

# Backgrounder

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## A Partnership for Prosperity in Latin America

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America's election cycle provides a regular opportunity to review national policies, including U.S. relations with Latin America. Of particular interest to candidates and campaigns is how Hispanics—now the largest minority in the United States at 13 percent of the population—will vote. Their numbers have doubled since the 1980s, and many are first-generation immigrants who fled conflict and poverty back home. In the national campaigns, proposals are divided between helping the region through free trade and helping through more development aid. Candidates want votes, but what is really in America's best interest?

Although Latin America is less stable and secure than it was 10 years ago and half of the people live in poverty, the region is rich in resources and human capital. Most leaders are now democratically elected. However, at the core, many Latin American societies are not well organized to take advantage of their potentials. Free trade is not a stabilizer without open markets, and more development aid could prompt continued financial dependency.<sup>1</sup>

U.S. policies toward southern neighbors should encourage behavioral changes that counter traditions of impunity and weak institutions. Specifically, the U.S. should promote:

- Opportunity through free trade, economic reforms, and the rule of law;
- Stability through better governance, checks and balances, and effective local representation;

### Talking Points

- Latin America faces a choice between the closed economies and populist governments of the past and the prosperity and freedom that come from open markets and deeper, more complete democracy. As an interested neighbor, the United States should implement policies that: (1) Promote prosperity through free trade and market reforms; (2) Foster stability through better governance; (3) Enhance security through regional cooperation against terrorism and crime; and (4) Encourage free choice and self-determination where dictatorship and populism now prevail.
- Sustained, consistent policies to achieve these goals are the only way for the United States and Latin America to become partners in creating opportunity, jobs, and self-fulfillment in hometowns throughout the hemisphere.

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- Security through regional and sub-regional military and law enforcement cooperation; and
- Peace through democratic progress in countries such as Cuba, Venezuela, and Haiti, where dictatorship and populism have bred misery and stifled growth.

### Simmering Conflict

Just 25 years ago, military dictatorships outnumbered civilian-elected governments by two to one. Today, all Latin American countries, except for Cuba and Haiti, hold competitive elections and have adopted some market-oriented reforms. Even Haiti is inching back into the democratic column, following the recent resignation of President Jean-Bertrand Aristide.

Mexico is now the United States' second largest trade partner, and cooperation on counternarcotics and border issues has improved for more than a decade. Chile is a bastion of democratic stability and economic growth in South America. Abandoning destructive populism, it has signed 20 free trade agreements, cut poverty from 48 percent to 20 percent, grown its economy by an average of 6 percent annually, and doubled per capita income over the past 20 years.<sup>2</sup>

With help from the United States, Colombia is successfully prosecuting a 20-year-old drug trafficking industry and resolving a 40-year guerrilla war. According to the Colombian Ministry of Defense, homicides are down by 13 percent, kidnappings have fallen by 44 percent, and guerrilla

and paramilitary attacks on towns have dropped by 67 percent in the first five months of 2004, compared to the same period in 2003. Meanwhile, demobilizations and desertions among guerrilla and paramilitary groups are up by 62 percent, and 1.2 million jobs have been created since President Alvaro Uribe took office in 2002.<sup>3</sup> Meanwhile, cooperative efforts with the United States, Brazil, Ecuador, and Paraguay have struck blows against arms and drug trafficking further south.

In the minus column, many South American democracies are precarious, except for Chile, Colombia, Brazil, Peru, and Uruguay. Even though 60 percent of Latin Americans are satisfied with democracy and market economies, the latest polling data show that 50 percent would support authoritarian government if it would solve their problems. Despite elections, weak legislatures and inadequate judiciaries do not yet check autocratic presidencies or curb corruption. Political parties often represent their leaders, not constituent members. Few have platforms that define ideology or policy agendas. Volumes of complicated and contradictory laws stymie competition.<sup>4</sup> Transnational crime and gang activity prey on citizens in Central America where law enforcement is weak and unemployment is high. Meanwhile, almost 1 million illegal migrants stream across U.S. borders each year, as 41 percent of Latin Americans live below the poverty line.<sup>5</sup>

**Mexico.** Despite the end of 71 years of single-party rule in the 2000 presidential elections and more than a decade of free trade with the United

1. According to the World Bank, 13 out of 23 Latin American nations have moderate to severe external-debt-to-income ratios. Moreover, 17 receive U.S. development assistance. See World Bank, *Global Development Finance 2003: Striving for Stability in Development Finance* (Washington, D.C.: International Bank for Reconstruction and Development and World Bank, 2003), Table A.52, at [www.worldbank.org/prospects/gdf2003/statappendix/statoc.htm](http://www.worldbank.org/prospects/gdf2003/statappendix/statoc.htm) (July 29, 2004), and U.S. Agency for International Development, "Latin American & the Caribbean," at [www.usaid.gov/locations/latin\\_america\\_caribbean](http://www.usaid.gov/locations/latin_america_caribbean) (July 29, 2004).
2. Hannah Baldock, "Buoyant Chile Escapes Bloody Past to Reinvent the Latin Way," *The Business*, July 27, 2004, at [www.thebusinessonline.com](http://www.thebusinessonline.com) (July 29, 2004).
3. See Colombian Ministry of National Defense, "Resultados Fuerza Pública: Violencia Criminalidad y Terrorismo," May 2004, at [alpha.mindefensa.gov.co/descargas/Resultados\\_Operacionales/resultados\\_enero\\_mayo\\_200405.pdf](http://alpha.mindefensa.gov.co/descargas/Resultados_Operacionales/resultados_enero_mayo_200405.pdf) (July 20, 2004).
4. For example, Ecuador has some 55,000 laws—many contradictory—that contribute to "judicial uncertainty," a condition in which the law can support widely differing judgements, which encourages the practice of bribing judges to obtain "favorable" interpretations. U.S.-supported non-governmental organizations like Hacia la Seguridad—Imperio de la Ley are reviewing codes and advising the Ecuadorian legislature on which statutes to rescind.
5. World Bank, "Global Poverty Monitoring," 2001, at [www.worldbank.org/research/povmonitor/index.htm](http://www.worldbank.org/research/povmonitor/index.htm) (July 29, 2004).

States and Canada under the North American Free Trade Agreement (NAFTA), broad-based prosperity continues to elude most Mexicans, whose living standards have not improved since the 1970s. Although President Vicente Fox's ambitious reform agenda has helped to streamline business licensing procedures and the *maquiladora* (parts assembly) industry has experienced renewed growth, a fragmented National Congress, partisan unions, and outdated traditions block more rapid change.<sup>6</sup>

The constitution still limits foreign investment in telecommunications and energy to protect state monopolies like *Petróleos Mexicanos* (Pemex) from competition, even as Pemex loses \$1 billion annually to internal corruption and waste.<sup>7</sup> Mexico's centralized, union-controlled education system pays teachers who fail to show for work and graduates less than 25 percent of all students from high school.<sup>8</sup> A fifth of Mexico's workforce of 40 million remains in the agricultural sector, but half of them are tied to an 80-year-old land-tenure system that deprives them of property rights and denies access to capital and modern technology. As a result, more than 90 percent of illegal migrants apprehended by the U.S. Border Patrol come from Mexico, largely fleeing economic roadblocks back home.

**Venezuela, Cuba, and Haiti.** In 1998, Venezuelan President Hugo Chávez used discontent with the oligarchy's monopoly over political power and markets to get elected and begin constructing a populist dictatorship that is strangling private enterprise and provoking internal conflict. Having restricted citizen rights to counter threats to his rule, he now controls *Petróleos de Venezuela*, the state oil industry, and is using it to finance social spending to maintain popular support and the Bolivarian Circles, an unofficial partisan network of neighborhood spies, patterned after Cuba's Revolutionary Defense Committees.

After obstructing a referendum on his rule since 2002, Chávez allowed a vote to take place on August 15, 2004—a vote that he reportedly won. However, opponents say that exit polls showed him losing, while the government's manipulation of the voter registry and other irregularities suggest fraud.<sup>9</sup> Outside Venezuela, Chávez has encouraged up-and-coming *caudillos* (strongmen), including Colombia's leftist rebels and Bolivia's coca union leaders,<sup>10</sup> and is playing petroleum politics by shifting sales away from perceived enemies toward friends like Cuba and oil-thirsty China.<sup>11</sup>

6. Under Mexico's Rapid Business Start-Up System—established by executive order on March 1, 2002—many small businesses can now be licensed in one day as opposed to the previous average of 50 days. However, piecemeal reforms may not be effective absent systemic change.
7. Tim Weiner, "Corruption and Waste Bleed Mexico's Oil Lifeline," *The New York Times*, January 21, 2003, p. 1.
8. One of the country's weakest institutions is public education. Thanks to union power, teachers can sell their jobs to friends and escape punishment for failing to show up for class, even though such actions violate the law. See Mary Jordan, "A Union's Grip Stifles Learning," *The Washington Post*, July 14, 2004, p. A1.
9. Based on a limited audit of a statistically insignificant handful of machines and ballots made available by the Venezuelan government, the U.S.-based Carter Center and the Organization of American States endorsed the official results of the referendum. See David Luhnow and José de Cordoba, "Venezuelan Ballot Gets Confidence Vote," *The Wall Street Journal*, August 20, 2004, p. A10, and Bob Dart, "Venezuela Recall Fuels E-Voting Debate," *The Atlanta Journal-Constitution*, August 20, 2004, at [www.ajc.com/news/content/news/election/0804nation/20evoting.html](http://www.ajc.com/news/content/news/election/0804nation/20evoting.html) (August 23, 2004).
10. Javier Ignacio Mayorca, "740 de las FARC en Venezuela," *Venezuela Analítica*, March 11, 2002, at [www.analitica.com/va/vpi/5521076.asp](http://www.analitica.com/va/vpi/5521076.asp) (July 29, 2004), and Andrés Oppenheimer, "Neighbors Say Chávez Aids Violent Groups," *The Miami Herald*, December 5, 2000.
11. In October 2000, President Chávez promised Cuban leader Fidel Castro 53,000 barrels of oil per day on concessionary terms in exchange for the services of Cuban doctors, teachers, and intelligence experts. Some three years later, President Chávez accused the Dominican Republic of harboring conspirators against his government and stopped deliveries, prompting a temporary energy crisis. China's National Petroleum Corporation is currently developing oil fields in Venezuela, and in July, Venezuela and Colombia announced a project to build oil and gas pipelines between their Caribbean and Pacific coasts to help Venezuela ship petroleum to Asia without using the Panama Canal.

Fidel Castro's 45-year-old dictatorship in Cuba blocks the realization of the dreams and aspirations of some 11 million citizens. Although no longer a direct threat to the United States following the collapse of the Soviet empire and withdrawal of Soviet troops, Cuba remains hostile, sharing electronic espionage and warfare capability with China and offering support for and solidarity with international terrorist groups. Venezuela's agreement to supply cheap oil at concessionary rates has revitalized a struggling command economy to the point that Castro has been able to reverse grudgingly approved market reforms, such as limited self-employment, that followed the Soviet pullout.

Ousted by coup in 1991 and restored to office by the United States in 1994, Haiti's despotic President Jean-Bertrand Aristide resigned on February 29, 2004, when street mobs that once supported him turned against his corrupt and chaotic regime. In accordance with the constitution, Supreme Court Chief Justice Boniface Alexandre assumed the presidency and began organizing a provisional government to manage national affairs until new elections can be held in 2005. Thanks to interim Prime Minister Gérard Latortue, his coalition cabinet, and multinational peacekeeping forces from such countries as Chile and Brazil, Haiti is recovering from years of despotic rule under Aristide.<sup>12</sup> However, previous governments' corruption and malfeasance have left Haiti with an empty treasury and broken public institutions. Haiti needs international assistance to rebuild and active donor supervision to prevent future governments from wasting international assistance.<sup>13</sup>

### Trade Versus Aid

Both Republicans and Democrats see a prosperous, stable, secure Western Hemisphere as in the United States' interest. Latin American countries

are of primary concern because they are less democratic and economically self-sustaining than Canada and much of the Caribbean. Accordingly, Republicans have defined a trade approach toward engaging Latin America, while Democrats rely more on development assistance.

Both sides agree that the United States needs to pay more attention to Latin America. However, what the region should be doing for itself is left unsaid.

For the record, President George W. Bush took office promising a closer relationship with hemispheric neighbors called the "Century of the Americas." However, the White House, occupied by the war on terrorism, took two and a half years to assemble its Americas team, leaving Congress and career bureaucrats to handle Latin American affairs much as they did during the Clinton Administration. To his credit, President Bush has improved on a number of Clinton-era trade, security, and development policies.

*First*, President Bush won bipartisan congressional backing for trade promotion authority, enabling him to conclude a free trade agreement with Chile in 2003, negotiate a trade pact with Central America and the Dominican Republic, and begin talks for separate accords with Andean countries.

*Second*, a bipartisan majority approved his initiatives for expanded counternarcotics and counterterrorism support for Colombia and surrounding countries, while the Administration secured greater cooperation from such partners as Brazil, Ecuador, and Paraguay.

*Third*, he incentivized development assistance by creating a Millennium Challenge Account (MCA) to reward states that have already adopted basic liberal reforms aimed at governing justly, investing in their own people, and promoting economic freedom.

12. The police, devastated by Aristide's attempts to make them a political tool, are being retrained, re-equipped, and expanded. The interim government has improved electrical distribution, re-opened schools, and established an electoral council to plan elections for 2005. On July 20, 2004, international donors pledged \$1.08 billion for reconstruction, surpassing the \$924 million that the interim government had requested. See Christopher Marquis, "\$1 Billion Is Pledged to Help Haiti Rebuild, Topping Request," *The New York Times*, July 21, 2004, at [www.nytimes.com/2004/07/21/international/americas/21hait.html](http://www.nytimes.com/2004/07/21/international/americas/21hait.html) (July 26, 2004).

13. See Gérard Latortue, "Forging Haiti's Future," *The Washington Post*, July 20, 2004, p. A17.



The Bush Administration has also tightened travel restrictions and limits on remittances to persons and institutions in Cuba to deny resources to the Castro dictatorship in hopes of weakening it. Reversing Clinton's support for personalities over institutions in Haiti, Bush refused to rescue Jean-Bertrand Aristide when his corrupt regime fell, ushering in a fresh start.

Other Republicans support similar prescriptions. In June, Senate Foreign Relations Committee Chairman Richard Lugar (R-IN) told the General Assembly of the Organization of American States (OAS) that the region's democracies are in trouble and specified steps to strengthen the institution. He suggested an agenda to alleviate poverty, expand property rights, prepare nations to trade successfully through capacity-building programs, and raise U.S. contributions to strengthen the OAS.<sup>14</sup> In an article in *Foreign Affairs*, Senate International Trade and Finance Subcommittee Chairman Chuck Hagel (R-NE) declared that "the western hemisphere must be moved to the front burner of U.S. foreign policy." He stressed that prosperity through trade agreements such as NAFTA could finance reform and relieve some of the conditions that cause people to migrate to the United States.<sup>15</sup>

On the other side of the aisle, lawmakers like Representative Bob Menendez (D-NJ) believe that more aid money should be directed to improve education, ease housing shortages, improve public health, and relieve hunger. He sponsored legislation in November 2003, along with Representatives Cass Ballenger (R-NC) and William Delahunt (D-MA), to spend \$500 million per year on a new Social Investment and Economic Development Fund for the Americas. While this would substantially increase U.S. foreign aid to Latin America

(currently \$1.3 billion<sup>16</sup> annually), it pales next to the \$30 billion in remittances that Hispanic immigrants in the United States already send to relatives back home.<sup>17</sup>

Presidential candidate Senator John Kerry (D-MA) has embraced the Menendez proposal and favors tripling the budget of the National Endowment for Democracy, which funds projects to enhance democratic governance and civil society in developing countries. However, progress on trade might languish under a Kerry presidency. His running mate, Senator John Edwards (D-NC), has spoken out against U.S.-Latin America free trade pacts and might persuade Kerry to revisit accords already achieved. New labor and environmental standards—which Democrats have consistently tried to attach to recent trade agreements—could bolster regional distrust of the United States, already exacerbated by lingering, unproductive trade barriers in the U.S. farm and textile sectors.

Finally, Kerry has added U.S. immigration reform to his Latin America agenda, favoring changes that would ease entry and residency requirements without necessarily addressing the lack of opportunity that causes illegal migrants to head north. Easing restrictions could encourage a new flood of jobless migrants, which has occurred after every previous amnesty and immigration "adjustment."

### Partners in Prosperity

America's interests are best served by measures that encourage Latin American nations to do more to address their own problems of ineffective governance and blocked opportunity—troubles that prompt desperate masses to follow populist demagogues or seek better conditions in the United States. Trade liberalization without economic free-

14. Richard Lugar, speech before the General Assembly of the Organization of American States, Washington, D.C., June 21, 2004.

15. Chuck Hagel, "A Republican Foreign Policy," *Foreign Affairs*, July/August 2004, at [www.cfr.org/pub7161/chuck\\_hagel/a\\_republican\\_foreign\\_policy.php](http://www.cfr.org/pub7161/chuck_hagel/a_republican_foreign_policy.php) (July 23, 2004).

16. Total fiscal year 2005 budget requests for Latin America and Caribbean assistance programs, including the Andean Counterdrug Initiative.

17. Press release, "Latin American Immigrants in the United States to Send \$30 Billion to Homelands in 2004," Inter-American Development Bank, Washington, D.C., May 17, 2004.

## Time to Rethink Development Assistance

Foreign aid can be helpful, but only when a recipient country has embraced economic freedom and strong rule of law. To be effective, it needs clear goals, interest on the part of the recipient, adequate supervision and evaluation, and coordination among U.S. government agencies with foreign operations authorities.

On the first count, U.S. assistance toward Latin America lacks focus. Thanks to congressional earmarks, it funds a panoply of well-intended projects that promote everything from soil conservation to gender equality, but most dollars are spent on environmental and health programs. Support for democratic governance and market reform is a minor priority.

Not all Latin American leaders are interested in reforms. Argentine President Néstor Kirchner has done little either to make government more accountable or to establish a market-oriented economy. Yet U.S. taxpayers continue to back loans to Argentina through multilateral lending institutions, even though they will never be repaid at full value.

U.S. development programs also lack adequate tracking. While the White House and Congress might decide spending priorities, local U.S. Agency for International Development (USAID) mission directors choose which programs to fund and pick contractors—sometimes

contrary to Washington's wishes. Furthermore, detailed contractor profiles and budget information are not easily accessible to U.S. taxpayers, even on the Internet.

Activities of U.S. government agencies with overseas responsibilities do not always mesh. For instance, the U.S. Broadcasting Board of Governors does not fund Latin American radio and television programs that would enhance USAID projects promoting democratic practices and open markets.

The Bush Administration has the correct idea of focusing Millennium Challenge Account assistance on developing nations that implement reforms. However, the MCA places too little emphasis on sound economic policies.<sup>1</sup> For 2004, Bolivia, Honduras, and Nicaragua qualify as MCA recipients. Yet Bolivia is partly renationalizing its oil and gas industry following a referendum on July 18, 2004, and Nicaragua has unresolved property rights disputes left over from 1980s-era expropriations. Without more rigorous reform, these countries will not develop as quickly as U.S. policymakers would like.

Above all, the true test of any assistance program is the degree to which recipients no longer need assistance. Based on that criterion, U.S. foreign aid has yet to become truly effective.

1. Countries must have a per capita income less than or equal to \$1,465 to be eligible for U.S. economic assistance under Part 1 of the Foreign Assistance Act of 1961.

dom creates opportunities, but it does not always stimulate the behavioral changes needed to allow people to become prosperous.<sup>18</sup> Aid is a double-edged sword that can leverage self-initiative or easily halt progress if not carefully and sparingly applied. Likewise, lax immigration laws and

amnesties take away incentives for neighboring governments to open their economies so that new businesses can provide more jobs.

To do what is best for both Latin America and the United States, candidates of both parties should consider policies that will:

18. Marc A. Miles, Edwin J. Feulner, and Mary Anastasia O'Grady, *2004 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2004), at [www.heritage.org/index](http://www.heritage.org/index).

- **Create opportunity through free trade and economic reform.** Advances toward hemispheric free trade through new accords with Central and South American countries should be promoted by the White House and ratified by the U.S. Congress. At the same time, American lawmakers should abolish subsidies on U.S. agricultural products. Any U.S. backtracking on such an agenda could weaken Latin American economies, threaten jobs, slow reforms, and trigger more illegal migration to the United States.

Beyond trade, the United States should persuade more Latin American countries to embrace banking competition to help the working class and poor obtain affordable credit, simplify business licensing to help establish more small enterprises, strengthen property rights so that non-elites can accumulate wealth, and apply the rule of law so that statutes apply to everyone—including privileged elites and high government officials.<sup>19</sup>

- **Promote stability through better governance.** Without stable government, gains in health, infrastructure, and the environment that are supported by traditional development programs can be undone. U.S. support should leverage existing private and state efforts at political reform. Political goals should include improving citizen representation, enhancing separation of powers, and promoting equal treatment of all citizens before the law.

Civic education programs and technical assistance to political parties by the National Endowment for Democracy, the International Republican Institute, the National Democratic Institute, and the International Foundation for Electoral Systems should promote greater

member control (democratization) of political parties—particularly in countries like Bolivia where the majority indigenous population is traditionally excluded.

Continued support for judicial reforms should help to modernize criminal codes, separate prosecutorial and judicial functions, and establish systematic rules of evidence to strengthen courts and make them more transparent.

- **Improve security through regional military and law-enforcement cooperation.** To counter today's transnational threats more effectively, the U.S. should encourage regional partnerships based on day-to-day military-to-military and civilian-to-civilian cooperation to promote common standards and protocols. Congress should amend Section 660 of the Foreign Assistance Act of 1961 to allow targeted support for training and assisting foreign police to ensure their inclusion in a broad range of programs from justice reforms to human rights seminars. U.S. Southern Command and the Department of Homeland Security should use training opportunities to promote interoperability of military and law enforcement agencies, while the Organization of American States should be encouraged to direct its Commission on Hemispheric Security to develop cooperative protocols to curb emerging threats of transnational crime and terrorism.

Meanwhile, Congress should continue support for the Administration's Andean Counternarcotics Initiative. Over the past two years, drug use has declined in the United States and, since 2000, coca cultivation in Colombia has been reduced by about 50 percent.<sup>20</sup> To make the program sustainable over the long term, the Administration should encourage Colombia to take greater responsibility for conduct-

19. Many countries grant prosecutorial immunity to presidents and parliamentarians as long as they serve in government and sometimes even after their service. In a blow against corruption, Nicaragua lifted the immunity of former President Arnoldo Alemán, accused of diverting \$1.3 million in state funds. Although he was sentenced to 20 years in prison, his case is the exception rather than the rule. See BBC News, "Nicaragua's Former Leader Jailed," December 8, 2003, at [news.bbc.co.uk/2/hi/americas/3299289.stm](http://news.bbc.co.uk/2/hi/americas/3299289.stm) (July 29, 2004).

20. Colombian Anti-Narcotics Police, cited in Major General Freddy Padilla de León, Colombian Military Chief of Staff, "Colombia's Approach to Measuring Performance," briefing at Heritage Foundation conference, "Beyond Plan Colombia," Washington, D.C., April 27, 2004.

ing drug crop eradication and intelligence gathering—tasks that are now performed by U.S. contractors.

- **Maintain pressure for reforms in countries where dictatorship and populism have robbed people's pocketbooks and suppressed popular will.**

**Venezuela.** As long as President Hugo Chávez is able to act with impunity, the United States should insist on international scrutiny by many and varied monitors to safeguard civil liberties and human rights. U.S. officials should press consistently for a retreat from populist politics and markets manipulated by powerful politicians—the curse of many nations otherwise blessed with abundant natural resources. U.S. leaders should reduce dependence on Venezuelan petroleum as long as sales by a state monopoly can be manipulated by the president and shifted elsewhere—such as to Cuba and China.

**Cuba.** The United States should continue to deny U.S. credit and resources to dictator Fidel Castro while the same time promoting purposeful contact with ordinary Cubans as well as Cuban human rights and democracy activists, who represent the future of the island. Recent limits placed on remittances and family-member travel should be exchanged for new controls on Cuban immigration to keep Castro from sending spies and collaborators to the United States. Most of all, America should encourage international solidarity with Cuban dissidents and Cuba's captive labor force.

**Haiti.** Haiti already has a workable democratic constitution, but donor nations with a long-standing interest in Haiti—such as the United States—should urge a more basic understanding, or social contract, between the citizens and what should be a servant state. They should implement interim Prime Minister Gérard Latortue's proposal for a Haitian civil society commission of donors to ensure accountability of reconstruction aid. Finally, U.S. officials should investigate charges of cor-

ruption and drug trafficking that have been lodged against the previous regime.

- **Enact immigration reforms that will enhance border security and ensure legal entry and exit.** To enhance homeland security, lawmakers and regulators should simplify procedures for granting non-immigrant worker visas to help organize and screen the flow of temporary labor into the United States. At the same time, Congress should reduce tax and paperwork burdens on small businesses, thereby reducing the incentive to hire illegal migrants “off the books” in order to evade cumbersome bureaucratic requirements. Under no circumstances should the United States enact another amnesty for illegal aliens.

## Conclusion

Latin America faces a choice between the closed economies and populist governments of the past and the prosperity and freedom that come from open markets and deeper, more complete democracy. Bolstering the status quo with untargeted aid would likely prove far less effective than applying incentives and pressure to spur Latin America's democratic transformation, liberate the region's economies, and strengthen the rule of law. Moreover, Hispanic Americans—now becoming a significant electoral force in the United States—may not want to see their tax dollars spent on aid programs that benefit corrupt officials or promote dependency in their countries of origin.

Democratic states make good neighbors, and open, competitive markets provide more opportunities for citizens to become prosperous. Effective public security undergirds these achievements. Sustained, consistent policies to achieve all three are the only way for the United States and Latin America to become partners in creating opportunity, jobs, and self-fulfillment in hometowns throughout the hemisphere.

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