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STORM CLOUDS IN SOUTH AMERICA

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While the Clinton Administration concentrates on Kosovo, storm clouds are gathering closer to home in South America, where an outbreak of economic and political turmoil during the first four months of 1999 has raised concerns about the region's democratic stability. This series of crises follows more than two consecutive years during which economic freedom, as measured by The Heritage Foundation/Wall Street Journal *Index of Economic Freedom*, expanded at a faster pace in South America than in any other developing region of the world.

Since January, Brazil has suffered a currency crisis that has plunged the entire region into a deep economic recession. Ecuador also has experienced a major currency collapse and must move rapidly to restructure its foreign debt or else default. In March, Paraguay's vice president was assassinated by killers believed to be in league with the country's president, who has since resigned and fled to Brazil.

In Peru, Alberto Fujimori wants to perpetuate his presidency until 2005 despite constitutional prohibitions, and government security forces are increasing their systematic repression of Fujimori's critics. In Venezuela, new President Hugo Chavez Frias, a populist former military officer who led a failed coup in 1992, is tilting his country to the left while staking out anti-American positions in recent diplomatic efforts.

Finally, in Colombia, the world's largest producer of coca leaf and cocaine, the weak government of President Andres Pastrana is pursuing peace talks with armed communist insurgents who control more than half of the country and finance their activities with drug trafficking and kidnapping. Pastrana's government is counting on increased U.S. military intervention in the likely event that peace talks break down.

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No Latin America Policy. At a time when a strong U.S. presence in South America could help democratic governments confront their economic and political difficulties, the Clinton Administration's growing disengagement projects the mistaken message that South America is not of great importance to the United States. For example, two of South America's most important countries—Argentina and Brazil—have been without an accredited U.S. ambassador for over two years and approximately one year, respectively. Argentina is the only major non-NATO ally among Latin American countries, and Brazil is the largest economy in South America, as well as the recipient of a $41.5 billion bailout from the International Monetary Fund (IMF) and a critically important actor in hemispheric trade liberalization.

In Central America last March, President Clinton pledged $954 million in reconstruction aid for countries devastated by Hurricane Mitch; he said nothing about helping Ecuador recover from the nearly $3 billion in damage caused in 1998 by the weather phenomenon known as El Niño. Clinton did, however, formally apologize to Guatemala and other Central American countries for alleged U.S. military involvement in human rights abuses committed during the 1970s and 1980s—something for which there is no credible evidence.

The Clinton Administration's disengagement from South America represents more than indifference. It is symptomatic of a deeper underlying problem: the lack of a coherent Latin America policy. Since 1993, the Clinton Administration has maintained that its foreign policy in Latin America consists of promoting free trade, consolidating democracy, and defending human rights. The achievement of these policy goals in South America is clearly in the interests of the United States, but the Administration too frequently fails to implement policies designed to achieve them.

For example, the Administration continually extols free trade in the Americas but has not signed a single new free trade agreement with any Latin American country since the North American Free Trade Agreement (NAFTA) with Mexico was implemented on January 1, 1994. Both the Enterprise of the Americas Initiative and NAFTA were launched by President George Bush over the objections of his political opposition in Congress. Clinton was compelled to accept NAFTA as a done deal but declined to expand trade any further within the region, using the December 1994 Mexican peso crisis as an excuse to back away from free trade.

U.S. policy is foundering in South America because the Clinton Administration lacks both a long-term vision of U.S. relations with the rest of the Americas and a strategic framework to achieve that vision. The expansion of free trade remains the foundation of a successful U.S. policy for the Western Hemisphere, including South America, but free trade by itself makes no sense without a strategic framework that combines trade expansion with policies to build new diplomatic, political, and security relationships between the United States and the hemisphere's emerging democracies. Nearly a decade after the end of the Cold War, this strategic framework and the policies needed to achieve stated U.S. goals are still lacking because the Clinton Administration has no conception of how to use trade, diplomacy, and the military to safeguard America's interests in the Western Hemisphere.

Conclusion. Perhaps no U.S. Administration could have prevented South America's current economic and political difficulties, but the Clinton Administration's lack of engagement in the region has complicated matters. South America's fragile emerging democracies face a long-term struggle to promote licit economic development, reduce poverty and crime, eradicate corruption and drug trafficking, and ease economic pressures that encourage large-scale illegal migration to the United States.

Without active U.S. engagement, progress on all of these fronts could stall or be reversed. As a first step, President Clinton must obtain from Congress the fast-track negotiating authority he needs to restore U.S. leadership and direction to the hemispheric trade liberalization process. The goal of hemispheric free trade will not be achieved quickly, but the seriousness demonstrated by renewal of the President's fast-track authority would create significant negotiating leverage for policymakers who deal with South America on other non-trade issues of importance to the United States.

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