought formal guarantees that U.S. military activities would be restricted to Colombia. Colombia's South American neighbors have clearly exaggerated the danger. After all, U.S. troops had been stationed in Colombia for some ten years without once being accused of violating any other country's sovereignty. But it is true as well that the U.S. and Colombia also handled the incident poorly. With greater transparency and wider consultation from the outset, the outcry could have been muted, if not avoided. Certainly, Washington officials should have been sensitive to Latin America's reflexive unease about U.S. troop presence in the region. And many argue the treaty was not really necessary.

The Obama Administration initially viewed Brazil as a promising partner on both regional and international issues, but the two governments have since ended up disagreeing on a series of important matters. While they have been cooperating effectively in Haiti (before and after the earthquake), the two nations have been disappointed and frustrated with the other on a range of issues. The U.S. resented Brazil's harsh criticism of the U.S.-Colombia accord and its pressure for tougher U.S. sanctions in Honduras, although their differences have more recently narrowed in both situations.

What most troubles Washington is Brazil's close relationship with Iran and its continuing defense of the Iranian government. President Lula warmly welcomed Iranian president Ahmadinejad to Brazil last year and plans to return the visit in May. Authorities in Brazil, which currently holds a temporary seat on the UN Security Council, have consistently rejected increasing U.S. calls for sanctions against Iran for its nuclear development activities, which UN inspectors have found in violation of international treaties and appear well on the way to illegally produce nuclear weapons. Brazilian-U.S.

disagreements on Iran's nuclear program, reinforced by Brazil's uncritical tolerance of Iran's crackdown on internal dissent and its threats against Israel, are now a central source of tension in the bilateral relationship, and will likely hamper cooperation on other issues.

Despite handshakes and smiles in Trinidad, President Chavez has zealously stuck to his anti-U.S. agenda in the Americas. He remains a dangerous and disruptive force in inter-American affairs and a relentless and malicious opponent of the U.S. Sometimes, Chavez dismisses Obama as well-intentioned, but too weak to curb predatory agencies like the Pentagon and the CIA from aggression and 'imperial' policies. But more and more often, Obama is attacked as the main culprit, hardly distinguished from President Bush.

The Obama Administration, in short, has a tough agenda ahead in Latin America. 2010 will probably not be any easier than 2009.

The Honduran crisis is one issue that is likely to be off the agenda. Washington has lifted nearly all sanctions against the country. Brazil is reevaluating its position and may soon recognize President Lobo. Honduras's return to the OAS could take place soon. While things could still go awry, the best guess is that Honduras will cease to be a central issue in inter-American relations in the coming months. Still, the Honduras episode has made clear that the hemisphere needs a better approach to respond to coups and other breaches of democratic rule. The OAS's Inter-American Democratic Charter, approved by every elected government in the Americas in 2001, was designed to strengthen the resolve and ability of the hemisphere's governments to collectively defend democracy. It is an impressive document, but in practice, it has not been effective instrument for confronting violations of democratic practice and the rule of law. This is a challenge that, for some time, will be extremely difficult to address in Latin America given the region's political and ideological divisions.

The recovery of Haiti from its massive earthquake and subsequent rebuilding of its institutions and infrastructure will, for many years into the future, surely be a central concern of the U.S. and many other countries in the hemisphere and beyond. (Chile will be able largely to manage its own recovery from an even more massive earthquake.) The international community had been working effectively in Haiti prior to the earthquake and there is every reason to expect sustained multilateral cooperation in the coming period. Indeed, a broad consensus has emerged regarding what has to get done in Haiti and where the external leadership should come from (mainly from the UN, as has been the case over the past several years, but with the U.S. playing an oversized role at least during the current emergency period). Although events in Haiti may go off course and produce unexpected problems as they have so often in the past, there is no good reason to believe that the relief and rebuilding efforts will generate much political conflict in the U.S. or the rest of the hemisphere. Haiti will surely present a series of formidable challenges, but it is not likely to provoke the ideological battles it once did.

Getting U.S. relations with Brazil on a more productive track may now be the most critical task confronting the Obama Administration in 2010. The past year has been deeply disappointing and, at times, frustrating for both the U.S. and Brazilian

governments. In many instances, Washington depends on Brazil's cooperation and good will to advance its agenda in Latin America. Brazil is a regional pole of power in the Western Hemisphere and occupies a particularly central role in South America, where on many issues it has displaced the U.S. as the dominant presence. On those matters which Washington and Brasilia can reach agreement, most other countries of the hemisphere are likely to follow suit. The U.S. increasingly must also deal with an influential and omnipresent Brazil on a range of crucial international issues—multilateral trade, climate change, nuclear non-proliferation, and global financial management, for example. And both countries should be taking far better advantage of the multiple opportunities a more robust economic relationship would offer. Brazil is today only the 11th or 12th largest U.S. trading partner and, more telling, the growth of bilateral trade in recent years has been substantially less than U.S. trade expansion with the other large emerging markets like Mexico, Russia, India, and China. While Brazil has considerable U.S. direct investment (FDI), it is fast losing ground to China and India. New U.S. investment is heading more to the Asian countries than Brazil.

The Obama Administration's challenge this year is not only to find common ground with Brazil—and develop stronger cooperation in regional and international forums. It is also to identify more constructive ways of managing U.S.-Brazilian policy disagreements and divergent approaches, so they do not lead to recurring tensions. The two countries particularly need to sort through the question of Iran's nuclear program, and find ways to moderate their differences. It is vital for both the U.S. and Brazil that this issue be confronted. If Iran continues on its current course, the issue will grow even more contentious. A new Brazilian government will take office in January next year, but U.S. policy should not be based on expected changes in Brazil relations with Iran or how the country manages other foreign policy issues. Over the longer run, the quality of U.S. relations with Brazil will depend on both countries' willingness to overhaul commercially (and diplomatically) damaging legislation and regulation in areas such as trade, energy, and agriculture.

Managing the U.S. relationship with Mexico is another central challenge for the Obama Administration. Although the two countries have developed increasingly effective cooperation on an array of routine (although also important) issues, they are not making much progress in dealing with the most critical problems that they share—immigration, trade and investment, and narcotics trafficking. This is a source of unease and some tension. Economic relations clearly need some rethinking. Last year, Mexico suffered the steepest economic downturn in all of Latin America, mostly because of its heavy dependence on U.S. markets, tourism, and remittances, but also because of its own lackluster efforts at policy reform. The U.S. has provided some modest support for Mexican efforts to confront its relentless wave of crime and violence, but has been unable to do much to reduce the drug consumption in the U.S. or curb arms smuggling to Mexico, which would be of most help. And the inability of the US to repair its immigration system is a continuing source of bilateral friction. For some time into the future, U.S.-Mexico relations will have to be kept on course without major reforms in U.S. drug or immigration policies. Domestic politics are almost certain to block the

Obama Administration's search for policy change on these issues, at least for the remainder of 2010.

Washington should also assign priority to reassuring Colombia of continuing U.S. support as it battles guerrillas and drug traffickers, confronts neighboring Venezuela's threats of war, and faces stiff criticism across South America for its military ties to the U.S. The Colombian government is already disheartened by the Obama Administration's failure so far to take any action to secure congressional approval of the free trade accord it signed with Washington almost four years ago. Colombians welcomed Obama's favorable reference to the accord in his January 27th State of the Union speech, but remain impatient for some indication of how the Administration plans to advance its ratification. More recently, the Colombian government was upset by the reduction (albeit modest and predictable) in military aid called for in the Administration's budget proposal for next year.

Colombia is not so much worried that Venezuela will start a war—but that Chavez will step up aid to the FARC cadres, who already enjoy safe haven in Venezuela, and prolong Colombia's internal conflict. But the Obama Administration's challenge is more complex than merely helping Colombia counter the armed assaults of criminals and guerrillas and withstand Venezuela's bullying tactics. It must also work to persuade Colombia's government to do more to curb abuses of human rights, better control its intelligence and security services, and keep its paramilitary forces disarmed. Washington must as well assure other South American countries that the U.S. access to Colombian military bases is no threat to any of them. With a new Colombian government taking office in August, this may be an opportune time to press this agenda.

Venezuela remains a vexing problem for the U.S. and many Latin American countries.

The country is suffering increasingly serious internal difficulties—a deteriorating economy, rising political tensions and conflicts, and expanding crime and violence—all of which threaten Hugo Chavez's ability to govern. But it may also make him more dangerous and could lead him toward greater domestic repression and external belligerence to hold power. Responding to Venezuela and its ALBA allies will require a delicate balancing act. Confrontation with Chavez is usually counterproductive, most often emboldening rather than containing him. Washington has to be wary that its treatment of Venezuela not harm its relations with other nations and create sympathy for the Chavez government. And the country remains a major (albeit declining) source of oil. Still, it will be hard for the U.S. to ignore Chavez's violations of democratic norms, his interference in other countries' affairs, and his deepening relations with Iran.

The Obama Administration's bilateral approach to Cuba has begun to produce some modest but important changes—a relaxation of Bush era curbs on remittances and family travel for Cuban-Americans, authorization of new U.S. investments in telecommunications in Cuba, renewed dialogue on migration, and negotiations to establish regular postal service. This step-by-step strategy seems now to have stalled. The Cuban government has refused to respond to U.S. initiatives with any concessions of its

own, increasing the political costs of new measures from Washington. The arrest of a U.S. government contractor in Havana, accused of working with dissidents, has further complicated U.S. diplomacy—as has the death of an imprisoned dissident who had been on a hunger strike. Moreover, an active anti-Castro lobby has managed to derail any congressional action on Cuba policy, and bureaucratic caution within the Obama government continues to impede change. Cuba will remain an issue. It will take more time than expected to reset U.S. Cuba policy.

A year ago, many saw the global financial crisis as Latin America's toughest challenge, and potentially most harmful for U.S. relations with the region. Its impact, however, has turned out to be relatively mild, far less destructive than had been feared. The economic and social damage in most places has been kept in check, and growth is returning to the region. And despite the fact that the crisis was essentially “made in the USA,” the recriminations against Washington have been limited. The credit goes mostly to the governments of Latin America for steadily improving their economic management in recent years.

Yet, what Latin America, a region of mainly middle-income countries, most needs from the U.S. in the coming period is access to the U.S.'s \$15 billion¹ economy, nearly four times the total size of the region's economies. It needs U.S. capital for investment, U.S. markets for its exports, and U.S. technology to achieve sustained growth of five percent or so a year.

So far, however, the Obama Administration has not said much about how it will deal with the economic dimensions of its relations with Latin America. It has not offered any ideas for gaining approval of the trade treaties with Colombia and Panama—or about how it proposes to open U.S. highways to Mexican trucks as NAFTA requires. It has not yet suggested how vital trade preferences might be restored to Bolivia, or whether they should be extended also to Paraguay. It has remained quiet about the finding of the World Trade Organization, in a case brought by Brazil, that U.S. cotton subsidies are illegal—and about the imminent prospect of Brazil's WTO authorized retaliation. The Administration has not revealed its thinking about the U.S.'s questionable subsidies, tariffs, and quotas on a range of agricultural products, including ethanol, which has held up implementation of a US biofuels agreement with Brazil. It remains unclear whether the U.S. will support the replenishment of the resources of the Inter-American Development Bank (IDB), whose importance to the region, particularly its smaller and poorer countries, has increased as a result of shrinking private capital flows.

More than just responding to each of these issues, the Administration might also seek to develop a broader framework for U.S. economic relations in Latin America. There is no point in trying to resuscitate the Free Trade Area of the Americas (FTAA), which dominated thinking about hemispheric economic arrangements for nearly a dozen years. It lost its credibility in 2003, when neither the U.S. nor Brazil showed much commitment to finding common ground or even continuing the negotiations. But the Obama

¹ **Correction:** This should read “U.S.'s \$15 trillion” instead of “billion.” This correction added post-hearing.

Administration should be exploring, with Brazil and other key Latin American countries, alternative approaches to building longer-term economic cooperation in the hemisphere. A robust effort to develop a new regional economic strategy could provide US policy in the Americas with the direction and energy it currently lacks.