

# Executive Summary Backgrounder

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## Why the U.S. Must Re-Engage in Latin America

*Stephen Johnson*

Despite the widespread adoption of democratic elections and civilian rule, and despite the development of nascent market economies, Latin America is less stable and prosperous than it was 10 years ago. If the Bush Administration wants to help alleviate some the problems in the Western Hemisphere before they demand attention as the Middle East does, it must begin to support deeper reforms, update its security policy, and better articulate its interests in the region.

**Reforms on Hold.** Today, all of the countries in the hemisphere hold competitive elections except Cuba and Haiti, and most have at least tried to adopt market economic principles. But elections alone have failed to provide checks and balances. Half of the region remains plagued by laws that block competition, leaders that misuse public funds, and inadequate guarantees of property rights, and the lack of authority in vast rural areas makes Latin America attractive to smugglers and terrorists.

**Potential Flashpoints.** In July 2000, Mexico elected its first opposition party president in 71 years, but a Congress mostly opposed to him complicates prospects of enacting reforms. High taxes, regulations that favor existing monopolies, lack of affordable credit, and an inefficient energy sector contribute to unemployment and worker migrations to the United States.

Colombia is beginning to make progress against rural terrorist groups, but Venezuelan President Hugo Chávez is reportedly granting haven to

Colombian rebels and international terrorists in Venezuela and is restricting civil liberties and access to foreign exchange and increasing the risk of civil conflict. Sagging employment has eroded the political bases of the presidents of Bolivia, Ecuador, and Peru. Central America is threatened by rising crime and the possible return of populist dictators. Brazil and Argentina remain on the edge of financial default, and repressive regimes in Cuba and Haiti are poised to send more refugees to the U.S.

**Diverted Attention.** The Bush Administration has recovered momentum on liberalizing hemispheric trade relations and provided more comprehensive support for Colombia's war on drug trafficking and terrorist groups. Last year, Congress granted President George W. Bush trade promotion authority, enabling him to sign into law a bilateral free trade agreement with Chile. But distracted by the war on terrorism in the Middle East, the Administration took two and a half years to assemble its Latin America team, leaving Congress and the foreign affairs bureaucracy to manage hemispheric issues almost as they had under the previous Administration.

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Support for ongoing political and economic reforms has no clear priority among a range of foreign assistance programs and uncertain conditions for backing loans to countries from multilateral lending institutions. Coordination on assistance is sometimes lacking between the Administration and U.S. overseas missions, as well as among U.S. federal agencies. Public diplomacy and foreign broadcasting have not been integrated into reform promotion strategies.

Washington's hemispheric defense approach is still based on military assistance programs that donate equipment, fund exercises, and provide conventional military training. Counternarcotics and counterterrorism, which require unconventional military and civilian cooperation, are the major security concerns. Finally, the Administration has been reluctant to criticize poor governance and economies supported by unsustainable debt.

**Re-Energizing Engagement.** To guard against a rollback of governance and market reforms and encourage renewed progress, the Bush Administration should:

- **Retake the lead in developing U.S.–Latin America policy** by giving the Assistant Secretary of State for Western Hemisphere Affairs authority to formulate plans, set priorities, enhance interagency coordination, and communicate needs to Congress.
- **Reorder priorities.** Mexico—America's closest neighbor and second largest trading partner—should be at the top of the U.S. legislative agenda. Next should be Colombia, whose drug traffickers and terrorist groups affect the rest of the hemisphere. Engaging Cuban dictator Fidel Castro should be last, though supporting Cuba's dissidents should remain important.
- **Improve support for democratic governance and market reforms.** Help should go primarily

to countries where it can leverage existing desires to achieve self-sufficiency. Coordination among other agencies with foreign affairs missions must improve, and public diplomacy and foreign broadcasting efforts must be integrated into support plans.

- **Accelerate negotiations on free trade.** New bilateral and subregional free trade accords with the United States could help create a virtual Free Trade Area of the Americas in anticipation of a real agreement.
- **Develop a new security strategy** that confronts today's hybrid security threats, takes advantage of the growth of fledgling democracies, and encourages subregional partnerships based on routine military-to-military, civilian agency-to-civilian agency cooperation that promote common standards and protocols.
- **Articulate U.S. interests in Latin America.** The Administration should end its silence on the need for local policies that will help each country become more self-sustaining.

**Conclusion.** While the Bush Administration can take credit for reviving the hemispheric free trade agenda and enhancing counternarcotics efforts, two and a half years have lapsed with little progress on reforms and defense. If Washington remains passive, U.S. exporters will face declining markets, more complicated and costly criminal and terrorist threats, and fewer reliable allies in international forums. Better governance, free markets, a modern strategy to improve regional security, and clear communication of U.S. interests are the keys to peace and prosperity.

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# Background

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## Why the U.S. Must Re-Engage in Latin America

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Although the Administration has revived the Western Hemisphere's free trade agenda and is working with Congress to counter Colombia's drug and terrorist threats, Latin America is less stable and prosperous than it was 10 years ago. Half-implemented reforms do not allow full citizen participation in politics or the economy. According to polls, Latin Americans have become increasingly disillusioned with their experiments in democracy and capitalism. Increasingly, the United States is the haven of choice for those fleeing violence as well as those locked out of economic opportunity in their own country, and the problems of international crime and terrorism are getting worse, not better.

If the Administration wants to help alleviate some of the hemisphere's problems before they demand attention as the Middle East does, it must begin to support deeper political and economic reforms, update its regional security policy, and better articulate America's interests in the region.

### Reforms Marching in Place

Twenty years ago, the United States began to encourage the adoption of democracy and free markets as political and economic models for the Americas and as an alternative both to communist subversion advanced by the Soviet Union and Cuba and to military dictatorship—the prevailing system. This policy helped to defeat insurgencies and return the militaries to their barracks. Now all of the countries in the hemisphere hold competitive elections

- The Bush Administration has restored momentum toward establishing free trade agreements with Latin American countries but has lagged in promoting democracy, market-based reforms, and a modern mutual security strategy among its neighbors in the Western Hemisphere.
- Beyond elections, many governments in the region are still centralized bureaucracies that discourage broad political participation. Most economies are non-competitive and dependent on international financing. In rural areas, state services and authority are weak, allowing criminality and terrorism to flourish.
- Because Latin America's problems affect the United States, Washington should help. To encourage stability and healthy markets, the Bush Administration should re-engage Latin America, giving countries like neighboring trade partner Mexico priority over Cuba—a backward, intractable dictatorship.
- The Administration should focus U.S. assistance on supporting democratic and liberal market reforms, accelerate free trade negotiations within the region, pursue a hemispheric defense strategy of greater military and civilian interaction, and clearly state U.S. interests in hemispheric peace and prosperity.

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except Cuba and Haiti, and most have adopted market economies in principle.

Yet, according to a 2002 Latinobarómetro report, only 32 percent of citizens in the 17 Latin American countries say that they are satisfied with democracy—down from 37 percent in 2000. As few as 24 percent have positive feelings about market economies.<sup>1</sup> The reason is that progress has stalled short of allowing full citizen participation in politics or markets.

**Bottleneck Bureaucracies.** From colonial times through independence, government in Latin America has been imposed from above; it never grew out of voluntary association at the community level. Elections by themselves have given the public a say only in how leaders are chosen. Centralized national bureaucracies dominated by strong presidents are still the rule, forcing volumes of decisions to flow through a few key officials. Powerful ministries in national capitals sit far from sources of information in specific localities, but generally make most of the decisions on services and programs that affect them.

In some countries, weak legislatures and judiciaries cannot effectively check executive excesses or support the rule of law so that public institutions treat all citizens equally instead of benefiting a minority of insider elites. Powerful presidents tend to upset continuity. As former Bolivian President Jorge Quiroga points out, they often “make immense changes in government institutions, to be followed by the next politician who makes his own sweeping changes.”<sup>2</sup>

In most countries, party leaders—not voters—choose candidates for many elected offices such as town councilman and a portion, if not all, of the seats in congress. These candidates are “elected” from party lists in proportion to votes for their

respective parties. Once in office, they owe loyalty to party bosses, not constituents.

In Colombia and Paraguay, senators are elected at-large on a national ballot and are not bound to represent any particular jurisdiction. Mexican legislators serve only one term, so constituents cannot reward them if they do well or defeat them if they serve poorly. In Nicaragua, the constitution was altered in January 2000 so that a former president and losers in presidential elections could automatically take seats in the National Assembly, where they were to enjoy immunity from prosecution for any crimes they may have committed.

**Crony Capitalism.** Despite a trend toward liberalized trade, half of the region is plagued by laws that block competition, leaders that misdirect public funds, and spending programs that are supported by international loans. According to studies like the *Index of Economic Freedom*, which is published annually by The Heritage Foundation and *The Wall Street Journal*, many Latin American citizens are barred from fully participating in their own economies by complicated business rules that favor family monopolies, weak property rights, and an absence of the rule of law.

In fact, the 2003 *Index* lists 12 out of 23 Latin American countries as having “mostly unfree” economies.<sup>3</sup> As a result, informal-sector employment as a percentage of the working population averages between 25 percent and 50 percent for most of the region and between 50 percent and 70 percent in Guatemala, Bolivia, Ecuador, and Paraguay.<sup>4</sup> In Haiti, 70 percent of the adult population is unemployed or works informally, while 80 percent of the rural population lives below the poverty line.<sup>5</sup>

Corruption is another factor that keeps wealth in the pockets of those who exercise power. Before

1. Latinobarómetro is a private, nonprofit initiative by Corporación Latinobarómetro that annually surveys public opinion in 17 Latin American countries. See Corporación Latinobarómetro, “Press Release: Latinobarómetro 2002,” August 26, 2002, pp. 7 and 11. See also [www.latinobarometro.org](http://www.latinobarometro.org).
2. Remarks at the University of Pennsylvania Wharton Business School’s 4th Latin American Regional Alumni Meeting, Miami, Florida, July 10–12, 2003, at [knowledge.wharton.upenn.edu/073003\\_ss.html](http://knowledge.wharton.upenn.edu/073003_ss.html) (July 31, 2003).
3. Gerald P. O’Driscoll, Jr., Edwin J. Feulner, and Mary Anastasia O’Grady, *2003 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2003), p. 18.
4. United Nations International Labor Organization, “Informal Sector Employment,” chap. 7 in *Key Indicators of the Labor Market*, at [www.ilo.org/public/english/employment/strat/kilm/kilm07.htm](http://www.ilo.org/public/english/employment/strat/kilm/kilm07.htm) (August 6, 2003).

### Why Latin America Is Important

Latin America's potential for political, economic, and security relations is worth more than present reality. American refiners can replace Venezuelan oil imports, which provide roughly 7 percent of U.S. consumption. Except for commerce with Mexico, the U.S. can do business without Latin American markets, which account for less than 6 percent of U.S.–world trade.<sup>1</sup> But future peace and economic success depends on a stable neighborhood and on more prosperous neighbors—particularly potential economic powers like Brazil and Argentina—increasingly able to trade with the United States.

Except for Europe and some Asian countries such as India, Japan, and the Philippines, no region is as favorably disposed toward democracy and open markets. Compared to the Middle East, where democratic concepts run counter to deeply held cultural and religious traditions that favor authoritarian rule, Latin American leaders have generally

aspired to Western-style democracy and markets exemplified by numerous constitutions and laws that mirror the U.S. system.

But accountable government and open markets have yet to develop fully because universal rights, free choice, and equal opportunity are still displaced by colonial traditions of government imposed from above, corporatism, and authoritarian personal rule. Meanwhile, failure to encourage reforms beyond elections and free trade could permit a reversion to old-style dictatorships and declining confidence in liberal ideas.

In the background, less democratic powers like China are poised to expand commercial and military influence in the region. If U.S. encouragement for liberal institutions wanes where it may be more naturally accepted, prospects are even less promising elsewhere in the non-industrialized world where the reception is far less favorable.

1. Mexico is America's second largest trade partner behind Canada with \$220.2 billion in merchandise trade in 2002. Brazil ranked 15th with \$26.8 billion. In 2002, most bilateral trade between Latin American countries and the United States ranged between \$3 billion and \$9 billion. See U.S. International Trade Commission, "Interactive Tariff and Trade DataWeb," at [dataweb.usitc.gov](http://dataweb.usitc.gov) (August 29, 2003).

leaving office in 1990, Nicaragua's Sandinista leaders appropriated state property worth hundreds of millions of dollars in decrees known as the *piñata* (a papier-mâché figure filled with candy that children break open at birthday parties). In 2001, Venezuelan President Hugo Chávez reportedly withheld payments of \$2.9 billion from his country's economic stabilization fund, claiming that he needed the money to pay salaries and year-end bonuses—already covered by line items in the national budget. Argentina's return to civilian-elected rule in 1985 promised reform, but subsequent governments wasted money on patronage and fictitious jobs while the country's small export sector failed to bring in sufficient foreign income. In 2002, Argen-

tina devalued its peso and defaulted on an \$800 million payment to the World Bank as a fifth of the population searched for work.

These days, a Latin American president's first act typically is to travel to Washington to talk with Inter-American Development Bank, International Monetary Fund (IMF), and World Bank officials about refinancing unsustainable debt. Except in the case of Mexico, which paid off its loans early following its 1995 economic crisis, most borrowers never implement promised reforms and go into even deeper debt to pay for social programs such as price controls and food subsidies to placate poor majorities. Absent reforms that challenge existing political monopolies and family businesses pro-

5. According to various sources: U.S. Department of State, *Haiti: Country Reports on Human Rights Practices—2002*, Washington, D.C., March 31, 2003, p. 1; World Bank, *Haiti, The Challenges of Poverty Reduction*, Report No. 17242-HA, Vol. 1, August 1998, p. 3; and Mildred T. Aristide, "Remarks of Mildred T. Aristide, the First Lady of Haiti Before the Congressional Black Caucus Health Braintrust," Washington, D.C., March 5, 2003, at [www.haiti.org/mta-en-05mar03.html](http://www.haiti.org/mta-en-05mar03.html) (September 17, 2003).

tected by corruption or complicated businesses regulations, such economies can never be self-supporting.

**Weak State Authority.** The skeletal nature of local government has made Latin America attractive to smugglers and subversive movements since centralized national security forces cannot easily extend state authority throughout the reaches of national territory. South America's Andean ridge supplies most of the cocaine entering the United States, while much of it passes easily through the Caribbean and Central America. In some countries, security forces involved in civil wars in the 1980s have been reduced in strength and reorganized, but not in time to counter the spread of narcotics and arms trafficking.

Colombia is only now beginning to reverse its role as the hub of narcoterrorism in the region. Even so, its rebel groups have spokes that reach into Panama, Ecuador, Brazil, Paraguay, and especially Venezuela, where the Chávez government has reportedly given tacit permission for them to establish camps for training, resupply, and holding hostages.<sup>6</sup>

The poorly policed borders of Argentina, Brazil, and Paraguay are home to large immigrant communities of smugglers that are believed to finance Middle Eastern terrorist groups while trading arms for drugs with Colombian guerrillas. Money laundering is an attendant plague that allows drug dealers, arms traffickers, and international crime organizations to disguise illegal proceeds. Plenty of multilateral instruments—such as the United Nations Convention Against Organized Crime—exist to combat this cancer; but where law enforcement agencies lack training, courts are weak, and corrupt leadership turns a blind eye, crime and terrorism enjoy sanctuary.

## Growing Distress

Lagging political and economic reforms have contributed to growing instability in nearly half of the 23 countries that make up Latin America. The following are among urgent examples.

**Mexico.** With the July 2000 election of Vicente Fox, Mexico got its first opposition party president in 71 years, but roadblocks to accountable government and economic freedom remain.

*First*, recent democratic advances have become victims of their own success. While Mexico now has a Congress that balances its once dictatorial presidency, the 2003 elections divided the legislature among three major parties, none with a majority, complicating President Fox's prospects of enacting his reform agenda. Stymied by a Congress unable to achieve consensus and by a lingering disconnect between voters and candidates still selected by powerful party bosses, once euphoric Mexicans now seem disappointed in democracy.<sup>7</sup>

*Second*, employment and living standards remain stagnant despite a decade of economic growth and membership in the North American Free Trade Agreement (NAFTA). High taxes, burdensome regulations that favor existing monopolies, lack of affordable credit, and high energy costs hamper the creation of new businesses. Meanwhile, China, with cheaper labor, is replacing Mexico as America's number two supplier of foreign goods, forcing labor-intensive *maquiladora* (assembly industries) to close.<sup>8</sup> In the agricultural sector, an outdated collectivized land-tenure system contributes to the depletion of water in arid states and stifles private investment through the lack of individual property rights. As a result, 42 percent of those living in rural areas do not earn enough to feed themselves.<sup>9</sup>

*Third*, many Mexican politicians view migration northward as an escape valve because reforms

6. Agence France-Presse, "Nineteen Colombian Rebel Camps Detected in Venezuelan Territory," May 1, 2003.

7. According to Latinobarómetro, Mexicans' preference for democracy as a political system dropped from 53 percent to 46 percent between 1996 and 2001. See Latinobarómetro, at [www.latinobarometro.org/English/iniarticulos-i.htm](http://www.latinobarometro.org/English/iniarticulos-i.htm) (December 23, 2002).

8. Juan Forero, "As China Gallops, Mexico Sees Factory Jobs Slip Away," *The New York Times*, September 3, 2003, at [www.nytimes.com/2003/09/03/international/americas/03MEXI.html](http://www.nytimes.com/2003/09/03/international/americas/03MEXI.html).

9. Sergio Sarmiento, "Mexico Alert: NAFTA and Mexico's Agriculture," *Hemisphere Focus*, Center for Strategic and International Studies, Vol. XI, No. 7 (March 4, 2003), p. 5.

would tear down inefficient yet cherished institutions. On September 7, 2001, President Fox unveiled an ambitious agenda for the free movement of labor among Mexico, the United States, and Canada. But following the September 11 attacks on New York and Washington, such notions seem unrealistic. For security reasons, fewer Americans now favor open borders. In the current slow-growth economic climate, even fewer may be willing to bear the fiscal costs of helping more unskilled migrants survive in the United States.<sup>10</sup> In the background, guerrilla and indigenous protest movements have kept a peaceful profile up to this point but could be inspired to violence if economic conditions worsen.<sup>11</sup>

Washington needs continued cooperation to stanch the flow of illegal migrants and drugs, as well as the spread of criminal organizations, into the United States. Under President Fox, there has been substantial improvement in such efforts with unprecedented arrests of leaders of every major Mexican drug cartel. However, further bilateral cooperation could dwindle if the government becomes preoccupied with maintaining domestic order and the remaining barriers to political and economic reform do not come down.

**Colombia and Venezuela.** Colombia is finally making progress in eradicating coca cultivation and confronting three main rural terrorist groups responsible for some 3,500 deaths annually. President Alvaro Uribe's "democratic security" policy has increased military pressure on the guerrilla Revolutionary Armed Forces of Colombia (FARC), the National Liberation Army (ELN), and the paramili-

tary United Self-Defense Forces (AUC), resulting in greater captures and desertions from the Marxist rebels and an agreement to negotiate disarmament by the right-wing AUC.

But the battle against drugs and terrorism is just beginning against 22,000 rebels spread throughout the countryside. Likewise, extending government services and state authority to long-abandoned rural areas and implementing judicial reforms to strengthen the rule of law—key to prosecuting drug traffickers and terrorists—has only begun. In fact, only 26 operational court facilities currently serve Colombia's 2,000 municipal, circuit, and special jurisdictional judges.<sup>12</sup>

Complicating Colombia's prospects for peace, populist Venezuelan President Hugo Chávez is allowing Colombian rebels to resupply and train across the border in Venezuela. U.S. officials suspect his government provides haven and Venezuelan identification and travel documents to members of international terrorist groups.<sup>13</sup> Following a coup attempt last year, Chávez has tightened his grip on the government and is squeezing his opposition by restricting civil liberties and access to foreign exchange.

Venezuela's floundering economy, which has contracted 18 percent in the first six months of 2003, affects neighbors like Colombia, whose exports to this oil-rich but poverty-stricken nation have dwindled.<sup>14</sup> A national strike called by the management and labor at the state oil company *Petroleos de Venezuela* caused a temporary slump in production that affected a number of consumer nations. Firing

10. The National Research Council of the National Academy of Sciences estimated that in California, a state heavily affected by immigration, natives pay an additional \$1,178 per household in state and local taxes for social services to support immigrant households, with immigrants from Latin America contributing most to the burden. James P. Smith and Barry Edmonston, eds., Panel on the Demographic and Economic Impacts of Immigration, Committee on Population and Committee on National Statistics, Commission on Behavioral and Social Sciences and Education, National Research Council, *The New Americans: Economic, Demographic, and Fiscal Effects of Immigration* (Washington, D.C.: National Academy Press, 1997), p. 280.

11. There are three of any consequence: the Zapatista Army of National Liberation (EZLN), People's Revolutionary Army (ERPI), and Popular Revolutionary Army (ERP). Uprisings in support of indigenous rights are local affairs with little national impact. But they represent a potential for problems in case of an economic downturn or long-term stalemate between Mexico's president and Congress. See Gustavo Hiraes Morán, "Radical Groups in Mexico Today," *Policy Papers on the Americas*, Vol. XIV, Study 9, Center for Strategic and International Studies, September 2003.

12. U.S. General Accounting Office, *Foreign Assistance: U.S. Democracy Programs in Six Latin American Countries Have Yielded Modest Results*, GAO-03-358, March 2003, p. 7.

13. Linda Robinson, "Terror Close to Home," *U.S. News & World Report*, October 6, 2003, p. 20.

many and replacing some with loyalists, Chávez has brought production almost back to previous levels, but at the expense of damaging many wells.

A petition drive to recall Chávez may be blocked if the international community does not push him to abide by his own constitution.<sup>15</sup> Even if he is removed from office, his opposition has yet to embrace a truly democratic and free-market opening that avoids a return to insider politics and an economy manipulated by monopolistic elites.

**Bolivia, Ecuador, and Peru.** The increasing division of interests between poor majorities and minority elites is pushing large numbers of unemployed and poor toward populist panaceas. In Bolivia, coca-grower union leader Evo Morales has used opposition to U.S. drug eradication programs as a springboard to challenge President Sánchez de Lozada's every move. As if Sánchez de Lozada did not have enough troubles, 7,000 policemen walked off the job in February to protest plans for a new income tax. His cabinet resigned en masse only days later.

In Ecuador, President Lucio Gutiérrez—elected in November 2002—has lost his indigenous peasant political base by attempting to follow IMF recommendations to secure continued access to international loans. In August, some 1,000 former supporters marched against plans to reduce fuel subsidies, raise taxes, and reform labor laws. Now he talks of conspiracies against him and is attempting to increase government control of local media.<sup>16</sup>

Next door, drug traffickers and rebels are rebounding in Peru. Last year, police discovered 57 drug labs in the Apurimac River valley, and on June 9, 2003, some 60 Shining Path guerrillas reportedly attacked a gas pipeline camp in the Andes, kidnapp-

ing 71 workers. Even though Peru's economy grew by about 5 percent in 2002—the highest rate in Latin America—most of the growth was generated by the mining industry and did not produce significant employment gains. Meanwhile, polls show President Alejandro Toledo with an 11 percent approval rating. His leading opponent, former president Alan García, a populist who emptied the treasury through patronage and misguided social programs in the late 1980s, now garners 42 percent.<sup>17</sup>

**Central America.** Although Central America is no longer a stronghold of military dictatorships or communist guerrilla movements, stability is elusive. Guatemala, the subregion's largest industrial power and linchpin of the proposed U.S.–Central America Free Trade Agreement, may be on the verge of electing a former coup leader and military dictator on November 9. Guatemala's Constitutional Court ruled on July 30 that General Efraín Ríos Montt's candidacy was permissible—curiously reversing previous rulings dating from 1990 and contradicting Guatemala's 1985 constitution, which bars coup participants from seeking re-election.<sup>18</sup> The vote comes on the heels of four years of rising crime and a pervasive climate of impunity—made worse by bitter disagreements between the Congress and President Alfonso Portillo.

In El Salvador, Shafik Handal, a former communist guerrilla leader, is running for president in elections scheduled for next March, vowing to reverse the market economy reforms and create Cuban-style civil defense committees. For now, he is balanced by strong candidates from the center and the right. Even if he loses, he will keep pushing for an author-

14. Phil Parkerson, "Don't Believe Chávez's Lies," *The Miami Herald*, September 16, 2003, at [www.miami.com/mld/miamiherald/news/opinion/6782495.htm](http://www.miami.com/mld/miamiherald/news/opinion/6782495.htm) (September 16, 2003).

15. According to recent opinion polls, he would most likely lose such a vote. However, he could attempt to manipulate the National Electoral Council in a variety of ways either to stop the referendum or to permit him to run in the election of a successor. He also has the option of resigning before the referendum and allowing Vice President José Vicente Rangel to govern in his stead.

16. Enrique Valle Andrade, "Prensa y Poder," *Hoy* (Quito), October 1, 2003, p. A4.

17. Juan Forero, "Fujimori May Be Disgraced, But to Many in Peru He Looks Good in Comparison," *The New York Times*, July 13, 2003, at [www.nytimes.com/2003/07/14/international/americas/14PERU.html](http://www.nytimes.com/2003/07/14/international/americas/14PERU.html) (July 14, 2003).

18. For a recent synopsis of the controversy, see Sergio De Leon, "Ex-Dictator Gets on Ballot in Guatemala," Associated Press, August 1, 2003.

itarian makeover of El Salvador's government and a realignment away from the United States.

In Nicaragua, Sandinista National Liberation Front leader Daniel Ortega is close to succeeding. Former president Arnaldo Alemán bargained away political clout in order to obtain immunity from prosecution on corruption charges. Current President Enrique Bolaños then sought Ortega's help to lift Alemán's immunity and put him behind bars. Now Bolaños's agenda to strengthen the rule of law and liberalize the economy is hostage to the Sandinistas, who control the National Assembly, the judiciary, the electoral council, and the unions.

Outside of politics, gang- and drug-related crime has increased throughout the isthmus—most dramatically in Honduras where 40 percent of the population lives on less than one dollar per day.

**Brazil and Argentina.** Both countries are poised to strengthen and expand the South American Common Market (MERCOSUR) customs union at the expense of the more promising U.S.-backed Free Trade Area of the Americas (FTAA). Rather than adopting liberal economic reforms and lowering high external tariffs, as Chile did over the past 10 years, both have chosen to extend existing protectionist, statist models. This may limit Brazil's ability to repay foreign obligations and has already contributed to Argentina's default on a \$3 billion payment to the International Monetary Fund on September 9, 2003.<sup>19</sup> This is Argentina's second missed payment in less than two years and follows a devaluation and financial crisis that Latin America expert Mark Falcoff of the American Enterprise Institute calls "one of the greatest tragedies of modern history—the destruction of the firmest middle-class society in Latin America."<sup>20</sup>

**Cuba and Haiti.** Cuba may be Latin America's smallest, most backward economy, but it commands the spotlight in most U.S. congressional debates over Latin America. Its totalitarian regime harbors fugitives from U.S. justice as well as inter-

national terrorists. Its leader once urged the Soviet Union to launch a preemptive nuclear strike on the United States and currently leases sophisticated electronic espionage facilities to the Chinese government to tap U.S. phone conversations.

Despite signs of senility and ill-health, 76-year-old dictator Fidel Castro seems poised to extend his 44-year reign and remains an inspiration to Marxist parties and guerrilla groups throughout the hemisphere. In 2002, dissidents bravely collected 11,000 signatures on a petition for a referendum on the island's harsh brand of socialism; in March 2003, Castro struck back by jailing some 80 of these dissidents.

In Haiti, opponents of President Jean-Bertrand Aristide are not so lucky. Although his government hardly functions, violent supporters called *chimeres* often quell dissent through beatings and murder. In June, two appointees to the position of chief of police resigned in quick succession, one of them fleeing the country.<sup>21</sup> Electricity is available for only a few hours a day, and drinkable water is scarce. Though democratically elected, Aristide rules like the dictators he once criticized. A major humanitarian crisis looms that could prompt a large exodus of Haitian refugees to the Dominican Republic, neighboring Caribbean islands, and south Florida.

## Leadership at Issue

Considering the demands of waging war on global terrorism and rebuilding two nations in the Middle East, the Bush Administration has earned positive marks on where it has chosen to engage in Latin America. To its credit, it recovered momentum on liberalizing trade relations that had been lost when the Clinton Administration failed to win renewal of "fast-track" trade negotiation authority in 1997.

On August 2, 2002, Congress granted President George W. Bush trade promotion authority, and on September 3, 2003, the President signed into law a bilateral free trade agreement with Chile. At the

19. Because the IMF subsequently agreed to restructure Argentina's debt, the country is no longer considered to be in default.

20. Mark Falcoff, "The Return of the U.S. Attention Deficit Toward Latin America," *Latin America Outlook*, American Enterprise Institute, April 2003, p. 3. Also see Ana I. Eiras and Stephen Johnson, "More Loans Without Reform Will Only Prolong Argentina's Economic Woes," Heritage Foundation *Executive Memorandum* No. 888, June 25, 2003.

21. Jean-Robert Faveur. See Michael Norton, "Haiti's Police Chief Chooses Self-Exile," Associated Press, June 23, 2003.

beginning of 2003, the President announced intentions to negotiate a regional pact with Costa Rica, El Salvador, Guatemala, and Honduras known as the U.S.–Central American Trade Agreement (CAFTA). The U.S. Trade Representative is also discussing a separate accord with the Dominican Republic. Meanwhile, talks continue on the hemispheric Free Trade Area of the Americas agreement scheduled to conclude in 2005.

Support for counternarcotics operations in Colombia and the Andean region of South America are more secure than at any time during the previous Administration thanks to the President's Andean Counternarcotics and Andean Regional Initiatives. Moreover, the White House has worked with Congress to provide counterterrorism training and assistance to Colombia's security forces, which was unimaginable during the Clinton era.

Closer to home, however, the Administration passed up opportunities to build a strong Latin America team. At first, it sought to preserve continuity with the previous Administration by filling most hemisphere-related National Security Council and State Department positions with career officers.

Yielding to domestic interest-group politics, the President nominated an experienced but controversial figure to be Assistant Secretary of State for Western Hemisphere Affairs. For its part, the Senate responded with a partisan deadlock over his confirmation that eroded his authority. Months after his recess appointment expired, the White House submitted another name for the job. Former Ambassador to the Organization of American States Roger Noriega was confirmed on July 29, 2003—but only after Senate Republicans persuaded Senator Max Baucus (D–MT) to release a hold on his nomination in exchange for a Senate Foreign Relations Committee vote on Baucus's bill to lift U.S. trade sanctions against the Castro regime in Cuba.

**Right Instincts, Uncertain Objectives.** With a leadership dilemma and key U.S. foreign operations agencies dedicated to maintaining continuity, other actors and forces have been left to determine the details of regional engagement. Congressional foreign affairs committees have cooperated in continuing counternarcotics assistance for Colombia and supported President Bush's request for improving

Colombia's counterterrorism capabilities. But because assistance is still released on a quota basis that allows a high degree of congressional oversight, security assistance remains as it was in the Clinton Administration: a program benefiting U.S. civilian contractors (who can work month-to-month) rather than a means of building institutional capabilities within Colombia's security forces. The Administration has yet to develop a better way to provide security assistance or resolve other internal management problems.

One of the most vexing issues—the rise of authoritarian regimes in Haiti and Venezuela—has been left at the doorstep of the Organization of American States (OAS). The Clinton Administration suspended direct U.S. assistance to Haiti's government in 2000 after flawed elections made it obvious that the government of Jean-Bertrand Aristide had veered away from a democratic course. The Bush Administration rightly continued that policy but left it to the OAS to persuade Aristide to rein in violent mobs loyal to him and to reconcile the regime and its opponents to new parliamentary and presidential elections. Instead of suspending Haiti's membership for breaking the standards of the OAS Democratic Charter and failing to protect human rights, it has recommended a resumption of loans and aid to the Haitian government, acquiescing to its lack of progress.<sup>22</sup>

On Venezuela, the Bush Administration was stung by groundless, partisan accusations in the U.S. Senate that it supported the April 2002 uprising against populist President Hugo Chávez. Since then, it has made few public statements, fueling speculation that it is resigned to Chávez's increasingly dictatorial rule or to bullying from congressional opponents. While it has fallen largely to the OAS to broker an agreement between Chávez and his opponents to proceed with a referendum that could remove him from office, U.S. efforts to support civil society and encourage both Chávez and his opponents to abandon populism for democratic and free-market reforms are still getting organized. Neither the OAS nor Washington has pushed Chávez to let international observers monitor the current recall process as it unfolds.

Finally, geographic proximity, size, and its status as America's second largest trade partner would argue that Mexico should be an important focus of Latin American policy. Routine relations have improved steadily since the implementation of NAFTA, but resolving high-profile issues such as immigration has been left up to Congress. For their part, a number of vocal Members would rather debate Cuba, seeking to lift U.S. trade sanctions against a hostile dictator and the hemisphere's most backward economy. The White House could have refocused the agenda on Mexico by providing its own blueprint for an immigration solution and by filling in details of the President's "step-by-step" policy of engaging Cuba.

**Needed: Focus and Strategy.** Foreign aid is no substitute for economic freedom, generally promoting dependency over self-sufficiency. However, if development assistance is here to stay as a U.S. foreign policy tool, it should be used sparingly to leverage homegrown reforms that help develop durable political and economic institutions—the foundation for a self-sustaining society. To avoid wasting tax dollars, such assistance needs clear goals, interest on the part of the recipient, adequate supervision and evaluation, and coordination with other U.S. policies or engagement efforts.

First, U.S. assistance in Latin America lacks clear goals. Some of these programs are administered wholly by the U.S. Agency for International Development (USAID). Others are conducted in partnership with different U.S. government agencies. The

United States also supports loans to governments through multilateral organizations like the International Monetary Fund and the Inter-American Development Bank. Annual USAID proposals include a panoply of well-intended projects to build health clinics, improve soil conservation, support civil discourse on political issues, strengthen judicial systems, and help women start businesses. Congress earmarks and USAID still spends most of its money on environmental and health programs in Latin America, producing gains that are easily reversed under unstable governments and in monopoly economies.<sup>23</sup>

By yardsticks such as continuing high unemployment rates, this scattershot approach is not working. Moreover, immigration to U.S. shores from all over Latin America has steadily increased, and national economies such as Nicaragua's are sustained by remittances from migrants employed in the United States.<sup>24</sup>

Second, not all aid recipients are interested in implementing needed reforms. Millions of dollars spent training a new police force—after the Clinton Administration intervened in Haiti and restored President Jean-Bertrand Aristide to office—were wasted when Aristide and his puppet successor ignored the new force and instead ruled through violent street gangs. More recently, the Bush Administration approved of renewed IMF credit to Argentina after that country defaulted on a \$3 billion debt payment, despite doubts that President

22. Resolution 822, adopted on September 4, 2002, recommended a resumption of aid to the government if it established a climate of public safety, prosecuted authors of attacks on the government's political opponents, and formed a credible electoral council. After deadlines lapsed with no measurable progress, OAS diplomats recommended renewal anyway. On June 9, 2003, Secretary of State Colin Powell announced another \$1 million payment to the OAS to promote a solution to Haiti's electoral deadlock—on top of \$70 million the United States has given in humanitarian aid through non-governmental organizations. But he warned the OAS General Assembly that "the people of Haiti have waited a long time, too long for their leaders to meet their obligations under OAS resolutions 806 and 822," and that if the Aristide government had not met the conditions provided in the resolution, the OAS should re-evaluate its role in Haiti. In July, the Inter-American Development Bank gave the government \$146 million in new loans to build roads and improve potable water supplies. See Secretary of State Colin L. Powell, "Intervention at the Plenary of the General Assembly of the Organization of American States," Santiago, Chile, June 9, 2003, at [www.state.gov/secretary/rm/2003/21330.htm](http://www.state.gov/secretary/rm/2003/21330.htm) (September 8, 2003), and Marika Lynch, "Haiti Will Receive \$146 Million," *The Miami Herald*, July 25, 2003, at [www.miami.com/mld/miamiherald/news/world/haiti/6379436.htm](http://www.miami.com/mld/miamiherald/news/world/haiti/6379436.htm) (September 8, 2003).

23. USAID congressional presentation tables for FY 2004 show approximately \$133 million requested for political and economic reform programs versus \$219 million for health and environmental projects in 17 Latin American and Caribbean countries. See U.S. Agency for International Development, "Latin American & Caribbean," *Congressional Budget Justification FY 2004*, updated June 18, 2003, at [www.usaid.gov/policy/budget/cbj2004/latin\\_america\\_caribbean](http://www.usaid.gov/policy/budget/cbj2004/latin_america_caribbean) (September 25, 2003).

Kirchner would ever establish the rule of law and reduce state intervention in the economy.<sup>25</sup>

*Third*, U.S. development programs are not adequately tracked from senior policymakers to the field to ensure achievement of original goals. Each embassy's USAID mission decides most assistance priorities. On one hand, embassy experts may be in a better position to determine those priorities. On the other, their peculiar biases can color funding choices and put them at odds with the goals of the Administration and Congress.

In 2001, the USAID mission in Nicaragua was late in organizing and funding its share of monitoring efforts for the November presidential elections.<sup>26</sup> The same scenario could repeat itself this year in Guatemala, where preparations to observe a presidential election are modest. The election is already clouded by questions as to whether the judiciary has been manipulated to permit the candidacy of former coup participant Efraín Ríos Montt.

*Fourth*, programs could be better coordinated. Recent projects promoting follow-on democratic reforms and market economies have had limited

success. According to the U.S. General Accounting Office (GAO), they could have achieved more were it not for management flaws.<sup>27</sup> In six countries that the GAO studied last year, U.S. assistance helped to improve the responsiveness and accountability of both national and local governments.<sup>28</sup> Further success was hampered by the lack of U.S. interagency coordination in developing and maintaining such programs. Assessments and plans were not routinely shared in "a significant oversight" that presented a "risk that the U.S. government is not maximizing the use of available resources." Reforms such as improving legislators' outreach to constituents were sometimes implemented over a short time frame—one to two years—so they became identified with parties in power and were abandoned when seats changed hands.

In February, the Administration unveiled its Millennium Challenge Account (MCA)—a \$5 billion fund intended to reward states that have already adopted basic liberal reforms.<sup>29</sup> For now, few countries in Latin America besides Chile or Costa Rica would qualify for an MCA award, although it is a tempting incentive. That leaves existing programs to

24. The U.S. Immigration and Naturalization Service estimates that the number of illegal aliens residing in the United States increased by 350,000 per year during the 1990s, increasing the number of unauthorized immigrants in the U.S. to about 7 million in 2000. The majority came from Mexico; the rest came largely from El Salvador, Guatemala, Colombia, Honduras, China, and Ecuador. See U.S. Immigration and Naturalization Service, "Estimates of the Unauthorized Immigrant Population Residing in the United States: 1990 to 2000," January 31, 2003, at [www.immigration.gov/graphics/shared/aboutus/statistics/2000ExecSumm.pdf](http://www.immigration.gov/graphics/shared/aboutus/statistics/2000ExecSumm.pdf) (September 25, 2003). Remittances accounted for more than 29 percent of Nicaragua's gross domestic product in 2002. Overall, remittances to the region increased by 17.6 percent over the previous year. Inter-American Development Bank, "Remittances to Latin America and the Caribbean Reached \$32 Billion in 2002, IDB's Multilateral Investment Fund Says," press release, February 27, 2003, at [www.iadb.org/NEWS/Display/PRView.cfm?PR\\_Num=38\\_03&Language=English](http://www.iadb.org/NEWS/Display/PRView.cfm?PR_Num=38_03&Language=English) (September 25, 2003).
25. Sometimes, design does not match needs. The Bush Administration is also contemplating spending \$82 million in 2004 to encourage Columbian coca farmers to substitute crops even though many rural areas are not secure enough to allow farmers to transport legitimate crops to market.
26. See Stephen Johnson, "Nicaraguan Elections Demand More Effective U.S. Support," Heritage Foundation *Background* No. 1472, September 10, 2001.
27. The GAO found that the USAID lacked reliable performance measures to assess the impact of all its programs. See U.S. General Accounting Office, *Major Management Challenges and Program Risks: U.S. Agency for International Development*, Performance and Accountability Series, GAO-03-111, January 2003.
28. The GAO examined democracy and rule-of-law programs in Bolivia, Colombia, El Salvador, Guatemala, Nicaragua, and Peru. See U.S. General Accounting Office, *Foreign Assistance*, p. 12.
29. If passed by Congress, the Millennium Challenge Account would specify standards in governing justly, investing in people, and promoting economic freedom. For more on the Millennium Challenge Account, see Brett D. Schaefer and Paolo Pasicolan, "How to Improve the Bush Administration's Millennium Challenge Account," Heritage Foundation *Background* No. 1629, February 28, 2003.

plant seeds of progress and provide a bridge toward MCA eligibility. However, unless they promote more representative government, the rule of law, transparency in public and private transactions, and more fair and open access for citizens to participate in commerce, it will be money down the drain. Even with outside encouragement, the citizens and leaders of each country are ultimately responsible for establishing policies that enable their societies to become self-sustaining.

**Outdated Security Paradigm.** While there is no common understanding of national security from one country to the next in the Western Hemisphere, it is in the national interest of the U.S. as the region's dominant power to promote collective defense. The integrity and survival of each state depends on peace and stability within the region.

The Cold War assumptions—of a hostile nation invading or subverting another with armies, such as Cuba and the Soviet Union attempted in Central America—that informed the Inter-American Treaty of Reciprocal Assistance of 1947 are no longer relevant.<sup>30</sup> Instead, stateless criminal networks that fuse elements of drug trafficking, arms smuggling, insurgency, and terrorism have emerged as the most immediate threat from the Argentina–Brazil–Paraguay tri-border region to the U.S.–Mexican frontier.

Washington's hemispheric defense strategy is still based on military assistance programs that donate equipment, fund exercises and official exchanges, and provide conventional military training in the United States—a tutorial approach. In the early 1990s, the Department of Defense declined an active role in nascent counternarcotics efforts in Colombia, justifiably regarding them as a police matter. In fact, the 1878 Posse Comitatus Act bans U.S. armed forces from engaging in domestic law enforcement, and the 1961 Foreign Assistance Act prohibits advising and training foreign police except as exempted by legislation. As a result, the Department of State's International Narcotics and

Law Enforcement Affairs Bureau (INL) assumed management responsibilities, including supervision of a small fleet of contract planes deployed to Colombia in support of coca fumigation.

Today, counternarcotics and counterterrorism are the major security concerns in the region, and the Department of State—with no support resources, training, doctrine, standardized procedures, or evaluation mechanisms characteristic of the U.S. military—is the lead agency. Complicating the State Department's planning and management has been uncertain step-by-step program funding with complicated restrictions on how equipment may be used and against what target. Assisting either directly or through contractors is a proliferating array of U.S. agencies, including (among others) the Coast Guard, the Central Intelligence Agency, and the Bureau of Alcohol, Tobacco, and Firearms. Simpler, more direct lines of supervision could have prevented the loss of two contract aircraft in Colombia this year and the accidental downing of a U.S. missionary plane in Peru in 2001.<sup>31</sup>

At home, federal and local law enforcement and military agencies have been learning to cooperate on terrorism since September 11. Yet, over the past decade, U.S. diplomats and military representatives in Latin America have encouraged the region's new democracies to sever once close ties between their armed forces and police. Although such changes have resulted in better civilian oversight and improved respect for human rights, the spread of stateless criminal organizations has taxed their capabilities when new forces, procedures, and lines of communication have hardly had time to become established.

### **Putting U.S.–Latin American Policy Back on Track**

Although Latin America has the primary responsibility for its own well-being, its troubles affect the United States. Poor access to political and economic

30. Canada and a number of countries in the Caribbean never signed. In September 2002, Mexico renounced the treaty.

31. Two single-engine Cessna Caravan intelligence-gathering aircraft operated by U.S. contractors were lost in Columbia in mountainous guerrilla territory on February 14 and March 25, 2003. The second was deployed to search for the first. See Scott Wilson, "Three Americans Are Killed in Plane Crash in Colombia," *The Washington Post*, March 27, 2003, p. A18. On April 20, 2001, a Peruvian Air Force A-37 fighter, guided by a CIA-contracted surveillance aircraft, mistakenly shot down a light plane carrying a U.S. missionary and family members. See Karen DeYoung, "Senate Committee Looking into Drug Interdiction Pact with Peru," *The Washington Post*, April 26, 2001, p. A21.

opportunity divides societies and causes instability, which in turn depresses markets. Attendant violence displaces desperate populations—often to U.S. borders.

Now that the Bush Administration has a confirmed Assistant Secretary of State for Western Hemisphere Affairs, it should reaffirm its commitment to democracy, security, and the development of market-based economies—objectives the President outlined in speeches at the Summit of the Americas in Quebec in April 2001 and at the OAS in January 2002. That commitment should translate into a policy for deeper political and economic reforms, the construction of a more modern hemispheric security relationship, and more forceful communication of America's interests.

To guard against a rollback of recent governance and market reforms achieved at great human and financial cost over the past 20 years, the Administration should:

1. **Take the lead in developing U.S.–Latin America policy.** President Bush has worthwhile goals, but he initially left their implementation to the career bureaucracy and Congress, leaving the impression that there is a leadership vacuum. To be more effective, the Administration should delegate authority to bureau heads such as the Assistant Secretary of State for Western Hemisphere Affairs to formulate plans, set priorities, and communicate needs to Congress.

Leading the charge, the Assistant Secretary for Western Hemisphere Affairs should chair an interagency working group to improve coordination among various players involved in regional operations—the National Security Council, Department of Defense, Department of Justice, Department of Homeland Security, Department of the Treasury, intelligence agencies, USAID, State Department Public Diplomacy, and U.S. Broadcasting Board of Governors.<sup>32</sup>

2. **Reorder congressional priorities toward the region.** More input from the Administration

could help refocus attention on the region's immediate challenges. Instead of Cuba, Mexico—America's closest neighbor, its second largest trading partner, and the world's ninth largest economy—should be at the top of the engagement list. Congress and the White House should work to develop an immigration policy that organizes what is now an unstoppable influx of migrant workers in order to reduce numbers to match the jobs available, make the journey safer, and better protect U.S. borders. In return, U.S. officials should persuade Mexican and Central American counterparts to adopt reforms that will lead to more democratic governance, economic freedom, and a more welcoming investment climate to promote employment at home.

After Mexico in importance is Colombia, which supplies most of the cocaine and heroin to U.S. drug users and whose major terrorist group, the FARC, has links with drug traffickers and arms smugglers from Paraguay to the U.S. border. Colombia's democratic government has been under assault by the FARC and other groups for nearly 40 years. Recent increases in U.S. assistance to Colombia have helped to turn the tide against both drug trafficking and rural terrorism. Any failure to stay the course could strengthen the hand of Colombia's outlaws and destabilize neighboring Panama, Venezuela, Ecuador, and Peru, where Colombian rebel armies have clandestine resupply camps and hideouts.

The next priority would be other Central and South American democracies where stalled reforms and transnational crime groups threaten stability and public safety. For now, engaging the Cuban government should be the last priority, since it is mostly a matter of denying aid to a hostile dictatorship. However, the Administration should counter congressional efforts to elevate its importance by better defining the President's still bare-bones "Initiative for a New Cuba" policy.<sup>33</sup> Linking any changes in U.S. sanctions to incremental reforms by the Cuban

32. The safe political course is to do nothing and let Congress set the agenda and take credit or blame, but there are practical limits to what Congress can do. It does not have its own bureaucracy to develop, conduct, and evaluate programs. Moreover, with 535 members, consensus can be reached only on overarching issues as they come up in legislative queue.

government could be the basis of engagement after Castro is no longer in power.

- 3. Improve support for democratic governance and market reforms.** The Administration should make strengthening democratic processes and market economies its overarching assistance goal in Latin America. Durable political and economic institutions are the bedrock from which further development springs. Except for humanitarian need, the Administration should work with Congress to cut spending on expensive environmental and health projects that are unlikely to help neighboring societies become self-supporting.

Support should go primarily to countries where assistance can leverage existing private and governmental efforts to improve governance and achieve economic growth. Where such interest does not exist, public diplomacy programs and Voice of America broadcasts can help inform citizens on these issues and improve basic understanding. Any humanitarian aid to such countries should be funneled through credible non-governmental organizations to avoid misuse by the current corrupt regimes.

Supervision and program evaluation must be improved from Washington to the missions in the field. USAID in Washington and overseas directors need to work together to ensure that Administration and congressional mandates are respected. Last January, the GAO reported inadequacies in USAID tracking and evaluating methods that make it difficult to determine whether programs achieve desired objectives. Although the USAID has made progress by including such indicators as the numbers of free and fair elections and economic growth rates, evaluations need to be more detailed and closely tied to what the programs themselves actually accomplish.

Coordination with other engagement efforts must be improved. Programs to combat corruption should dovetail with policies to hold foreign officials accountable for their conduct by revoking visas and freezing bank accounts of those who violate international laws or promote abuses of human rights.<sup>34</sup> Money for Colombian crop substitution projects that cannot be implemented without better rural security should be shifted to strengthening security forces. Projects to support Venezuela's civil society and embattled political parties through the National Endowment for Democracy should be complemented by increased diplomatic pressure on the Chávez government to follow its own constitution, specifically regarding existing legal petitions for a referendum on the president's mandate.

Finally, support does not always mean spending tax dollars. Washington can help Cuban dissidents and independent journalists by increasing the allowable amount of remittances by relatives in the United States. Even more important is using diplomacy and the "bully pulpit" to elevate the awareness and importance of Cuban dissidents in the international community—both to protect them and to ensure that a democratic community is present when the Castro regime ends. The U.S. International Broadcasting Board should redouble efforts to defeat Cuban jamming of U.S. government-sponsored TV Martí broadcasts, or at least enhance distribution through video cassettes or Internet Webcasts.

- 4. Accelerate negotiations on free trade.** The Administration's trade timetable should take into account Brazil's mounting efforts to turn the four-member South American Common Market into a continent-wide customs union. Five Central American states, the Dominican

33. Announced May 20, 2002. For specific examples, see Stephen Johnson, "Time for Consensus on Cuba," Heritage Foundation *Background* No. 1579, September 3, 2002.

34. In fact, a multi-agency task force led by the Department of Homeland Security is considering freezing U.S. bank accounts of foreign officials involved in money laundering, drug trafficking, and arms smuggling. See Eric Lichtblau, "U.S. Wants Foreign Leaders' Laundered Assets," *The New York Times*, August 24, 2003.

Republic, Colombia, Panama, Peru, and Uruguay now desire liberalized trade relations with the United States. Despite existing preferences under the U.S. Caribbean Basin Initiative, independent Caribbean countries would like a broader trade pact to keep their economies viable.

If enough countries negotiate bilateral or subregional free trade agreements with Washington, the proposed Free Trade Area of the Americas would exist de facto, even if hemispheric negotiations are delayed by lingering controversies such as the one over subsidized agriculture. Lowering tariffs and boosting competitiveness makes more sense than backing IMF loans and bailouts to protected, statist economies that are manipulated by economic elites for their own benefit.

5. **Develop a new security strategy** that confronts today's hybrid security threats and preserves U.S. preeminence in the region but also appreciates the growth of the region's fledgling democracies. In addition to tutorial relations such as military exercises, training, and official exchanges, the United States should propose and participate in subregional partnerships, based on routine military-to-military, civilian agency-to-civilian agency cooperation, that promote common standards and protocols. Congress should amend Section 660 of the Foreign Assistance Act of 1961 to allow targeted support for training and assisting the police of foreign democratic governments to ensure their inclusion in a broad range of programs from criminal justice reforms to human rights seminars.

Support for counternarcotics and counterterrorism efforts must be funded over a longer period to avoid shutdowns between funding approvals. Although contractors may continue to be useful, assistance to the Andean nations should help to build the local capacity of military and civilian law enforcement agencies to combat drug trafficking and terrorism. Both Congress and the Administration should review whether the management of operational assets (e.g., aircraft) deployed in Andean countries should be moved

from the Department of State to management under military or civilian agencies that have applicable doctrine, training, and procedures for combat and law enforcement activities. In Central America, security assistance should be enhanced to help inadequate police forces and justice systems address rising gang violence and narcotics-related crime.

6. **Articulate U.S. interests in Latin America.** Excessively criticized for statements acknowledging the brief ouster of Venezuelan President Hugo Chávez in April 2002, the Bush Administration has been reluctant to say much on Venezuela or a host of other regional topics such as relations with Mexico or South America's economic ills. The region's stability and prosperity are important U.S. interests. For his part, President Bush has communicated that message effectively, both on numerous trips to visit Latin American leaders and on the several occasions when they have visited the White House, but the rest of the Administration has been hesitant to talk about plans or lay down markers.

Now that the State Department has a confirmed Assistant Secretary for Western Hemisphere Affairs, the Administration should end its silence on several important topics: the need for good policies instead of aid, the benefits of competition over monopoly, and the wisdom of letting citizens make their own decisions at the level of government closest to them. Even though the war on terrorism in the Middle East may continue to demand U.S. attention elsewhere, U.S. officials can express what is acceptable and advocate policies that will inspire the region's democrats to keep the faith and seek prosperity through their own efforts.

## Conclusion

To underscore the enduring importance of Latin America in U.S. geopolitical strategy, Senate Foreign Relations Committee Chairman Richard Lugar (R-IN) invited Secretary of State Colin Powell to testify exclusively on the region's democracy and human rights prospects in September 2003—the first time a Secretary has been asked to speak comprehensively on this topic since the Reagan Administration.

While President Bush can take credit for reviving the hemispheric free trade agenda and enhancing counternarcotics support in South America, his Administration must strengthen efforts to encourage follow-on reforms in governance, economic policies, and mutual defense. Absent these, trade agreements will accomplish little. In fact, the U.S.–Central America Free Trade Agreement now being negotiated may never be approved by Congress if Guatemala slumps into a right-wing dictatorship or if El Salvador or Nicaragua lurches toward political instability. Potential trade accords in South America may also be in jeopardy if vast rural areas and borders remain a welcome haven for international criminal and terrorist groups.

The United States must articulate its interests clearly and pursue more effective engagement. Otherwise, it will face declining markets for exports as the region's economy contracts, shrinking access to energy resources, more complicated and costly criminal and terrorist threats, and fewer reliable allies in international forums. Better governance, free markets, a modern strategy to improve regional security, and clear communication of U.S. interests are the keys to hemispheric peace and prosperity.

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