

ISSUE BRIEF

No. 3817 | JANUARY 7, 2013

Latin America and the Caribbean: A Wish List for 2013

James M. Roberts and Ray Walser, PhD

Too often Latin America and the Caribbean fall off political radar screens in Washington. Nonetheless, geography, robust trade and investment ties, strong demographic links, and shared democratic and economic values connect Americans deeply with the region.

In 2013 and beyond, the second Obama Administration and Washington policymakers of all stripes should work to fashion a Western Hemisphere policy that advances U.S. national interests, promotes democratic and free-market values, and actively combats criminal and terrorist organizations.

Lead the Way to Increase Trade. Trade liberalization has opened markets around the world to U.S. goods and services and has created a level of competition that leads to innovation, better and less expensive products, higher-paying jobs for

Americans, and the investment needed for long-term economic recovery, growth, and continued prosperity.

Foot-dragging throughout most of the first Obama Administration and failure to push hard for congressional approval of free trade agreements (FTAs) with Colombia and Panama stalled the momentum generated by previous U.S. Administrations for more trade liberalization. If President Obama wants to increase economic growth and job creation for Americans in his second term, he should reassert U.S. leadership of hemispheric trade policy.

To do so, the Administration should stop demanding unrealistically stringent labor and environmental standards in connection with the ongoing negotiations of the Trans-Pacific Partnership with 10 other Pacific Rim countries including Canada, Chile, Mexico, and Peru. The Administration should also take immediate steps to end egregious and long-standing U.S. protectionist policies in the dairy, sugar, and textile sectors.

Back to Basics in Brazil. In the past decade, Brazil has pursued export-driven policies that led to appreciation of the *real* while complaining about that very appreciation and introducing capital controls.

While Brazil benefitted immensely from the run-up of commodity prices in recent years, it did not take sufficient advantage of the resulting prosperity to continue the reforms of the 1990s.

Instead of relying solely on state-owned enterprises and exploitation of natural resources, Brazil could achieve sustainable economic growth and productivity more effectively by pursuing economic freedom—to include additional privatizations of state-owned enterprises, liberalization of Brazil's rigid regulatory environment, and harmonization of the country's many different taxation regimes. The Obama Administration should make these reforms its top priority when dealing with Brazil.

Hope for Haiti. As the world notes the third anniversary this month of the devastating earthquake that struck Port-au-Prince, Haiti is still the poorest country in the Western Hemisphere—80 percent live below the poverty line and more than half the population suffers in extreme poverty—and its government remains nearly paralyzed by corruption and poor management. The country remains heavily dependent on foreign humanitarian aid and remittances, but those

This paper, in its entirety, can be found at <http://report.heritage.org/ib3817>

Produced by the Center for International Trade and Economics (CITE)

The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002
(202) 546-4400 | heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

remittances have dropped during the prolonged global economic slowdown. Thus, it is all the more important for Haiti to increase exports and create jobs at home so that Haitians are not tempted to take to the seas to try to sneak into the U.S.

Congress should promote increased U.S. agricultural imports from Haiti by lowering tariffs and ending wasteful U.S. agricultural subsidies for commodities such as sugar. In addition, Haiti should continue to take advantage of U.S. legislation such as the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act of 2006 and the Caribbean Basin Trade Partnership Act. Both laws provide incentives for duty-free export of many Haitian products to the U.S., such as apparel and textiles products.

Prepare for a Post-Chavez Venezuela. Although slated to begin another six-year term on January 10, President Hugo Chavez appears to be losing his battle against cancer. According to the constitution, Chavez's incapacitation or death will trigger new presidential elections. While a post-Chavez Venezuela will remain polarized and deinstitutionalized, the next presidential election should be free and fair.

The Obama Administration is reportedly contemplating restoring relations at the ambassadorial level. It cannot, however, paper over the adversarial nature of current relations. The U.S. should seek concrete commitments—including a firm renunciation of terrorism and an agreement on combating narcotics trafficking—before sending a new ambassador to Caracas.

A strategy of long-term democracy support should focus on civil society, youthful democratic leaders, and victims of *Chavista* misrule. The Obama

Administration should also focus U.S. intelligence capabilities on probing and countering Iranian penetration into Venezuela and uncovering the misdeeds of corrupt narco-generals and high officials.

Liberty for Cuba. Cuba is in the twilight of the totalitarian reign of the Castros. Choruses of liberal and business voices in the U.S. demand an end to the Cuba embargo and more unilateral openness. They blame an absence of progress in Cuban-American relations on a band of Cuban-American politicians. They are wrong. The true source of non-progress resides in Havana, where the regime is hopelessly wedded to a political-economic model designed by 1950s-style Communist revolutionaries.

Now, with patron Hugo Chavez apparently dying and the octogenarian Castros fading, is not the moment to toss the regime an economic lifesaver. U.S. policy should focus clearly on a genuine transition to an open, non-repressive, democratic, and economically free Cuba, not just a succession to Castro-less communism. The U.S. can offer real policy changes in exchange for genuine freedom of information, expression, and travel for all Cubans. The Obama Administration should also press harder for the release of American hostage Alan Gross.

A Healthy U.S.–Mexican Relationship. Mexico's ongoing fight against organized crime has cast a doleful shadow over U.S.–Mexican relations. New Mexican President Enrique Peña Nieto promises to restore citizen security and continue overhauling Mexico's police and judiciary. Often overlooked in the U.S. is Mexico's emerging economic status—the world's 11th largest and gathering steam. Serious energy reforms could reverse an alarming

decline in oil production and tap massive shale gas deposits.

In short, the bilateral relationship is strong but not entirely healthy. President Obama should make ties with Mexico a serious priority by helping Mexico fight organized crime through the Merida Initiative, enhance military-to-military ties, and act jointly in troubled Central America. The President needs to assume White House ownership of the ambivalent muddle over marijuana legalization and U.S. drug consumption. Real border security cooperation and immigration reform with a viable temporary work visa program are other prescriptions for a healthier relationship.

Coalition of the Willing for the Americas. Washington cannot design a one-size-fits-all policy for this hemisphere: The aging "Summit of the Americas" process that was keyed to achieving a hemispheric FTA has run out of gas. Creation of a new forum or coalition mechanism for America's best friends in the region (such as Chile, Colombia, and Panama) along with other nations seemingly predisposed to working constructively with the U.S. (such as Brazil, Peru, and perhaps even a post-Kirchner Argentina) can develop a positive action agenda to tackle thorny problems in areas of trade, drug policy, energy, and citizen security.

Overriding the tire-spinning of the past four years requires the U.S. to adopt an active strategy that defends American national interests and advances democratic values in the Americas while promoting economic opportunity for all and defending the security of the Western Hemisphere.

—**James M. Roberts** is Research Fellow for Economic Freedom and Growth in the Center for International

*Trade and Economics and **Ray Walser, PhD**, is Senior Policy Analyst for Latin America in the Douglas and Sarah Allison Center for Foreign Policy Studies, a division of the Kathryn and Shelby Cullom Davis Institute for International Studies, at The Heritage Foundation.*