

Testimony of
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Thank you, Mr. Chairman, for the opportunity to discuss with you and your colleagues the relations of the U.S. with our neighbors in the Western Hemisphere. 2010 should be a year of revisiting and redefining those relations. Such a review is in the national interest of the U.S. and of our neighbors.

High and Low Points of U.S. Policy towards Latin America, 2009–2010

It has been fifteen months since the Obama administration took office, an appropriate juncture for the Subcommittee to evaluate the state of play between the U.S. and Latin America. The perennial question is whether or not the glass is half full or half empty. There are a number of positive developments for which the administration can take credit. The rapid response of the U.S. to the humanitarian crisis in Haiti is among the most impressive. The offer of Secretary of State Hillary Clinton in Santiago, Chile to provide assistance to that government after a devastating earthquake deserves recognition. The President's visit to the region to participate in the Summit of the Americas last April in Trinidad and Tobago was a welcome signal to the region that the U.S. had turned a corner from the previous administration in seeking discussion and conversation rather than lecturing. President Barack Obama's decision to close the

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Guantanamo Bay detention facility was met with enthusiasm, as was the decision by the White House to lift restrictions on remittances from Cubans in the U.S. to their families on the island. As part of that decision, Cubans were permitted to visit Cuba for the first time in decades. And, of course, the recent visit of the Secretary of State to the region should be seen as a decision in the White House to make up for lost time.

All of these developments should be seen as the bottle being half-full. But there are disturbing developments that support the position that the bottle is half empty. Many of the countries in the region believe the decision of the U.S. to recognize the newly elected government of Honduras without the return to the country of former President Manuel Zelaya was wrong. The decision to station U.S. troops in Colombia, after losing access to bases in Ecuador, has raised suspicion about future U.S. intentions. The failure to move beyond the early decisions on Cuba has disappointed many countries in the hemisphere. The issue of sanctions on Iran, a very high priority for the Obama administration, has been met by skepticism, particularly in Brazil, currently a member of the Security Council of the United Nations where sanctions will need to be endorsed. While the U.S. initiative to work with Mexico in the context of the Mérida Initiative is welcome, it falls far short of what is needed to stabilize the 2,000 mile U.S.–Mexico border and to address the deteriorating security situation in Mexico, a key partner of the U.S.

Two global issues are of high relevance. The first is the failure of the World Trade Organization (WTO) Doha Round in 2008. The breakdown represented a polarization between leading emerging market countries—China, Brazil, and India—and the U.S. and the European Union (EU). One of many sticking points was high agricultural subsidies to protect domestic farmers in the developed countries that effectively preclude agricultural imports from other countries. In turn, the developed countries fault the developing countries for failing to cooperate

on important issues such as intellectual property rights. There is an impasse that needs to be resolved.

The second issue was the financial crisis of 2008–2009. Emerging market countries blame the industrial countries for a lack of regulation and transparency in their financial systems that caused the crisis and negatively impacted the emerging market countries. The result was the resuscitation of the G-20 (the major global economies), as a substitute for the industrial countries. The G-20 will now be the major forum for discussing the new financial architecture. Both issues—trade and finance—are high priorities for the countries in the hemisphere.

The High Points

Haiti

The U.S. action in Haiti represents one of the things that this country does best: provide support and assistance for those in need of humanitarian relief. The U.S. currently has thousands of military personnel and relief workers actively engaged with the MINUSTAH, NGO organizations, and other foreign government relief programs. The U.S. and Brazil—the latter commands the U.N. mission—appear to be working closely together. President Lula of Brazil and President Obama, as well as the foreign affairs officials of the respective countries, have spoken of the need to work together, and the U.S. appears ready to make a long-term commitment to rebuilding the island republic. However, a note of caution is in order—the U.S. should participate in that effort but not be seen as the key driver or dominant actor. A logical candidate to lead the effort is Brazil, which has had a positive presence on the island since the U.N. mission was conceived.

The Summit of the Americas

The decision by President Obama to participate in the meeting last year in Trinidad and Tobago was greeted enthusiastically by the governments in the region—even that of Venezuela! But the sense that an opportunity has been lost due to the lack of follow-up pervades the hemisphere. Although there is time to recapture the spirit of the meeting, continued perceived inaction on the part of Washington, D.C. will quickly neutralize the good will that the U.S. gained with the President's visit to the Caribbean.

As mentioned above, the two issue areas—of many—that would resonate very positively would be the closing of the Guantanamo Bay detention facility and efforts by the administration to further reduce the scope of the embargo against Cuba. For many years I and many specialists have believed that the greatest tool the U.S. has to move the island towards a democratic transition is to lift the embargo and allow people and goods to flow freely. I doubt the communist regime in power would survive very long, as presently constituted, if that were to happen.

The Low Points

Honduras

None of the governments in the hemisphere can claim that they acted without self interest in the messy aftermath of the ouster of President Manuel Zelaya on June 28, 2009. It may be that the U.S. was short-handed by the absence of a confirmed Assistant Secretary of State. But the U.S. was slow to understand the deep concern in the region for a military coup d'état. For centuries, the history of the region has been marked by painful and often bloody military action to remove civilian governments from power. For most of the states in the hemisphere, the Honduran

incident re-opened old wounds. The ineffectiveness of regional organizations like the Organization of American States (OAS) was duly noted throughout the hemisphere. Some governments sought to use the coup shamelessly for domestic political purposes. Efforts at mediation by Costa Rica failed. The U.S. has been reluctant to recognize the violence that took place in the country after the installation of the interim President. Honduras held national elections on November 28, 2009, and the elections have been recognized as clean and transparent. In her recent visit to Central America the Secretary of State called for the recognition of the new government. The U.S. must now exercise great restraint but active diplomacy to restore Honduras to the OAS and to have the new government recognized as legitimate. This is a complicated task but one that needs to be given high priority.

Troops in Colombia

For many of our neighbors in the hemisphere the decision to transfer U.S. military personnel from Ecuador to Colombia emphasized the belief that Washington, D.C. cared only about the war on drugs and the fight against terrorism. The stationing of troops, combined with the strong financial commitment of the U.S. through “Plan Colombia” to support Bogotá in its war against terrorists and drug cartels, is controversial in the region. It is important to recognize that external forces have apparently worked vociferously to provide support for the guerrillas in Colombia. This deserves to be condemned in no uncertain terms by the U.S. and all of the states in the hemisphere. However, the fact remains that there is widespread belief in the region that it is the demand for drugs in the U.S. and Europe that drives the crisis. The demand for drugs is, without a doubt, an issue that deserves greater attention, perhaps more than the supply of drugs.

Iran and U.N. Sanctions

The most important stop on the Secretary of State's recent visit to the region was Brazil. I will discuss in the next section of my testimony some of the new realities that must be recognized by the U.S. regarding the emergence of Brazil as an increasingly important regional and global player. In this context, the sanctions issue deserves mention, as it was a key item on the Secretary's agenda with President Lula and Foreign Minister Celso Amorim.

This is a complicated and increasingly conflicted issue between Brasília and Washington, D.C. For Brazil, Iran is a significant trade partner. Bilateral trade between the two countries reached approximately \$1.25 billion in 2009, a 40% increase since 2003 when President Lula took office. Brazil's top exports to Iran are sugar and beef; Iran sends petrochemicals and auto parts to its counterpart. The National Iranian Oil Company has granted Brazil's state oil company, Petrobras, the right to explore offshore oil reserves and drill in the Caspian Sea. Today, Iran is a major oil exporter. Brazil, when it has developed its pre-salt petroleum and natural gas reserves off its southeast coast, will become an energy giant and potential member of OPEC. The two countries have maintained diplomatic relations for decades. In the early 1990s Brazil considered selling equipment from its own unsuccessful nuclear program to Iran until the U.S. intervened and prevented any agreement. Conversations have continued over the years and Brazil's position is that the International Atomic Energy Agency (IAEA), not the U.N. Security Council or industrialized countries, is the appropriate venue for resolving the dispute over Tehran's nuclear program.

Brazil supports the right of developing countries to have nuclear programs for energy purposes as stated in the Nuclear Non-Proliferation Treaty (1968). The immediate concern of Secretary Clinton during her visit to Brasília was to gain President Lula's support for a new

round of sanctions in the U.N. Security Council in the near future. But four countries—China, Turkey, Lebanon, and Brazil—have indicated that they may abstain from supporting a new resolution. Although a new resolution would need only nine of the Security Council’s fifteen votes to pass, the abstentions would be seen as a defeat because the U.S. and its allies want to convince Iran that it faces economic and political isolation from all sides if it continues to develop its nuclear program. To the disappointment of Secretary of State Clinton, President Lula and his Foreign Minister repeated that Brazil does not believe in isolating any country if peace is to be preserved. Brazil supports continued diplomatic efforts to bring Iran into compliance with the policies of the IAEA.

This is a classic North-South issue. Brazil and Iran, representing the South, argue that they are independent actors with the right to decide on the policies they will pursue in the modernization of their respective countries. The position of the U.S. and its allies is diametrically opposed. The important issue at hand is that the dispute over U.N. sanctions must not paralyze the dialogue between Brasília and Washington, D.C. on a wider and very important global agenda that I will discuss in the next section of my testimony.

U.S.–Mexico Relations

Much lip service is paid to the fact that Mexico is one of the critical allies of the U.S. Unfortunately, the relationship has deteriorated to a prolonged and often difficult discussion over drugs while downplaying many of the other significant bilateral relations—trade, investment, immigration, remittances, etc. The recent focus has been symbolized by the Mérida Initiative, a security cooperation agreement between the U.S., Mexico, and Central America with the aim of combating the threats from drug trafficking, transnational crime, and money laundering. The

assistance includes training, equipment, and intelligence-sharing. The Initiative was announced on October 22, 2007 and signed into law on June 30, 2008. The U.S. Congress has authorized funding for the program, but additional aid will be required, and, most importantly, the focus must shift from only fighting drug trafficking and the criminality attached, to a wider commitment to economic and social development in Mexico and Central America. Alternative employment opportunities are needed. Higher quality education and health care is required. These goals have been discussed for many years but have received little coordinated support.

The key issue in the bilateral relationship is the growing belief in Mexico and Central America that it is U.S. and European demand for drugs that drives the violence. Mexico remains a transit and not a cocaine production country. Marijuana and methamphetamine production does take place in Mexico and is responsible for an estimated 80% of the meth now sold in the U.S. Violence has escalated in Mexico as President Calderón has attempted to implement the Mérida Initiative. But public opinion, shocked by the increasing bloodshed of innocent people, is increasingly skeptical and even hostile to the initiative unless it offers a non-violent future for Mexico. This is a critical foreign policy and border challenge for both countries.

Trade and Finance

The failure to achieve a trade agreement in Geneva in 2008 was a blow to the hopes for a new global trade deal. Again, both sides—the emerging market countries and the industrialized states—were to blame. But it is critical to the hemisphere that talks resume, and it is clear that there will be no success unless the region, particularly Brazil, is included in formulating the new agenda. Brazil often speaks for the emerging BRIC (Brazil, Russia, India, and China) countries. Brazil is an important agricultural exporter and it will be a significant energy player in the near

future. Its financial stability has attracted billions of dollars of U.S. and other foreign investment in recent years. A relatively small international trader at the moment, that is rapidly changing, and a comprehensive trade arrangement is important to the hemisphere.

The financial crisis of 2008–2009, now apparently subsiding, was a shock to the hemisphere. Leading economies quickly identified the problem in the U.S. The important Latin American economies had introduced substantial banking and financial reforms over the preceding decade. It was apparent to them that the U.S. and its industrial allies had not. There is a great deal of frustration in the region with the unwillingness of the U.S. and the EU to address a very complicated agenda for continued financial reform.

Changing Realities in the Hemisphere

The “old” Latin America has disappeared. Beginning with the 1998 election of President Hugo Chávez in Venezuela, a group of countries with democratically elected leaders that reject U.S. regional leadership has emerged. This is in part due to the failure of the “Washington Consensus” reform agenda in the 1990s that focused on macroeconomic issues relatively successfully but failed to address micro issues—job creation, education, social mobility, and the rule of law. While the countries that have joined together to oppose the U.S. in the region—Venezuela, Ecuador, Nicaragua, Bolivia, and Argentina—have done little to address those micro challenges, they have developed a mantra of blaming capitalism and the market, embodied by the U.S., for the problems of the hemisphere.

New Latin American initiatives seek to further regional economic integration, address pending social problems, and promote greater political coordination. In 2008, the countries of the South American continent created UNASUR—the Union of South American Nations. A

South American Defense Council was established in 2009. In December 2008, the countries of Latin America organized the first Latin American and Caribbean Summit for Integration and Development (CALC) in Brazil. Cuba was invited to participate; Canada and the U.S. were not. The Rio Group, established in 1986 as a mechanism of cooperation and consultation, recently expanded at a meeting in Mexico to include the Caribbean states. The Unity Summit has yet to define its structure and leadership, but it, too, excludes the U.S. and Canada. While many are skeptical of the probability of any of these actually working, these initiatives demonstrate a willingness to work without the U.S. That reality needs to be understood in Washington, D.C.

Brazil has emerged as a critical spokesman and leader in the hemisphere. New economic players—China and India—are becoming important players. China has replaced the U.S. as the principal trade partner of Brazil and Chile. The European Union and Brazil signed an International Framework Cooperation Agreement in 1995, which entered into force in 1999. There are frequent visits, meetings, and mechanisms of consultation between the EU and Brazil and the other countries of the region.

Main Recommendations for the Obama Administration and the Congress

- A) Schedule a visit by President and Mrs. Obama to the region. Their “star power” is a major “plus” for the U.S. Increase visits by the Congress to meet with their counterparts, but, most importantly, with civil society groups in the hemisphere to explain U.S. policy, both when it is complementary and when it is not.

- B) Strongly continue to support the G-20 as a key forum for addressing the urgent reforms that will be needed to stabilize the international financial system.

- C)** Attempt to restart the Doha Round of trade talks. This will require compromise and skilled diplomacy. It matters for the U.S. and it matters for the countries in the region.
- D)** As deemed appropriate by the administration, pursue U.N. sanctions against Iran but do not let it sour the bilateral relationship with Brazil. Good and candid relations with Brazil are important to the future role of the U.S. in Latin America. One issue that may raise temperatures in both capitals is the possible decision by Brazil to buy and assemble 36 Rafale fighter jets with the French manufacturer Dassault Aviation (AVMD.PA). One of the finalists was the F-18 made by U.S.-based Boeing. This will be another indication of Brazil's goal to achieve an autonomous foreign policy; it should not be viewed as inherently "anti-American."
- E)** Revisit the Mérida Initiative with Mexico and Central America to expand its scope to include social and economic development goals
- F)** Reconsider the embargo on Cuba. As I have indicated, it has been Castro's best weapon to retain tight control of the island. The free movement of people and goods will confront the Cuban communist regime with the new realities of the 21st century.
- G)** Work to resolve the Honduran issue quickly and judiciously. It should not be a major agenda item for the Americas, but it should be addressed with care to prevent countries like Venezuela from trying to manipulate any diplomatic solution to its advantage.

H) Focus our relations in the hemisphere on like-minded, democratic states like Brazil, Chile, Colombia, Costa Rica, Mexico, Peru, Uruguay, among others. There is little that the Congress or the administration can do to change the ideological opposition of the non-friendly states. The best counterweight is to engage on all levels with those democracies that have similar interests and goals to those of the U.S. In doing so, it will be up to those opposed to the U.S. to offer an alternative in the spheres of diplomatic, political, and economic cooperation.

Key Challenges in 2010

- I.** The October elections in Brazil will provide continuity in overall policy but will need to be carefully monitored by the U.S. for nuances in policy direction such as sanctions against Iran.
- II.** Will the new organization created in Mexico last month challenge the OAS? Does it make a difference?
- III.** The Congress should carefully monitor pending legislation that will further consolidate financial restructuring to avoid another crisis that would have major implications for stability in the region.
- IV.** The Congress and the Administration should avoid letting other global issues distract them from focusing on the key relationships within the Western Hemisphere.