



Background

Executive Summary

No. 1409

February 15, 2001

A NEW U.S. POLICY FOR LATIN AMERICA: REOPENING THE WINDOW OF OPPORTUNITY

STEPHEN JOHNSON

Historically, relations between the United States and Latin America have been marked by periods of crisis and benign neglect. This was the case under the Clinton Administration as well. But with few exceptions, most Latin American countries have never posed a threat, nor has the region offered much economic opportunity. Now that is changing. Over the past 20 years, growing markets have put the region on the verge of becoming America's second largest trading partner; it is already competing with the Middle East as America's major petroleum supplier. In addition, civilian-elected leaders have replaced authoritarian dictatorships.

Yet new problems of political and economic upheaval threaten the region, as well as the United States. President George W. Bush should take advantage of the Summit of the Americas, to be held in Quebec in April, to demonstrate leadership and describe a vision of a hemisphere that is characterized by democratic governments, cooperative defenses against emerging threats, and open markets. His long-term strategy should be to recoup the momentum toward achieving these goals that was lost under the previous Administration.

Festering Problems, Few Solutions. When President Bill Clinton took office in 1993, the Latin American region had gone through a profound transformation in a short time. The policies

of the Reagan and senior Bush Administrations helped replace authoritarian regimes with civilian-elected leaders, encouraged open markets over import-substitution models, and promoted international trade as a foundation for future prosperity.

President Clinton promised to build on this legacy with an agenda that supported trade, democracy, and development. In 1993, he

convinced Congress to approve the North American Free Trade Agreement (NAFTA). The Mexican peso crisis, however, cast doubt on his agenda, and he subsequently ignored the rest of his commitments, reacting to crises merely to preserve the status quo. His efforts included spending an estimated \$3 billion to restore a non-democrat to power in Haiti and making half-serious efforts to combat narcotics trafficking in Colombia.

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Today, President George W. Bush needs to revitalize relations with a region that is significantly more troubled than in 1993. Democracies are at risk, threatened by the return of authoritarian traditions to governments that failed to extend democratic practices beyond holding elections. While international trade has gained a foothold in Latin America, markets are now dominated by protectionist sub-regional trading blocs, and over-regulated economies and corruption are suffocating private-sector activity. New transnational drug trafficking and crime networks have spread from Colombia outward to Alaska and to Argentina. Escalating violence in Colombia is already spilling over into Brazil, Ecuador, Panama, Peru, and Venezuela. The weak administrations in Ecuador and Peru are unable to contain it, and Venezuelan President Hugo Chávez reportedly supports both Colombian guerrillas and Ecuadoran dissidents.

Meanwhile, on July 2, 2000, Mexicans elected the first opposition-party president in seven decades. While Vicente Fox has proposed restructuring the Mexican economy to loosen restrictions on free enterprise and create employment, he has suggested that the United States accept more migrant laborers until economic conditions improve. He will have to work with President Bush to address border problems, including the fact that Mexican cartels are responsible for two-thirds of the Colombian cocaine reaching the United States.

Rather than simply react to events, the Bush Administration should establish a definite agenda for U.S.–Latin America relations based on durable strategies that encourage self-development and multilateral cooperation. Such an agenda should be guided by the region's common needs: strengthening weak democracies, developing a modern security paradigm to counter traditional and emerging threats, and expanding trade and economic reform.

An Agenda for Common Prosperity. With the long-term needs of the region in mind, the Bush Administration and Congress should establish an agenda for relations with Latin America that focuses on:

- **Strengthening neighboring democracies,** with the establishment of checks and balances, the decentralization of power from heavily concentrated bureaucracies, and the rule of law as a counterbalance to authoritarian traditions. More robust U.S.-sponsored civic education programs, subject expert exchanges, and the expansion of initiatives to reform the justice systems are key.
- **Building working defense partnerships** to counter new transnational threats. Though military assistance is necessary to help regional allies address conventional threats, the United States and its neighbors should develop new protocols to cooperate against transnational crime and drug trafficking. These threats will require military and civilian agencies to work together and share responsibilities among the countries involved.
- **Promoting free trade and economic reform.** The President should seek fast-track negotiating authority in order to facilitate bilateral trade agreements. The United States should move quickly to sign the free trade agreement with Chile and establish a global free trade association (GFTA) in which membership depends on open markets and the rule of law. The United States should advocate that Latin American neighbors strengthen property rights, eliminate barriers to business creation, and curb corruption so that they can qualify to join the association.

Conclusion. Leadership begins at home, and to improve the prospects for freedom and prosperity throughout the world, there is no better place for the United States to start than in its hemispheric neighborhood. President Bush should use the forum provided by the upcoming Summit of the Americas to demonstrate America's desire to promote democracy and prosperity by reinvigorating relations with its Latin America neighbors.

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STEPHEN JOHNSON

On April 20, President George W. Bush will meet the heads of state of the Latin American countries at the Summit of the Americas in Quebec City, Canada. This forum will provide him with an excellent opportunity to revitalize relations with America's neighbors to the south, which languished under President Bill Clinton.

The stakes are considerable. Unlike the Balkans, where the Clinton Administration spent the bulk of its foreign policy capital, Latin America is strategically important. Its 500 million people are connected to the United States by geography, trade, and culture. Its \$2 trillion economy is a key market for U.S. goods and services.¹ Americans benefited from \$3 billion in bilateral trade with the region in 1999 alone, and nearly a third of the oil imported by the United States originates there. The region is poised to become the second largest trade partner of the United States (see Chart 1).

But Latin America also is suffering. Over the past decade, political unrest, transnational crime, drug trafficking and wars, and economic mismanagement reversed the encouraging democratic and economic reforms begun in the 1980s. The

Clinton Administration neglected the commitments America made to support these reforms, and the opportunity for President Bush to recoup lost progress and set a new course is shrinking.

Washington should waste no time in restoring America's once-flourishing relations with its Latin American neighbors and in regaining the momentum begun during the Reagan Administration that favored friendly democracies and open markets. The Bush Administration should implement a cooperative long-term approach that seeks to strengthen democratic institutions where needed, modernize security relationships, and

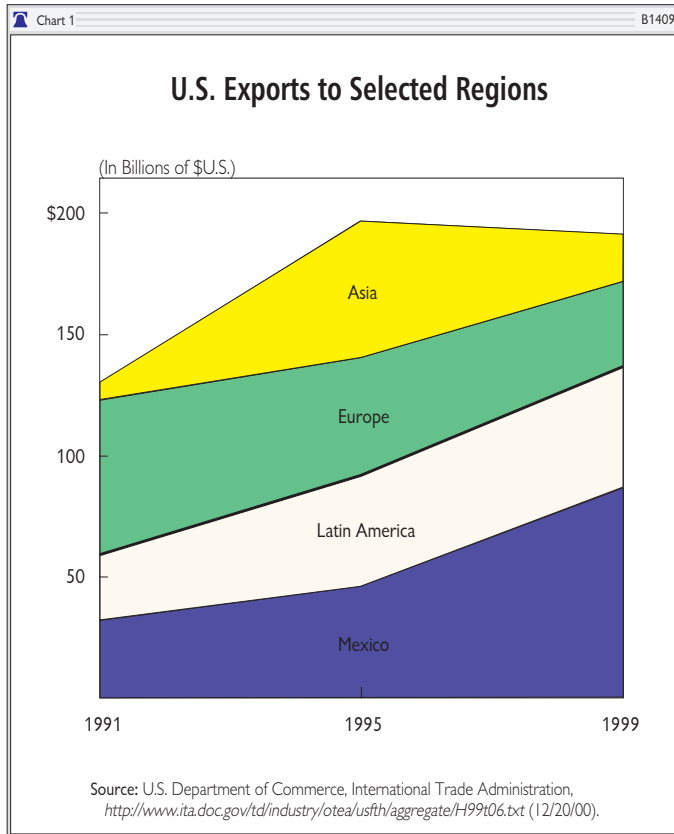
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1. Total U.S.–Latin America merchandise trade in 1999 amounted to \$301 billion, nearly one-fifth of U.S. trade worldwide. See U.S. Department of Commerce, International Trade Administration, at [http://www.ita.doc.gov/td/industry/otea/usfth/
aggregate/H99t06.txt](http://www.ita.doc.gov/td/industry/otea/usfth/aggregate/H99t06.txt) (December 20, 2000).



extend economic prosperity throughout the American neighborhood by increasing trade.

To be effective, the Administration's new policies must encourage America's southern neighbors to become the authors of their own success. These policies should be guided by three broad principles:

1. **The region** will be more stable under democratic governments that have free and fair elections and are committed to the rule of law;
2. **The Western Hemisphere** will be more secure under cooperative partnerships that focus on combating transnational crime and modernizing outdated security mechanisms; and
3. **The people of Latin America** will prosper by expanding trade and implementing sound economic reforms.

With these overarching principles in mind, the new U.S.–Latin America policy agenda should seek to:

- **Strengthen democracies.** To do this, the Bush Administration should promote free and fair elections in Latin America through election monitoring, party-building programs and activities, and public diplomacy. Public diplomacy and information programs should be aimed at political leaders and general audiences to increase understanding of how democratic governance works best.² Civic education programs need continued U.S. support to help build understanding of concepts like the separation of powers, decentralization of government, and core administrative competencies. Only with such an understanding can Latin Americans develop strong democratic institutions as a counterbalance to authoritarian traditions.

In addition, the Bush Administration should help foster judicial reforms and the rule of law in Latin American neighbors. U.S. Administration of Justice programs already provide assistance to Latin America to help states reform their outdated civil codes, strengthen inadequate court systems, and professionalize police forces. These efforts need to be enhanced and extended to include more countries. The Administration should also focus efforts in Latin America on facilitating the growth of democratic cultures by broadening public understanding of citizens' rights and responsibilities. Education programs and projects that use non-governmental organizations (NGOs) to improve primary and secondary education can help bolster literacy and citizenship skills in countries where most people have less than a fifth grade education.

2. Public diplomacy sections at U.S. embassies seek to engage, inform, and influence key foreign audiences to support U.S. policies and diplomatic initiatives. Beyond contact with foreign media, they sponsor subject expert and civic leader exchanges, academic scholarships, and forums to discuss political and economic reforms; they also provide publications and electronic services that seek to inform foreign citizens about American government and culture.

- **Build working partnerships for defense.** The United States should help its neighbors to the south modernize their military capabilities and work to improve multilateral security mechanisms to defend against traditional threats and provide a basis for bilateral and multilateral cooperation. The United States should encourage its regional allies to update the 1947 American Treaty of Reciprocal Assistance (Rio Treaty) and to establish a high-level forum in which to plan strategies to address problems like transnational crime.

The Bush Administration should promote cooperative arrangements among its hemispheric neighbors to counter such emerging threats as arms and drug smuggling, terrorism, and money laundering. It also should encourage the development of protocols with and among Latin American states to enhance the level of coordination between military and civilian institutions to deal with these threats internally and regionally.

- **Promote regional prosperity through free trade and economic reform.** Congress can greatly enhance this effort by granting fast-track negotiating authority to the U.S. President. The Administration should cement the recently announced free trade agreement with Chile and use its signing to introduce the establishment of a global free trade association (GFTA) of countries committed to open markets and the rule of law. The establishment of the GFTA should encourage other countries that do not automatically fit the criteria for free trade to qualify for membership by pursuing measurable reforms, including stronger property rights, fewer restrictions on the creation of small businesses, and tougher anti-corruption laws.

Only such a broad approach will enable the Administration to develop country- and problem-specific policies that effectively address, for example, Colombia's illegal narcotics trade, which is

levying huge costs on American society, or help Haiti overcome its rampant illiteracy and encourage Cuba to one day respect human rights.

THE CLINTON FAILURE TO BUILD ON SUCCESS

President Clinton inherited relations with a Latin America that had begun to flourish with peace, free elections, and more open markets. Unfortunately, he made little progress in helping to shore up democracies in the region, address new emerging threats to hemispheric security, and promote economic reform. The positive outlook that existed in 1992 has evaporated, and the opportunity to build a strong hemispheric neighborhood based on free markets and democracy is closing.

Latin America is too important to allow the policies of the last Administration to continue. Rebuilding relations and reversing recent dangerous trends will require President Bush to exercise leadership and vision that are firmly rooted in a keen understanding of the region's past and current problems.

In 1980, fewer than six out of the 23 Latin American nations could be described as democratic. Dictatorships and authoritarian regimes continued to spawn civil conflicts, Marxist revolution, mass migrations, and economic turmoil. President Jimmy Carter had tried unsuccessfully to fight these ills with a policy promoting human rights.³ The Reagan and senior Bush Administrations sought instead to eliminate Soviet-sponsored subversion, encourage democratic reforms, and urge the countries to open their economies to trade. Their influence proved remarkably successful, and by 1992, 21 out of 23 countries had elected new leaders in competitive contests, free markets had begun to replace import substitution models, economies were growing, and intraregional trade had begun to provide a practical basis for multilateral cooperation on many issues.

3. The Carter Administration's policy of promoting human rights regardless of the type of government was supposed to help soften the repressive nature of dictatorships without taking the controversial step of advocating their reform or abdication. It was ineffective because it sought behavioral change absent a structure of accountability.



At first, the Clinton Administration seemed eager to add to this progress. During his first year in office, President Clinton spent considerable political capital to achieve an initiative he had inherited from the Bush Administration—the North American Free Trade Agreement (NAFTA)—and successfully pushed it through a skeptical Democratic Congress. Late the following year, he hosted the first summit of American states in 27 years and the first ever in the United States. At the Miami summit, he made an extraordinary commitment to create a hemispheric free trade area (the Free Trade Area of the Americas, or FTAA), to help strengthen Latin American

democracies, and to support regional development.⁴

Then, just a few days after Clinton's summit speech, the Mexican government devalued the peso amidst a financial crisis that cast doubt on the President's hard work. Though NAFTA had nothing to do with the crisis and played a major role in Mexico's subsequent recovery, the Administration was unable to combat the perception that it had misjudged one of its new NAFTA trading partners.⁵ Pressured by special interests, the Administration backed away from its hemispheric engagement strategy.

Even before the peso crisis, the White House and Congress had been shifting money for democracy programs away from Latin America in favor of the former Soviet republics. Congressional budget cuts led to reductions in U.S. Information Agency (USIA) exchange programs, foreign broadcasting operations, and the U.S.-supported library programs in countries with limited information resources.⁶ Even though an educated population is essential to both democratic governance and a prosperous economy, assistance to expand education remained a low priority of the Administration,

4. The White House, "Remarks by the President to Members of the Summit Community, Host Officials, and Officials from Florida on the Goals of the Summit," Miami, Florida, December 9, 1994.
5. Although loans from the International Monetary Fund and a February 1995 \$20 billion loan package from the United States halted the peso's immediate nosedive, trade opportunities provided by NAFTA improved long-term prospects by helping Mexico to achieve a positive GDP growth rate within a year and to pay back U.S. loans within two years. For a general discussion, see John P. Sweeney, "Restoring American Leadership in Latin America and the Caribbean," Heritage Foundation *Background* No. 1092, September 25, 1996. For a more detailed discussion, see Nora Claudia Lustig, "Mexico in Crisis, the U.S. to the Rescue: The Financial Assistance Packages of 1982 and 1995," Brookings Institution *Discussion Paper*, June 1996 (revised January 1997), and "NAFTA: Setting the Record Straight," Brookings Institution *Policy Brief* No. 20, June 1997.
6. In 1992, Congress reduced USIA funding, thereby reducing the resources available to support storefront libraries in major cities in developing countries where any citizen would have access to collections of U.S. books, periodicals, and publications. Many of these materials explained how democracies and free markets work. Because of the cuts, some collections were turned over to the host countries; other libraries were turned into information resource centers within U.S. embassies. New foreign-language Web sites and CD-ROM products developed by the U.S. Department of State (which absorbed the USIA in 1999) partly fill the gap left by the closing of these libraries. However, use is limited mostly to those who have access to a computer.

with funding pegged at about 5 percent of the Latin American budgets at the Agency for International Development (USAID).⁷

In 1997, the White House finally dropped its wavering bid to obtain fast-track negotiating authority from Congress. The President needs fast-track authority to cement agreements with nations in a timely fashion, providing potential trade partners with the assurance that the agreements they sign will be given a quick up-or-down vote in Congress without the likelihood of amendments that would effectively reopen the negotiations. Without such assurances, few countries are willing to invest their efforts in hammering out agreements with the President and his Administration that might later be changed by Congress.

In 1998, the Clinton Administration quietly agreed to share leadership of the FTAA with Brazil at the Summit of the Americas in Santiago, Chile. Had the United States maintained its influential leadership position, the hemispheric trade model for the FTAA would be NAFTA, and Chile would have been invited to join immediately. Instead, the FTAA proceeds slowly along the lines of a protectionist customs union, the Southern Cone Common Market (Mercosur), which primarily serves the interests of its largest member, Brazil.⁸

Development assistance also lost its focus under the Clinton Administration. Few Latin American recipients have economies that are any more sustainable today than they were 20 years ago. This is because programs that primarily provide funds, tools, and information are not always accompanied by the political and economic reforms needed to sustain any gains. Ecuador is a case in point: Even as U.S. development assistance attempted to confront the problems of public health, environmental degradation, and corrupt government, access to international credit allowed Ecuador to continue corrupt practices, maintain unsupport-

able subsidies, and oust three presidents and one vice president who dared to propose even modest measures of fiscal responsibility.

Even where President Clinton acted to preserve the status quo in Latin America, success was at best temporary. His disinterest and unwillingness to delegate responsibility to appropriate U.S. agencies weakened efforts on the two issues that did make it to his radar screen: Haiti and Colombia.

- For example, the White House generally ignored the institutional expertise of the State Department on Haiti and directed the \$3 billion, 20,000-soldier intervention effort out of the National Security Council. Focusing on a quick-exit strategy instead of a long-term remedy, the intervention returned a non-democrat to power and effectively propped up a kleptocracy that was little better than the previous regimes.⁹
- When piecemeal efforts in Colombia failed to contain the activity of narco-guerrillas, the Administration helped the Colombian government develop a comprehensive plan but failed to draft the emergency aid request to Congress in a timely fashion. When the package arrived on Capitol Hill, six months late and with few supporting details, legislators had to fill in the blanks, delaying the arrival of assistance and substituting compromise for a clear vision of what needed to be done.

The Bush Administration should learn from these missteps and develop a comprehensive strategy for improving relations with Latin American states that benefits all concerned. Even if the tactical approach employed under President Clinton were “better managed,” it would not gain the region’s confidence or solve any problems.

7. Heritage calculations from U.S. Agency for International Development, *Congressional Presentation Statistical Annex FY 1996, Final Version*, 1995; *Budget Justification Fiscal Year 2001 Annex IV Latin America and the Caribbean*, 2000; and *LAC Databook*, 1998, p. 218.

8. Countries comprising what is commonly referred to as the Southern Cone are Argentina, Brazil, Chile, Paraguay, and Uruguay. Argentina, Brazil, Paraguay, and Uruguay are full members of Mercosur; Bolivia and Chile are associate members.

9. Georges Fauriol, “A Look at the Record of Clinton’s Protégé in Haiti,” *The Wall Street Journal*, November 3, 2000, p. A21.

NEW PROBLEMS ON TOP OF OLD

Latin America faces more complicated challenges than it did six years ago at the Summit of the Americas in Miami; many political institutions have weakened, and economies have stagnated. As the late Senator Paul Coverdell (R-GA) observed in a speech before the Council on Foreign Relations in April 2000,¹⁰ three general problems affect most of the countries in the region: fragile democracies, inadequate defenses against emerging threats, and failure to develop broad-based economic growth. Many governments tread a delicate balance between survival and disaster, unable to translate free elections into democratic institutions. Drug trafficking, money laundering, and terrorism threaten the stability of the northern Andean states, with tentacles that stretch from Argentina to the United States. At the same time, the slow pace of economic reform has not improved the lives of most Latin Americans.

Incomplete Democracies

Although a democratic government may not be an absolute requirement for achieving prosperity or developing a more secure society, authoritarian regimes in Latin America not only failed to achieve these goals, but also blocked their development. Democratic nations certainly make better neighbors, allies, and trade partners; and leaders who must compete in regular elections under public scrutiny do not normally tend to lean on other governments to bail them out for corrupt activities or frivolous decisions. Nor do they usually allow problems to develop that threaten their neighbors. Furthermore, governments that respect democratic freedoms create a solid basis for the growth of free markets, enabling private enterprise, employment, and prosperity to flourish.



Most Southern Cone countries have held democratic elections, yet many elected governments in the northern Andean tier¹¹ and parts of Central America are now in crisis. Mexico has made steady gains, electing President Vicente Fox, an opposition party candidate, after 71 years of single-party rule; but the rest of the region presents a mixed bag, with some successes and many failures. Polls show that, although most Latin American citizens prefer a democracy over an authoritarian government, 60 percent are not satisfied with the performance of their democratic governments and respect the armed forces more than any other public institution.¹²

The reasons are many. For one thing, even though competitive elections are more or less a

10. Senator Paul Coverdell, "A New Vision for the Americas," speech before the Council on Foreign Relations, Washington, D.C., April 14, 2000.

11. This includes Bolivia, Colombia, Ecuador, Peru, and Venezuela.

12. Latinobarometro, "Opini3n p3blica latinoamericana," at <http://www.latinobarometro.cl> (November 16, 2000).

feature of all Latin American governments except Cuba's, unfair electoral practices still plague the region. In Haiti, violence against the opposition candidates and manipulated vote totals resulted in a dubious victory for the Fanmi Lavalas party of former President Jean-Bertrand Aristide in parliamentary elections last May. In the November presidential election, Aristide ran unopposed; but only an estimated 10 percent of the electorate voted, and opposition candidates sat out the election in protest. In Peru, the legacy of President Alberto Fujimori's authoritarian rule includes candidate intimidation, electoral council manipulation, and media coercion, which must be neutralized before new elections take place in April. In Colombia, candidates—especially in the rural areas—are often threatened by criminals and illegal armed groups.

Weak political institutions both fail to check the arbitrary acts of paternalistic leaders and impair the effective delivery of services to the public. In Argentina, Guatemala, Haiti, Nicaragua, and Venezuela, powerful executives exercise heavy influence over the judiciary. In Haiti, Nicaragua, and Venezuela, they control the legislative branches and other independent bodies, such as electoral councils. President Hugo Chávez of Venezuela has used referenda to rewrite the national constitution, remake the legislature into a unicameral body, and restrict other institutions that could oppose his administration. A December 5, 2000, referendum put free trade unions under government control, and proposed measures reportedly include nationalizing non-governmental organizations as well as private schools. In almost all countries of the region, weak municipal and state governments are only a minor counterpart to the strong, centralized national administrations that collect the bulk of all taxes and distribute most of the services (though often poorly).

The rule of law—essential to fair play, democratic governance, a competitive market, and a healthy investment climate—is weak in more than a third of the region. At one end of the spectrum, Cuba's Fidel Castro jails people simply for “looking dangerous.”¹³ Elsewhere, vague, Napoleonic-era civil codes invite interpretation, enabling major and minor officials to solicit bribes for favorable decisions. Judiciaries lacking resources and competence limit public access to justice with high court costs, a lack of public defenders, and long waits for cases to be heard. In Haiti, 80 percent of all prisoners are simply awaiting trial.

At the governing level, public officials either refuse to follow laws or manipulate them for personal gain. In December 1999, Nicaraguan President Arnoldo Alemán jailed the Comptroller General for inquiring into an extraordinary and unexplained increase in Alemán's personal assets as required by law. As Alemán and his party began losing support, he colluded with Sandinista legislators to modify the constitution to eliminate smaller opposition parties and grant him an unelected seat and voice in the national assembly.

Finally, social factors also serve to inhibit the development of cultures that support democracy. In Brazil, the northern Andes, parts of Central America, and Mexico, economic and ethnic divisions result in fragmented political interests. Participation is further limited by low average education levels and inadequate access to schooling outside of the capital cities. In Haiti, Mexico, Peru, Venezuela, and (in the extreme case) Cuba, competitive practices are simply not tolerated in cultures where the traditions of monopoly prevail. In such places, public diplomacy and civic education programs funded by USAID are key to introducing people to new values that favor self-determination, human rights, the rule of law, and open markets.

13. The state Penal Code defines “dangerous” as the “special proclivity of a person to commit crimes, demonstrated by his conduct in manifest contradiction of socialist norms.” See U.S. Department of State, *Cuba Country Report on Human Rights Practices for 1998*, February 26, 2000, at http://www.state.gov/www/global/human_rights/1999_hrp_report/cuba.html (February 5, 2001).

New Threats and Outdated Security Paradigms

Strong nations united against external aggression and safeguarding the well-being of their own people are the best defense against a broad range of threats, whether war, natural disaster, or transnational crime. Yet the United States and its allies in Latin America have never shared a common focus on hemispheric defense beyond their Cold War determination to repel Marxist insurgencies. Worse, they are unprepared to deal with the new threats to security that loom on the horizon.

The good news is that the demise of the Soviet Union in 1991 reduced the threat of communist-sponsored aggression in Latin America. The United States has taken advantage of a decade of relative peace in the hemisphere to encourage its neighbors to draw down their armies and place them under civilian control. Accordingly, the region's civilian leaders have acted to reduce their once prominent political profile and largely have separated the military and police functions. To occupy the smaller-sized forces, modern defense chiefs have sought out such new missions as disaster response, environmental protection, and international peacekeeping.

The bad news is that the Clinton Administration allowed U.S. strategic objectives for this region to drift. It neglected traditional defense matters, such as the importance of Caribbean sea lanes and the Panama Canal in facilitating global commerce, by turning over the canal to Panama in December 1999 without encouraging the development of territorial defenses or preserving a convenient location for defense operations should they be needed in the future. The Pentagon has largely ignored the fact that Latin American countries have developed important trade relations and military contacts with other parts of the world, including China. Unwilling to go much beyond hosting training exercises or selling used equipment, the Clinton

Administration and the Defense Department failed to reform America's traditional paternal relationship with the region's militaries.¹⁴

Cocaine and heroin production in the Andes, augmented by the global economy, is creating an insidious new threat—a billion-dollar multinational crime industry, centered in the Andean ridge, and that extends north through Central America, Mexico, and the Caribbean and south through Brazil and Paraguay. With local roots, profits rivaling the economies of small nations, and a global reach, this activity falls outside the purview of strictly military or police jurisdiction.

- In the past five years, narco-corruption has undermined the sovereignty of Colombia, and related violence has displaced more than 1.5 million citizens. In 1999, lost revenue from damage to infrastructure and legitimate businesses caused Colombia's total domestic production (GDP) to decline by 5 percent and unemployment to rise by 20 percent.
- In Brazil, a recent congressional investigation implicated more than 800 persons—among them three national legislators and several mayors—in drug-based crime networks stretching from Amazonas State on the Colombian border to the port of Santos in the south.
- In Mexico, local cartels have co-opted all but the highest levels of law enforcement, and the transshipment of cocaine is now Haiti's biggest business.¹⁵
- All told, Latin America accounts for almost all of the cocaine and the largest portion of the heroin coming into the United States, with an estimated associated cost in 1995 of \$110 billion in medical expenses and lost productivity.¹⁶

Crossing borders, this threat requires the cooperation of both the military and the police. Unfortunately, few armies, having already disman-

14. John A. Cope, "Hemispheric Security Relations," National Defense University *Strategic Forum* No. 147, September 1998, p. 4.

15. See Thomas A. Constantine, Administrator, Drug Enforcement Administration, "Statement Before the Senate Foreign Relations Committee, Subcommittee on the Western Hemisphere, Peace Corps, Narcotics, and Terrorism," 105th Cong., 1st Sess., March 12, 1997.

tled their police battalions, are now prepared to collaborate with civilians to combat this menace. Where civilian units were created to take over law enforcement from the military, neither numbers nor training has been sufficient to control common crime. Following the end of the civil conflict in El Salvador in 1992, the new civilian police were barely a match for demobilized combatants who kidnapped, stole cars, and attacked travelers. Now drug trafficking has moved in from Colombia to further overwhelm the police. Even in countries with long-standing civilian police forces, like Mexico, poorly paid officers rely on bribes for a living and simply do not present a credible deterrent.

The United States has tried to provide help, but U.S. counternarcotics assistance has been affected by U.S. domestic laws that block cooperation between the military and police. Except as exempted by statute, the 1878 Posse Comitatus Act and the Foreign Assistance Act of 1961 place limits on U.S. military forces, from acting as police domestically to working with foreign security forces performing a police role. As a result, the U.S. military has tried to limit its exposure to counternarcotics missions. Although U.S. justice agencies such as the Federal Bureau of Investigation and the Drug Enforcement Administration train and assist Latin American police forces, there

is insufficient coordination between Latin soldiers and civilians and no efficient way to transfer U.S. military assets to foreign civilian use. Furthermore, efforts by the State Department to jury rig a counternarcotics aid program have resulted in bureaucratic delays, bungled deliveries, and the provision of useless equipment—such as outdated ammunition to Colombia and defective helicopters to Mexico.¹⁷

Multilateral institutions that could foster coordination between states on this problem have

Table 1 B1409

Latin America: Selected Political, Economic, and Social Indicators

Country	Political Institutions	Economic Freedom	Corruption Index	Per Capita GDP Growth (percent)	Ext. Debt to GDP (percent)	Poverty Rate (percent)	Average Years of Schooling
Argentina	Free	Mostly free	More corrupt	-4.2	48.3	36	7.2
Belize	Free	Mostly free	Not rated	3.6	54.1	35	N/A
Bolivia	Free	Mostly free	More corrupt	-1.7	71.2	70	4.7
Brazil	Partly free	Mostly unfree	More corrupt	-0.5	29.7	17	6.0
Chile	Free	Mostly free	Less corrupt	-2.4	49.9	22	6.7
Colombia	Partly free	Mostly free	More corrupt	-5.3	33.5	18	4.8
Costa Rica	Free	Mostly free	Less corrupt	5.5	28.6	11	6.0
Cuba	Not free	Repressed	Not rated	N/A	N/A	N/A	N/A
Dom. Rep.	Free	Mostly free	Not rated	6.9	28.1	25	5.2
Ecuador	Free	Mostly unfree	More corrupt	-9.9	76.8	50	6.2
El Salvador	Free	Free	More corrupt	0.5	30.4	48	4.1
Guatemala	Partly free	Mostly free	More corrupt	0.9	24.1	75	3.2
Guyana	Free	Mostly unfree	Not rated	2.3	230.3	43	5.8
Haiti	Partly free	Mostly unfree	Not rated	0.5	27.2	80	1.7
Honduras	Partly free	Mostly unfree	More corrupt	-4.5	95.3	50	4.3
Mexico	Partly free	Mostly free	More corrupt	2.1	38.0	27	5.3
Nicaragua	Partly free	Mostly unfree	More corrupt	4.3	280.7	50	3.8
Panama	Free	Mostly free	Not rated	1.7	73.1	N/A	6.1
Paraguay	Partly free	Mostly unfree	More corrupt	-2.1	26.8	32	5.1
Peru	Partly free	Mostly free	More corrupt	1.0	51.6	49	6.4
Suriname	Partly free	Mostly unfree	Not rated	-1.2	22.2	N/A	N/A
Uruguay	Free	Mostly free	More corrupt	-3.9	33.8	N/A	7.0
Venezuela	Partly free	Mostly unfree	More corrupt	-6.0	38.9	67	5.5

Note: Highlighted text indicates countries of special concern.
Sources: Information on political institutions: Freedom House, "Annual Survey of Freedom—Country Ratings 1972–73 to 1999–00," at http://www.freedomhouse.org/pdf_docs/research/ratings.pdf (January 5, 2001). On economic freedom: The Heritage Foundation, *2001 Index of Economic Freedom*, (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2001). On corruption: Transparency International, "1999 Corruption and Bribery Perception Indexes," at http://www.respondanet.com/english/Publications/TL_99_EN.htm (October 24, 2000). Perceived levels of corruption among public officials and politicians are drawn from surveys of business people, the public, and country analysts. On per-capita GDP Growth (1999): Inter-American Development Bank, "Regional Statistics," at <http://www.iadb.org/int/sta/ENGLISH/staweb/#restat>, (Dec 19, 2000). On external debt to GDP (1999): Inter-American Development Bank, "Regional Statistics," at <http://www.iadb.org/int/sta/ENGLISH/ipaxnet/intgrpnet/elfe10.htm> (January 3, 2001). For poverty rate: *CIA World Factbook 2000* and *United Nations Human Development Report* (1999 and 2000, the most recent year available from data reported by each country). For average years of schooling: Inter-American Development Bank, "Basic Socio-Economic Data Report," at <http://www.iadb.org/int/sta/ENGLISH/staweb/#bsed> (January 5, 2001).

16. National Institute on Drug Abuse, quoted in "2000 National Drug Control Policy Annual Report," at <http://www.whitehousedrugpolicy.gov/policy/ndcs00/endnotes.html#116> (October 27, 2000).

not done so. The 1947 American Treaty of Reciprocal Assistance (Rio Treaty) did not foresee the threat of transnational crime, and since the end of the Cold War no country has made a serious effort to promote its modernization. Though the Organization of American States (OAS) has a Commission on Hemispheric Security, military matters are largely relegated to the Inter-American Defense Board—an agency that functions only to give advice to member governments and has been used only rarely during its 52-year existence.

For lack of a welcome forum for such issues, Brazilian President Fernando Henrique Cardoso convoked his own summit of South American presidents in August 2000 to protest not being consulted by the United States and Colombia on their joint counternarcotics efforts and announced his own *Plan Cobra* to monitor and discourage drug banditry on the Brazil–Colombia border.¹⁸ Clearly, Washington needs to promote the development of a new paradigm for hemispheric defense that counters traditional threats while bringing neighbors together to work against new, transnational problems.

Stalled Economic Reforms

Nations benefit in three ways from sound economies:

- **Prosperity increases**, supporting stable governments and peaceful relations;
- **Resources increase** for providing adequate defenses against external threats; and

- **Regional economies grow**, since nations with vigorous markets are more likely to trade with other nations, stimulating their economies as well. Prosperity becomes mutually reinforcing and, among trade partners like the United States and Latin America, is clearly in the interests of both sides.

Even though the development of a free trade agenda and the gradual demise of statist, import-substitution economies during the past 20 years encouraged Latin American nations to lower some tariffs and open some markets, free trade remains mostly a concept, and economic reforms are an ideal yet to be achieved. As Table 1 shows, 9 out of 23 countries have economies that could be considered “mostly unfree,”¹⁹ according to the *2001 Index of Economic Freedom* published jointly by The Heritage Foundation and *The Wall Street Journal*. Moreover, 15 out of 19 Latin American states fell in the “more corrupt” range of Transparency International’s Perceptions of Corruption and Bribery Index for 1999.²⁰ Little wonder, then, as the World Bank found, that more than a third of Latin America’s citizens get by on less than \$2 a day.²¹

The idea of boosting hemispheric free trade to expand prosperity has roots in the senior Bush Administration’s Enterprise for the Americas Initiative and Ronald Reagan’s presidential campaign in 1980. Following the passage of NAFTA in 1993, however, U.S. efforts to expand free trade in the hemisphere lay dormant, denying U.S. consumers access to Latin American goods and costing U.S. firms billions in export opportunities. President

17. See comments by U.S. Representative John L. Mica, *Hearing on the Narcotics Crisis in Colombia*, Subcommittee on Criminal Justice, Drug Policy, and Human Resources, Committee on Government Reform, U.S. House of Representatives, 106th Cong., 2nd Sess., February 15, 2000, and U.S. General Accounting Office, “Drug Control, Update on U.S.–Mexican Counternarcotics Activities,” statement by Benjamin F. Nelson, Director of International Relations and Trade Issues, National Security and International Affairs Division, before the Subcommittee on Criminal Justice, Drug Policy, and Human Resources, Committee on Government Reform, U.S. House of Representatives, GAO/T–NSIAD–99–98, March 4, 1999.

18. British Broadcasting Corporation, “Brazilian Military More Concerned About Drugs Than Rebels,” September 7, 2000.

19. Gerald P. O’Driscoll, Jr., Kim R. Holmes, and Melanie Kirkpatrick, eds., *2001 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2001), pp. 18–22.

20. Transparency International, “1999 Corruption and Bribery Perception Indexes,” at http://www.respondanet.com/english/Publications/TI_99_N.htm (October 24, 2000).

21. World Bank, “Income Poverty,” at <http://www.worldbank.org/poverty/data/trends/income.htm> (December 18, 2000).

Clinton waited until November 29, 2000, to seek a bilateral free trade agreement with Chile—six years after he had suggested it at the Miami Summit of the Americas.

Predictably, such flagging leadership strengthened the grip of such sub-regional trade blocs as Mercosur, Caricom,²² and the Andean Community,²³ all of them protectionist customs unions that restrict trade beyond their member markets. To reinforce its hold, Mercosur reportedly will now require its member nations to negotiate all of their bilateral agreements through the bloc—a move that could weaken their trade prospects.²⁴ This could also affect the implementation of new bilateral ties beyond the agreement currently under negotiation with Chile.²⁵

Even with lower tariffs, broad-based prosperity would continue to be elusive because of the lack of sound fiscal management. Although there are stellar performers like Chile and El Salvador, most countries have taken only half-steps toward reform.

- In the 1990s, Argentina tamed hyperinflation by pegging the peso to the U.S. dollar. It still managed to sink into deep recession, thanks to excessive public spending sustained by high taxes that suffocated private-sector activity.
- In 1998, Brazil obtained a \$41.5 billion “precautionary” bailout from the International Monetary Fund to stabilize its currency. But when it failed to cut spending, its currency lost 40 percent of its value against the dollar.²⁶

- Neighboring Ecuador and Venezuela traditionally have restricted trade and competition while siphoning revenue from their nationalized petroleum industries to pay for subsidies and entitlements. As a result, Ecuador’s economy collapsed in January 2000, and Venezuela has experienced an average per capita GDP growth rate of zero since 1990, despite a dramatic rise in oil prices from \$9 to nearly \$30 a barrel.

Prosperity is blocked at the local level when businesses and markets are restricted. Moderate or greater regulatory burdens have taken their toll in 20 out of 23 states. In Mexico, liberalized trade under NAFTA and fiscal restraint have produced an impressive 15 percent increase in GDP over the past five years; yet living standards remain at 1970s levels.²⁷ In his campaign for president, Vicente Fox blamed restrictions on foreign and domestic investment, overregulation of small businesses, and the practice of granting monopoly licenses. Throughout the region, prohibitive collateral requirements, 20 percent to 30 percent annual interest rates on loans, and steep down payment requirements commonly restrict access to commercial loans. Inadequate protection of property rights also makes it difficult for small entrepreneurs to use their property for collateral or to sell it to raise capital.²⁸

Unreasonable regulations merely encourage people to circumvent the law or buy off the authorities. To date, there have been some outside efforts to curb such practices. In 1999, the Organisation for Economic Co-operation and

22. A bloc that includes the Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname, and Trinidad and Tobago.

23. Bolivia, Colombia, Ecuador, Peru, and Venezuela.

24. Marcela Valente, “Review 2000—MERCOSUR: Defining a Joint Strategy on Integration,” Inter-Press Service, December 20, 2000.

25. Chile is not a full member of Mercosur, and its firmness in going ahead with a bilateral agreement with the United States has yet to be challenged by the bloc.

26. Brett D. Schaefer and John P. Sweeney, “The IMF Strikes Out on Brazil,” Heritage Foundation *Backgrounder* No. 569, February 4, 1999, p. 1.

27. “Prosperity, Hope and Freedom, the Economic Proposal of Vicente Fox,” Alliance for Change, Mexico City, Mexico, January 2000, p. 2.

28. Hernando de Soto, *The Mystery of Capital* (New York, N.Y.: Basic Books, 2000), pp. 15–37.

Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions entered into force. Three countries in the Americas—Canada, Mexico, and the United States—have ratified it. For its part, the Organization of American States has negotiated a well-intentioned but non-enforceable Inter-American Convention Against Corruption. Though ratifying such conventions signals reform-minded goals, real progress will be made when commercial and criminal codes are modernized. The United States should encourage such reforms while reinvigorating efforts to expand free trade.

Country-Specific Problems

Beyond the general issues of strengthening democratic governance, addressing new threats, and securing economic prosperity, there are immediate problems in Latin America that require the Bush Administration's focused attention.

Colombia and Its Neighbors. This north Andean nation now supplies 90 percent of the cocaine and 65 percent of the heroin consumed in the United States.²⁹ America's \$63.2 billion annual habit fuels a powerful international narcotics industry that is closely linked with well-armed Marxist insurgents. It is estimated that this violent alliance earns up to \$75 million a month through extortion, kidnapping, protection of drug lords, and narcotics production. U.S. officials worry about the drugs, but polls in Colombia show that its people are more concerned about the weak government and its response to the violence.³⁰ An estimated 300,000 Colombians left the country last year, and a third of them are said to have settled in the United States.³¹

The Clinton Administration's \$1.3 billion assistance package to support President Andrés Pastrana's *Plan Colombia* targeted drug traffickers as though they had no connection to the country's illegal armed groups: the Revolutionary Armed Forces of Colombia (FARC), the National Liberation Army (ELN), and the paramilitary United Self-Defenses of Colombia (AUC). Hastily conceived and haphazardly implemented, the plan supports meandering, conditionless peace talks that simply appear to address the concerns of members of the U.S. Congress and human rights advocates who view the insurgents more as a political force. Appropriations totaling \$48.5 million support human rights initiatives, but allocations to strengthen Colombia's weak judicial system are insufficient.

Moreover, contributions from European donors for non-military aid were not negotiated ahead of time, leaving *Plan Colombia* more than \$1 billion short in funding economic development and addressing other government reforms. Colombia pledged to contribute some \$4 billion to the effort, but it is hard to see how a budget already stretched thin by war can support that level of commitment.³² Washington should focus instead on ways to help the government provide security for law-abiding citizens and assert authority over the national territory.

Spillover violence from drug kingpins and guerrillas operating beyond Colombia's borders now affects Colombia's neighbors—Brazil, Ecuador, Panama, Peru, and Venezuela. Brazil announced its *Plan Cobra* to catch Colombian outlaws operating in the northwestern Amazonas State; Ecuador's Sucumbios Department is gaining

29. Office of National Drug Control Policy, "2000 National Drug Control Policy Annual Report," at <http://www.whitehousedrugpolicy.gov/policy/ndcs00/index.html> (October 27, 2000).

30. Latinobarometro, "Opinión pública latinoamericana," at <http://www.latinobarometro.cl> (November 16, 2000).

31. Agence France-Presse, "Colombians Leave Violent Homeland in Drove," March 14, 2000, Yahoo News, at sg.dailynews.yahoo.com/headline.../Colombians_leave_violent_homeland_in_drove.htm (March 15, 2000). Also see Karl Penhaul, "The Lure of a Better Life," *U.S. News & World Report*, January 8, 2001, at <http://www.usnews.com/usnews/issue/010108/exodus.htm> (January 3, 2001).

32. U.S. General Accounting Office, *Drug Control, Challenges in Implementing Plan Colombia*, testimony by Jess T. Ford before the Subcommittee on Criminal Justice, Drug Policy, and Human Resources, Committee on Government Reform, U.S. House of Representatives, 106th Cong., 2nd Sess., October 12, 2000, p. 11.

notoriety as *la dispensa de las FARC* (literally, “the FARC’s storehouse,” a guerrilla rest and resupply area). Bolivia, Ecuador, Peru, and Venezuela are plagued by unstable governments and weak economies. Adding potency to this cocktail, Venezuelan strongman President Hugo Chávez has met with and given tacit support to Colombian guerrillas, visited Bolivia’s dissident coca growers, and reportedly provided money to jailed Ecuadoran coup-plotter Colonel Lucio Gutierrez.³³

The potential for further destabilization is huge. Sixty percent of the people in Bolivia, Ecuador, Peru, and Venezuela live below the poverty line. Bolivia’s highly touted alternative crop development plan³⁴ has failed to ensure the livelihoods of former coca growers. An estimated 500,000 Ecuadorans have left their country in the past two years to find work and escape invading Colombians.³⁵ And Peru must rebuild corrupted political and security institutions in the wake of President Alberto Fujimori’s departure from office in disgrace. President Clinton’s hands-off approach to these countries should be replaced with an effort to build cooperative defense partnerships and clear encouragement for political and economic reforms.

Haiti. This small Caribbean state might be ignored were it not for the fact that it is now a transshipment hub for some 14 percent of all cocaine reaching U.S. shores, and for its potential to send waves of unskilled refugees to other countries. Since gaining its independence from France in 1804, Haiti has never had a social contract or a democratic culture. Its adult population is 65 percent illiterate.

The restoration to power of ousted president Jean-Bertrand Aristide in 1994 failed to address these problems. Supporting the ex-priest became

the Clinton Administration’s principal concern, to little gain. Aristide cultivated alliances with violent partisans to ensure political support and had to be talked out of staying in office beyond his term. His successor and long-time friend, Rene Preval, loyally carried out his wishes to hinder the formation of a strong opposition. When Aristide ran unopposed for re-election in November 2000, the opposition boycotted the discredited electoral process, and voter turnout was low.

Meanwhile, millions of dollars of U.S. and multilateral aid have been wasted on reconstruction projects speedily undone by uncooperative Haitian officials, rampant corruption, and pilferage. As a result, international lending institutions have withheld millions of dollars already in the pipeline. The United States should shift its attention from the regime to the people and establish attainable objectives while speaking out against Aristide’s irresponsible behavior.

Cuba. The Castro regime continues to maintain the region’s most repressive political climate and most unfree economy. Neighborhood revolutionary defense committees keep citizens from expressing dissent, there is no free press, and the state controls the economy. Thanks to the loss of subsidies when the Soviet Union collapsed, Cuba is no longer a security threat, although Castro has built an advanced biotechnology industry reportedly capable of producing biological weapons.³⁶

The loss of support from the Soviet Union forced Castro to allow minor market reforms, such as permitting a small number of independent farmers and farm cooperatives to operate in order to increase the food supply. During the 1990s, he lifted the ban on self-employment in such occupations as bicycle repair and snack sales. These “businesses,” however, are highly regulated and

33. Andrés Oppenheimer, “Venezuelan President Draws Concern After Claims He Supports Violent Groups,” *Knight Ridder Tribune News Service*, December 5, 2000.

34. USAID and the Bolivian government are assisting coca growers in cultivating alternative crops like bananas and pineapples. However, markets are less lucrative for such alternative crops, and the infrastructure is inadequate to get them to market. See Mike Williams, “Troubles from U.S.-Backed Eradication of Coca in Bolivia a Lesson for Colombia,” *Cox News Service*, January 17, 2001.

35. Anthony Faiola, “South America’s Expanding Exodus: Economic, Political Crises Spur Migration of Rich and Poor,” *The Washington Post*, November 30, 2000, p. A1.

taxed. In fact, their numbers have decreased from an estimated high of 208,000 in 1995 to about 150,000.³⁷ Meanwhile, the regime's Soviet-style command economy continues to import more than twice as much as it exports, and the state reportedly owes some \$10 billion in foreign currency debt.³⁸

To keep his grip on the island and recover strength as an international actor, Castro needs credit. He has been able to obtain only limited amounts from other countries to buy their goods, but he has persuaded American businesses to lobby for lifting the U.S. trade embargo and providing credit by holding out the dubious carrot of commerce with his regime. Thus far, U.S. policymakers have retained the trade embargo enacted in 1960 and codified under the 1996 Cuban Liberty and Democratic Solidarity (LIBERTAD) Act³⁹ to deny the regime access to U.S. dollars, to protest its human rights abuses, and to sanction its confiscation of property in Cuba belonging to U.S. citizens and businesses.

In other ways, U.S. policy has softened. In 1995, the Clinton Administration made a secret agreement—behind the back of working-level State Department negotiators—to curb the flow of refugees into the United States by returning Cuban rafters picked up at sea by U.S. vessels.⁴⁰ Seeking to protect the status quo in Cuba, President Clinton expended little effort advocating human rights, political reforms, and open markets, or overtly

helping the Cuban population prepare for life after Castro.

The Southern Cone. This sub-region encompassing Argentina, Brazil, Chile, Paraguay, and Uruguay has a population of 225 million people and a \$1.1 trillion GDP. It has made remarkable progress in establishing democratic governance and moderate gains in opening markets important to the United States. But reforms are still needed to strengthen wobbly political institutions and weak economies.

In Argentina and Brazil, backlogged justice systems and corruption have lowered public confidence. Brazil's military and civilian police forces are poorly trained and organized, and entrenched interests resist judicial system reforms, as they do in Paraguay. Economically, Argentina is suffering its second year of serious recession, and the results of a recent poll suggest that some 21 percent of the population would like to leave the country.⁴¹ Paraguay's economy remains troubled by overregulation, corruption, and poor supervision of the banking sector.

Brazil overshadows the sub-region, with 166 million people and a GDP of between \$700 billion and \$800 billion. But the fractious nature of local politics has slowed the dismantling of protectionist barriers at home and in Mercosur, which it dominates. Although the United States still provides bilateral development assistance to Brazil and Paraguay, other Southern Cone countries no longer qualify. All should implement needed

36. According to the Defense Intelligence Agency in its May 6, 1998 report, *The Cuban Threat to U.S. National Security*, "Cuba's current scientific facilities and expertise could support an offensive BW [biological warfare] program in at least the research and development stage. Cuba's biotechnology industry is one of the most advanced in emerging countries and would be capable of producing BW agents."

37. Benjamin Smith, "The Self-Employed in Cuba: A Street Level View," *Cuba in Transition*, Vol. 9 (August 12–14, 1999), p. 50.

38. Figures available for 1996 from the Banco Nacional de Cuba *Informe económico*, cited in Jorge F. Pérez-López, "The Cuban Economic Crisis of the 1990s and the External Sector," *Cuba in Transition*, Vol. 8 (August 6–8, 1998), p. 408.

39. P.L. 104–114, commonly known as the Helms–Burton Act.

40. This policy developed into a high-profile theater of the absurd in February 2000 when six-year-old rafter Elían González was picked up at sea after the boat he was on with his mother sank off the Florida coast. Because his mother perished at sea, Elían was temporarily placed with relatives in Miami. U.S. Attorney General Janet Reno ordered him returned to his father in Cuba according to the Administration's 1995 agreement, despite his mother's obvious wish that he be brought up in freedom in the United States.

41. Andrés Oppenheimer, "Argentines Seek to Migrate," *The Miami Herald*, October 26, 2000.

reforms to help strengthen their economies and to promote regional stability.

Mexico. Little engaged by the United States since the peso devaluation, Mexico presents a rare opportunity for President Bush to establish positive relations now that the Mexican people have done an about-face on seven decades of one-party rule and elected an opposition party president, eliminating the majority enjoyed by the dominant Institutional Revolutionary Party (PRI) in the Congress as well. Although Vicente Fox is building on reforms begun under his predecessors, he must institute checks and balances and decentralize authority to the states and municipalities. He has pledged to end the practice of governing through payoffs and patronage, and has proposed the elimination of monopoly licenses and excessive regulation that stifles small enterprises. To the United States, he has promised improved cooperation on counternarcotics efforts; Mexican cartels are responsible for two-thirds of the Colombian cocaine reaching the United States.

Fox has proposed establishing a common market—to include Mexico, the United States, and Canada—that permits free movement of labor and goods among the partners. Bilateral trade with Mexico has doubled under NAFTA, from \$76 billion in 1992 to \$157 billion in 1997, but inadequate planning, coordination, and staffing in key U.S. agencies have exacerbated problems of congestion, crime, and environmental degradation along the border.⁴²

Free movement of labor and goods would mean more traffic and perhaps a new influx of migrant workers into the United States. In 1998, the U.S. Immigration and Naturalization Service apprehended 1.5 million undocumented immigrants along the Southwest border. Mexico must also deal with its own migration problems on its southern border, with many Central and South Americans fleeing northward to escape violence and stumbling economies. The United States and Mexico should cooperate to find solutions to this problem as well as the problem of transnational crime.

Mexico: A Model for Reform?

In his December 1, 2000, inaugural address, Mexican President Vicente Fox promised to accelerate democratic reforms, encourage economic growth, improve Mexico's public education system, decentralize government, end corruption, and make public officials accountable. He even asked his cabinet to swear to a code of ethics—the first in Mexico's history. Based on free choice and open markets, many of these proposals could become a checklist for reform for other countries in Latin America:

- **Define** a new social contract in which the government serves the people and accounts for its actions.
- **Decentralize** government to put more power and responsibility into the hands of state and local officials and citizens.
- **End** crony capitalism under which laws and concessions favor the politically connected. Level the playing field and simplify regulations so that anyone can start a business and get ahead.
- **Strengthen** weak property rights by adopting simple, effective registration systems.
- **Make** credit affordable and available to small businesses and consumers through reformed banking laws and by encouraging greater competition to provide such services.
- **Encourage** foreign investment and lower trade barriers to allow the creation of new local businesses, which would keep more workers from emigrating.
- **Invest** in primary, secondary, and vocational education to prepare the labor force for higher-paying jobs.
- **Decentralize** public education to put more responsibility into the hands of local citizens.

42. See U.S. General Accounting Office, *U.S.–Mexico Border, Issues and Challenges Confronting the United States and Mexico*, GAO/NSIAD–99–190, July 1999.

Clearly, a good working relationship between the Presidents of the United States and Mexico is key.

AN AGENDA FOR COMMON PROSPERITY

As a global power that depends increasingly on the markets and well-being of other nations for its economic strength, the United States has an obligation to encourage its neighbors to follow proven pathways to peace and prosperity. But as the Clinton legacy demonstrates, ad hoc tactics rarely promote progress or maintain the status quo. Worse, they encourage emergency measures to compensate for the absence of sustained, sensible engagement.

The United States needs a strategic Latin America policy that promotes basic political and economic reform, recognizes the virtues of long-term cooperation, and encourages nascent democracies to be the authors of their own success. Development assistance should not be a stand-alone priority, as President Clinton stated in his 1994 Summit of the Americas address; it should be a tool to encourage and support verifiable reforms that allow market participation to flower and prosperity to take root. Like welfare, foreign aid should not be acceptable as a permanent state of affairs. Political will is required for countries to establish the rule of law, liberalize economies, and create political stability—the true keys to lasting economic development—but leadership and vision are needed from the United States to develop policies to cultivate political will.

Even though the threat of Marxist revolution has disappeared in Latin America, America's interests and concerns in the region have continued to grow. New threats mean that benign neglect cannot be an option. The United States should reallocate resources targeted toward Latin America as necessary to develop friendly democracies,

cooperate to defend against threats, and nurture hemispheric prosperity. To that end, President Bush and Congress should take the following broad steps:

Strengthening Neighboring Democracies

- **Promote free and fair elections in Latin America by supporting election-monitoring programs and party-building efforts.** The National Endowment for Democracy and other entities such as the National Democratic Institute, International Republican Institute, International Foundation for Election Systems, and Center for Democracy can provide technical assistance and field observers whose scrutiny would help to ensure open and honest elections in Latin America.⁴³ Programs that help develop grassroots political competencies should be expanded where they are notably absent—in Colombia, Ecuador, Peru, and Venezuela.
- **Advocate separation of powers, decentralization, and core administrative competencies to develop strong democracies as a counterbalance to authoritarian traditions.** This means targeting public diplomacy and information programs at civic leaders and general audiences to increase understanding of how democratic governance works best. Further, just as the U.S. military has influenced thousands of largely competent, honest soldiers through exchanges and specialized courses, an international visitors program should be revitalized to promote similar exchanges for government officials.
- **Promote judicial reforms.** These should include modernizing the civil and criminal codes, separating prosecutorial and judicial functions, adopting systematic rules of evidence, and strengthening court systems to handle case backlogs. Assistance should be

43. For example, the International Foundation for Election Systems (IFES)—a private, nonprofit organization that provides nonpartisan technical assistance in the promotion of democracy worldwide—serves as a clearinghouse for information about democratic development and elections. It has led electoral observation missions throughout the Americas, including in the Dominican Republic, El Salvador, Haiti, Honduras, Mexico, Nicaragua, Paraguay, Peru, and Venezuela. Recently, IFES has been expanding its role in the region to include electoral institution capacity-building, civil and voter registries, civic education, civil society strengthening, governance, and rule of law projects.

continued for U.S. Administration of Justice programs⁴⁴ and for police training, as well as for promising concepts like neighborhood justice centers. Such centers, like those developed under Colombia's Casas de Justicia program (see sidebar), provide law enforcement, counseling, and conflict mediation services to urban neighborhoods and rural communities that have little access to the existing justice bureaucracy.

- **Promote more effective civic education programs** as a public diplomacy effort to inform citizens of their rights and responsibilities in democratic societies where such concepts are poorly understood or at risk. These people-to-people exchanges should bring subject experts together with teachers, community leaders, and journalists, as well as general audiences, to increase understanding of the principles underlying democratic governance.⁴⁵ The State Department should provide strong senior-level support and reallocate resources as necessary to its public diplomacy bureau to ensure that these programs are successful.

In addition, because citizens cannot make informed judgments and take control of government without the ability to read, write, and understand basic political concepts, efforts to improve levels of education also should be a goal, especially in regions where citizens have less than five years of primary schooling, on average (see Table 1). To that end, USAID should reallocate some of the money it spends on other projects to address the more basic need of helping populations become educated enough to help themselves.⁴⁶ Rather than

Colombia's Neighborhood Services Program: One-Stop Shopping for Justice

Since 1995, Colombia's Justice Ministry, with assistance from the U.S. Agency for International Development and the Inter-American Development Bank, has slowly been developing the concept of neighborhood services that can break down the barrier between government and community. Unlike police precincts that may appear officious and threatening to poor citizens, *casas de justicia* ("justice houses") provide a welcoming atmosphere for *barrio* residents to obtain a range of services, from family reconciliation, dispute mediation, and psychological counseling to a place to report crimes that will end up in police hands. Friendly counselors, public defenders, and psychologists not only facilitate and help resolve problems, but also provide a way for the judicial system to take the community's pulse in a way no police informant can.

The *casas de justicia* program may be an effective, non-threatening way for Colombia's weak government to assert its authority more effectively throughout the countryside and combat the hold of narco-guerrillas and armed bandits. The problem: There are only 14 such justice houses, and most are located in large, urban jurisdictions. More are needed to serve the people of numerous marginal neighborhoods in addition to some 1,200 rural municipalities where impunity and violence prevail. USAID's target of helping to establish 30 by the end of this year is inadequate if this program is to make a difference during the life span of *Plan Colombia*—six years.

44. The U.S. Department of Justice helps train civilian police forces, members of independent judiciaries, and prosecutors in the hemisphere through the International Criminal Investigative Training Assistance Program (ICITAP) and through Overseas Prosecutorial Development Assistance and Training (OPDAT).
45. The National Strategy Information Center's school-based program to counter crime and corruption on the U.S.–Mexico border is a good example. Working with the Baja California's Ministry of Education, the program introduced curriculum in 11 public high schools designed to teach values favoring a culture of lawfulness. The course improved students' ability to identify lawless behavior and taught skills to avoid it.
46. For example, in fiscal year 2001, USAID proposed spending \$394 million—half of its \$736 million budget for Latin America and the Caribbean—in the following categories: economic growth and agriculture, health and population stabilization, and environmental protection. Only \$39 million was allotted for basic education projects.

sending aid to bureaucratized education ministries, USAID should channel assistance through NGOs to provide educational materials, improve literacy, and promote the decentralization of inefficient bureaucracies.

Building Cooperative Defense Partnerships

- **Continue Defense Department training assistance and grant aid to modernize the military capabilities of democratic allies in the region** to protect trade and shipping routes, counter terrorist threats, conduct search and rescue operations, and respond to natural disasters, such as the recent earthquake in El Salvador. The Panama Canal remains an important link for commercial cargo and U.S. and allied naval vessels. The Administration and Congress also should consider helping Panama develop and train a security force to protect the canal against terrorist attacks. And they should offer to help Panama bolster its border defenses to deny safe haven to Colombian bandits who traffic in drugs and arms in the eastern Darien province.
- **Promote partnerships to counter emerging threats.** The United States and Latin America may not be ready for a hemispheric cooperative defense alliance like the North Atlantic Treaty Organization (NATO), but Washington should encourage cooperation to mount a more effective defense against transnational crime and to promote the interoperability of forces. The U.S. Southern Command should use training opportunities to promote common military standards, similar to those used by NATO, and better civil–military relations to build confidence between civilian leaders with little experience working with the armed forces and military institutions that are mistrustful of civilians. Washington should facilitate the development of protocols to enhance coordination between the armed forces and civilians at a sub-national level and between regional allies on threats that require both police and military action. These protocols should address such topics as jurisdiction, intelligence-sharing, and responsibilities during interdiction operations.

U.S. lawmakers should work with the Departments of State, Defense, and Justice to resolve the dilemma of how best to transfer equipment and supplies to this mix of foreign law enforcement agencies and militaries. While the State Department’s Bureau of International Narcotics and Law Enforcement Affairs (INL) may be a good place to coordinate policy, State’s lack of financial and management expertise has slowed the timely delivery of assistance to the Colombian National Police and at times has jeopardized the crop eradication program. Since the mission of the State Department is diplomacy, not program administration, expert management teams should be detailed from the Pentagon and USAID to ensure prompt delivery of assistance under the INL’s overall guidance.

- **Modernize multilateral security mechanisms.** The United States should assess the level of interest among its Latin American allies in updating the Rio Treaty and establish a high-level forum for planning strategies against transnational threats. While the Organization of American States might provide an obvious platform, its members in the past have avoided discussing substantive matters like *Plan Colombia*. A better approach might be to suggest the integration of civilian law enforcement, international finance, and Inter-American Drug Abuse Control Commission (CICAD) personnel into periodic hemispheric defense ministerial meetings.

Promoting Free Trade and Economic Reform

- **Grant fast-track negotiating authority to the President.** Latin American leaders have expressed frustration that the agreements they sign with a U.S. Administration could get bogged down in Congress.⁴⁷ Without fast track, it would be more difficult for the President to conclude any trade agreements with Latin American countries; few will be inclined to invest their time or effort in working out agreements that may be radically altered by Congress. The Administration’s

ability to negotiate bilateral free trade accords will be seriously hampered at best. The Bush Administration should move quickly to secure fast track and use it to finalize bilateral trade accords beginning with Chile (see below).

- **Promote a self-selecting global free trade association (GFTA) model for trade expansion and encourage other countries to commit to reforms that would enable them to join.**⁴⁸ While the White House and Congress should move quickly to enact the free trade agreement with Chile that President Clinton proposed last year, they should do so as a steppingstone to establishing a GFTA and avoid any complicated and costly protocols on labor and the environment that would work against true trade liberalization. Once the bilateral agreement has been signed with Chile, the United States should announce the formation of a GFTA and invite Uruguay to join by signing a free trade agreement—provided it takes measurable steps to reduce excessive regulation. The United States should quickly establish new trade incentives for the region and explain why a free trade association makes more sense than does a protectionist model like a customs union.
- **Support regulatory reform in Latin America that promotes property rights and greater banking competition for small consumer loans to enable small businesses to thrive.** The United States should promote this goal by (1) advocating it in forums like the upcoming Summit of the Americas; (2) providing expertise through active public diplomacy programs; (3) persuading the World Bank and Inter-American Development Bank to condition loans on measurable progress in implementing reforms; and (4) assuring elites, through such groups as chambers of com-

merce, that removing barriers to competition will actually expand markets.

- **Urge Latin American states to ratify the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions.** The United States, Canada, and Mexico have already ratified it. The Bush Administration should work to persuade countries to enact statutes against bribery and corruption where needed and institute policies that promote transparency in government and business.

Dealing with Specific Concerns

In addition to pursuing these broad strategies, the Bush Administration will need to meet pressing challenges in the region and implement short-term policies. For example, it should:

- **Urge the Colombian government** to place conditions on the peace talks in order to end guerrilla violence and banditry, and reallocate U.S. development assistance under *Plan Colombia* to increase the resources going to criminal justice and police institutions in order to help the government extend its authority into the countryside to protect citizens from violence. At the same time, U.S. efforts to train and professionalize both Colombia's police and Colombia's armed forces should continue.

The Bush Administration should reconsider its predecessor's unconditional endorsement of the flawed Colombian peace process. It should urge Colombia to regard both insurgents and paramilitaries as illegal armed groups and establish objectives to disband them. The goal should be to end the violence and find a way to give dissidents a competing voice in a pluralistic system. The Administration should stress the importance of government reforms that bolster the criminal justice system and

47. At the 19th Mercosur Summit in Florianopolis, Brazil, in December 2000, Brazilian President Fernando Henrique Cardoso remarked that if the U.S. President does not have fast-track authority, whatever agreement goes to Congress may not be approved, and "then it all becomes a waste of time." See British Broadcasting Corporation, "Mercosur Leaders United Against Common Foe of U.S. Congress 'Protectionism,'" December 23, 2000.

48. See John C. Hulsman, Gerald P. O'Driscoll, Jr., and Denise H. Froning, "The Free Trade Association: A Trade Agenda for the New Global Economy," in O'Driscoll et al., *2001 Index of Economic Freedom*, pp. 33–39.

increase domestic security. In addition, as noted above, the United States should shift resources to increase justice-sector aid in order to help the Colombian government establish an effective presence in the municipalities plagued by violence.

The Administration should support the training of government human rights monitors who scrutinize the activities of all armed groups, as well as the government's forces, to bring a more complete picture of abuses to public attention and institute accountability in the justice system. Some public diplomacy and civil society projects should be targeted at Colombia's economic and political elites to encourage them to support a stronger, more competent government.

Finally, Washington should press European states to contribute their fair share to *Plan Colombia*.⁴⁹ Europe is third in cocaine consumption behind North and South America, and trafficking there contributes to Colombia's problems.⁵⁰ So far, the European Commission of the European Union has agreed to give only \$250 million of \$2 billion requested under the plan.⁵¹

- **Foster cooperative partnerships with Colombia's neighbors to improve interdiction** of drug bandits, reduce border violence, and address other festering political and economic problems. Interdiction and development assistance now focused on Colombia should be restructured to send some of it to Colombia's neighbors to strengthen government authority in border areas. Brazil, Ecuador, and Peru should be encouraged to cooperate with Colombia by denying safe haven and supply routes to outlaws.

- **Increase contacts with Venezuelan democrats through public diplomacy programs**, and provide platforms for them to reach new audiences both within and outside of their country. The Administration should refrain from drawing attention to Venezuela's antagonistic president by unnecessarily criticizing him, but it should reinforce economic and security partnerships with the surrounding democracies and build a consensus for condemning his mischief in multilateral settings. The Administration should look for ways to reduce America's reliance on Venezuelan oil, perhaps by purchasing more from allies such as Mexico and Canada, while studying exploration and conservation strategies. As long as demand and prices are up, Chávez can use the revenue from oil sales to finance his increasingly autocratic government and make trouble for his neighbors.

- **End the policy toward Haiti of personally supporting leaders, deny assistance to corrupt government entities, and help Haitians become more involved in their government.** The United States should condition friendly relations with Haiti on the regime's willingness to enact democratic and free-market reforms and to cooperate on bilateral matters such as drug interdiction. At the same time, the Administration should hold Haitian officials accountable for their actions and revoke visas and freeze U.S. bank accounts of anyone involved in criminal or corrupt activities. The Administration should also deny direct U.S. assistance to Haitian government entities and to programs that are unlikely to survive frequent institutional upheavals and pilferage.

Washington should increase institutional contacts with democratic elements of civil society in Haiti through public diplomacy interna-

49. The United States made a sizeable commitment to European security by assisting with the campaigns in the Balkans, even though it had few strategic concerns there. The European community has an interest in helping to fight drug trafficking, transnational crime, and economic problems in Latin America and should be encouraged to provide more constructive support for *Plan Colombia*.

50. United Nations Office for Drug Control and Crime Prevention, *Global Illicit Drug Trends 2000*, p. 196.

51. "U.S. Drug War Money May Backfire," *Toronto Star*, First Edition, December 16, 2000.

tional visitor programs and grassroots party-building initiatives that are currently being funded by the National Endowment for Democracy. For a country in which the average adult has only 1.7 years of primary schooling, Washington should promote the efforts of NGOs to raise the level of basic education and put more citizens on the road to self-determination.

- **Push the Cuban government to respect human rights, support open U.S. relations with Cuban citizens, and increase the amount U.S. citizens can send to them.** The Bush Administration should put the burden of change back on Castro's shoulders and insist that his regime adhere to international human rights principles. The Administration should pursue a Reagan-type public diplomacy strategy that aggressively calls attention to abuses of human rights as well as to the regime's economic failures. It also should help boost outlets for reports from independent Cuban journalists, strengthen Radio and TV Marti's signal, and actively encourage donations of books and periodicals for Cubans who have no access to them in the closed market. Using the bully pulpit, the Administration should make clear that U.S. policy supports targeted contacts between American civil society and ordinary Cubans, such as increased academic, artistic, and research exchanges, as well as contacts between churches, local chambers of commerce, Rotary Clubs, and others. And it should require reciprocity from Havana when Cuban officials seek to visit the United States to lobby for changes in U.S. policy.

The Administration should lift the U.S.-imposed ceiling for remittances to ordinary Cubans from \$100 per month to \$1,000,

which would give them greater buying power relative to state workers and the *nomenklatura*. It should permit Americans to sell food, medicine, and other soft goods like clothing to the Castro regime on a cash-and-carry basis only, to trigger changes in Castro's policies in order to pay for them. Credit could be earmarked for sales to private Cuban businesses as they are permitted to exist; the government could have access to credit once it enacts political and economic reforms. Washington should allow Americans to enter joint ventures with the Cuban state, provided that the regime allows them to hire whomever they wish and abide by principles that guarantee employees freedom of association on the job and equal access to products and services provided by the venture.⁵² Washington should convince other nations to institute the same policy.

Castro may be unwilling to make changes as long as he is in command, but such strategies focus attention on ordinary Cubans and widen space for independent thought and economic activity. Moreover, they provide a guideline for an eventual transition government.

- **Conclude the free trade agreement with Chile proposed late last year.** The Bush Administration should use this agreement to announce a global free trade association and then invite other nations, such as Uruguay, to join once they meet the criteria.⁵³ Adopting this strategy would help America encourage less-free countries that desperately need access to developed markets and foreign investment to liberalize their economies. It also would give President Bush an opportunity to reestablish U.S. leadership in hemispheric free trade and lead the region away from current protectionist models.

52. Such provisions reflect the principles named after Cuban dissident Gustavo Arcos. See Rolando H. Castañeda and George Plinio Montalván, Comité Cubano Pro Derechos Humanos, "The Arcos Principles," at <http://www.sigloxxi.org/arcos-i.htm> (September 15, 2000).

53. For further discussion of the GFTA, see Ana I. Eiras and Denise H. Froning, "U.S. Trade Agreements with Chile and Singapore: Steps to Global Free Trade Agreements," Heritage Foundation *Executive Memorandum* No. 715, January 30, 2001, p. 1.

- **Promote reforms in Southern Cone states through more active engagement.** The Administration should urge Argentine President Fernando de la Rúa, for example, to enact strong anti-corruption measures. Although Argentina has gone some of the distance toward market liberalization, corruption and high taxes undermine public confidence and private investment. The Argentine economy contracted 3.5 percent last year, and unemployment climbed to nearly 15 percent.⁵⁴ In December, de la Rúa agreed to cut federal salaries and deregulate the health industry to secure a \$39.7 billion loan from the International Monetary Fund. Without deeper reforms, however, such loans are not likely to produce a turnaround.

Washington should quietly support the measures of Brazilian President Fernando Henrique Cardoso to reform the state and open its economy. Factions that favor liberal democracy and open markets are in the minority, and elections in 2002 may turn Brazil's focus decidedly inward and leftward. The United States should suggest the possibility of trade incentives to encourage open markets and, eventually, a bilateral free trade agreement.

The Administration should continue to try to interest Paraguay's democratic leaders in political and economic reform at a time when the country's nascent democracy is vulnerable to transnational crime. Development support should continue for election monitoring, civil society programs, and judicial reform in order to strengthen political institutions and establish the rule of law.

- **Establish a working relationship with the new Mexican government;** focus on improving border relations, applaud political and economic reforms, and challenge Mexico to sever the link between its cartels and Colombian drug suppliers. A more prosperous, democratic Mexico is clearly in the interests of the

United States. Fortunately, Mexico under President Vicente Fox is more likely to be engaged as an eager partner in solving common problems and achieving shared goals than as a prickly adversary. President Bush can take advantage of this opportunity by improving U.S. cooperation along the 2,000-mile border and by working closely with the Fox administration to establish a new bilateral agenda.

The Administration should charge the Department of Justice and the U.S. Treasury with fully staffing customs and immigration units along the border, and ask the Treasury to fulfill its commitment to help the North American Development Bank streamline loans to improve border infrastructure. Although cooperation is adequate between the United States and Mexico, better coordination is needed at all levels of the U.S. government to ease congestion for travelers, improve sanitation, and plan for future growth. The Administration should work with Congress to enhance U.S. entry procedures in order to reduce unsafe illegal border crossings, and should explore alternatives policies toward Mexican migrant laborers as the Fox internal reforms take hold.

The Administration should challenge President Fox to improve counternarcotics cooperation by cutting the link between Mexican cartels and Colombian drug suppliers. It should ask Congress to make the annual drug certification exercise a simple reporting requirement devoid of automatic sanctions, rather than a media event. The process was discredited when the Clinton Administration used one standard to decertify Colombia and another to certify a previously uncooperative Mexico. Finally, the White House and Congress should encourage President Fox's willingness to champion democratic and free-market reforms elsewhere in the region, particularly through Mexico's relations with Cuba and Venezuela.

54. Clarín, "Mar del Plata, Jujuy y Tucumán tienen la mayor desocupación," at ar.clarin.com/diario/hoy/e02901.htm (December 15, 2000).

CONCLUSION

Most of Latin America is better off today than it was 20 years ago, yet the progress made during the 1980s in expanding democracy and opening markets is now at a standstill and could slide backward. The Bush Administration must put active relations with America's southern neighbors back on track. Helping Latin Americans to consolidate democratic reforms and dismantle protectionist barriers to trade will offer an unprecedented opportunity for the people of both the United States and Latin America to broaden hemispheric prosperity.

At the same time, the defense paradigm that assumes a U.S. military security blanket over the region must be replaced. It neither addresses new transnational threats nor recognizes the growing

interdependence of some Latin American states with the rest of the world.

Only Latin Americans can be the true authors of their success; but the United States should catalyze and support local efforts to strengthen democratic institutions, reduce corruption and crime, build cooperative security, and advance free trade. President Bush must waste no time in reinvigorating relations with Latin America; indeed, the window of opportunity may be closing. At the third Summit of the Americas to be held in Quebec City, Canada, on April 20–22, he should lay out his vision for a new U.S.–Latin America partnership that will benefit people throughout the hemisphere.

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