

PART I

Deepening Regionalism and the US Response

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Latin America: forging partnerships in a transformed region

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US POLICY TOWARDS LATIN AMERICA

If there is any region in the world where the United States might expect to be hegemonic it is Latin America and the Caribbean. However, the classic period of US hegemony was limited to the Caribbean Basin – the islands and the smaller countries on the Caribbean littoral – for a 60-year period that ran from the end of the Spanish–American War in 1898¹ to the downfall of President Fulgencio Batista in Cuba at the end of 1958.² In that sub-region and during those years, the United States did exercise huge influence and intervened frequently to impose its will. The overthrow through proxies of President Jacobo Arbenz in Guatemala in 1954 was perhaps the most egregious example.³

In the rest of Latin America, US influence was always much more limited. For example, the United States could not stop the nationalization – some would say expropriation – of Mexican oil in 1938. It was unable to persuade Argentina to declare war on the Axis powers in the Second World War.⁴ It had no influence on the state-led import-substituting policies that undermined US exports to many parts of South America in the 1960s and 1970s. Last but not least, it could not stop the formation of the drugs cartels in response to the growth of demand in the United States itself.

The United States did intervene from time to time, as in the support it gave for the military coup against President Salvador Allende in Chile in 1973 or through the invasions of Grenada and Panama in 1983 and 1989 respectively, but the survival of Fidel Castro in Cuba and the anti-Americanism of successive Mexican governments until the 1980s were reminders of how limited US power could be even in its own ‘backyard’. Nor was the United States able to broker a face-saving deal for the Argentine military regime (many of whose officers were US-trained) following the invasion of the Falkland Islands in 1982. Cuba, it could be argued, was saved from US intervention by its alliance with the Soviet Union.⁵ Yet the end of the Cold War did not signal a US re-engagement with the region, but rather a decline in interest. The conclusion of the North American Free Trade Agreement (NAFTA)⁶ and the UN-supported invasion of Haiti in 1994⁷ marked the high point of engagement under President Bill

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Clinton. Thereafter, the United States focused on other parts of the world. Even the financial crisis in Latin America at the end of the 1990s generated little interest despite the fact that it ushered in five years of stagnation (1998–2003) and rising poverty rates.

This was the background to the election of George W. Bush in November 2000. Yet, as so often in the political cycle, neglect under one president (Clinton) offered the next one (Bush) an excellent opportunity to improve relations with Latin America. Furthermore, the early signs were encouraging. Bush emphasized his former role as governor of Texas, a border state with a large Latino population,⁸ to stress the need for closer relations with the region. Indeed, on 6 September 2001 – five days before 9/11 – the President declared that the United States had no more important bilateral relationship than the one with Mexico.⁹

The focus on Latin America proved to be short-lived, as US interests after 9/11 quickly swung towards counter-terrorism, weapons of mass destruction and preparation for the invasion of Iraq. Latin America itself was increasingly seen through the prism of these state interests. The area bordering Argentina, Brazil and Paraguay¹⁰ was cited as a possible funding source for international terrorism; an attempt was made to link Cuba to the proliferation of weapons of mass destruction;¹¹ and illegal migration to the United States – most of which is from Latin America and the Caribbean – was re-evaluated in the light of the terrorist threat.

Leaders in the region watched these developments with great concern. The financial crisis in Argentina at the very end of 2001 was met with a deafening silence from Washington, as the new government in Buenos Aires was told it could not count on any assistance from the United States. The invasion of Iraq was deeply unpopular, as it trampled on one of the most sacred tenets in Latin America's independent history – non-interference in the affairs of a sovereign state. The efforts by the Bush administration to coerce Chile and Mexico (at that time members of the UN Security Council) into supporting the invasion were strongly resented.¹² Support was only forthcoming from Colombia, which was dependent on the United States for the success of its counter-insurgency strategy,¹³ and from a handful of small states.

Anti-Americanism, present in the region in various forms since the mid-nineteenth century, reached startling proportions. It was also fuelled by the rise of the left in South America, since the anti-American tradition in the region has usually been stronger on the progressive wing of politics.¹⁴ The rhetoric was pumped up several degrees by President Hugo Chávez of Venezuela, following the attempted coup against him in April 2002. Although the United States did not plan the coup, it seems highly likely that the Bush administration had advance knowledge and failed to inform the Venezuelan authorities. Certainly, unlike many South American governments, the United States did nothing to condemn the attempted overthrow of a democratically elected leader.¹⁵ This left a sour taste, which President Chávez has ruthlessly exploited ever since.

The low point was reached in September 2008, when President Evo Morales in Bolivia expelled the US ambassador for allegedly interfering in Bolivia's internal affairs. Venezuela followed suit. Not to be outdone, President Manuel Zelaya of Honduras, one of the few countries in the region on whose support the United States can usually count, refused to accept the credentials of the US nominee for ambassador. This humiliation brought only the mildest of rebukes from the Bush administration, as it grappled with a series of domestic and international problems of far greater moment.

George W. Bush left the White House as the most despised US president in Latin America for decades. Yet his record in Latin America and the Caribbean, although not good, was not as bad as his reputation would suggest. Preferential Trade Agreements (PTAs)¹⁶ were reached with Central American countries and the Dominican Republic (CAFTA-DR) as well as with Peru (those with Colombia and Panama were left pending). A strategic partnership began to take shape with Brazil on the basis of energy security and other shared interests. Support was given to the new government in Mexico as it struggled to gain the upper hand against drug-traffickers. And Bush remained a strong supporter of the Colombian government's fight against the guerrilla Revolutionary Armed Forces (FARC) and the drug-traffickers.¹⁷

THE NEW CONTEXT

The negative perception of the Bush administration in Latin America might seem to have provided President Barack Obama with an opportunity to improve relations. However, the situation is not so simple. Latin American leaders are looking for more than a change of rhetoric, and, when it comes to substance, there are serious obstacles. On the issues that matter to the region, it will not be easy for the Obama administration to deliver.

This became clear during the presidential campaign in 2008. Neither candidate wanted to talk about immigration policy – an issue of major importance to the region – because of its sensitivity. Senator John McCain did not want to be reminded of his failure to broker a deal in Congress on comprehensive immigration reform, while his opponent preferred to steer clear of a subject that resonates so badly with many voters. Obama was also vulnerable on trade agreements, since his call for stronger labour and environmental standards was seen in Latin America as code for increased US protectionism.

In fact, neither candidate paid much attention to the region in his detailed policy plans. A search for Latin America and the Caribbean on McCain's website produced little more than rhetorical support for Cuban exiles and evidence of the frequent misspelling of Colombia.¹⁸ Obama at least made some specific commitments, including removing all restrictions on visits and remittances by Cuban-Americans to their families on the island.¹⁹ However, Obama's policies also included some that were of dubious utility to the region such as doubling the size of the Peace Corps and employing US immigrants in public diplomacy while casting doubt on the fairness of Colombia's elections and opposing

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a PTA with that country on the grounds that trade unionists there are routinely assassinated.

Obama also insisted that the United States restore its 'traditional leadership in the region – on democracy, trade and development, energy and immigration'. Given past US support for dictatorships, distortion of trade through farm subsidies, limited development aid, incoherent energy policy and increasingly draconian immigration control, this may have seemed like a strange reading of history to many people from Latin America. Nevertheless, it raises the question of whether President Obama will be able to shift US policy so that it is more closely aligned with Latin American interests. It is to this that we now turn.

The region to which President Obama must address himself over the next few years has changed dramatically from the one faced by his predecessors. Latin America and the Caribbean countries are now much more assertive, less subservient and more determined to seek a new relationship with the developed world – including the United States – than in the period after the Second World War. There are, of course, nuances (examined below), but almost all countries in the region – and there are 20 republics in Latin America and an additional 13 independent countries in the Caribbean – are disinclined to return to a 'business as usual' approach.

At the same time, the levers of US power have been greatly weakened in recent years. Although in a geographical sense the countries south of the Rio Grande are still in the US sphere, geography no longer determines destiny. The region sells its commodities and services around the world and receives inward investment from a growing array of countries, while bilateral PTAs link the countries of the region to a large number of partners outside the Americas. For the first time in decades, Latin America enjoyed a prolonged period of fast growth from 2003 to 2008, with low inflation and a balance-of-payments surplus.²⁰

This exceptional economic circumstance, though ending temporarily in 2009, has meant not only that direct US influence has fallen, but also that its ability to use proxy levers has declined. Following the 1982 debt crisis, the United States was able to use its own considerable muscle to influence policy but it also did so through international and regional bodies over which it exerted great power. The international institutions included the International Monetary Fund (IMF) and the World Bank, while the regional ones included the Inter-American Development Bank (IDB) and the Organization of American States (OAS).

These international institutions now have much less influence in Latin America. That could change, but it is likely that countries in other regions will make far more pressing demands on the limited resources of these institutions in the next few years. Latin American countries have used the recent economic bonanza to repay loans, and the IMF in particular has become a despised institution in many quarters (not just Venezuela).²¹ The World Bank is not held in such contempt, but the middle-income countries of the region still would not figure very high on its list of priorities even if their demand for loans were to be greater than it has been.

In contrast, the Latin American regional institutions have acquired much more autonomy. The brilliant stewardship of the IDB under Enrique Iglesias gave the Bank a higher profile in the region, but only because it no longer acted as a US surrogate (as it tended to do after its launch in 1961). The United States is still the largest shareholder, but it is no longer so simple to find other shareholders that will turn this into a majority. Meanwhile, the OAS – a Cold War institution totally dominated by the United States after its creation in 1948 – has become almost insubordinate. Member states favoured the Chilean socialist José Miguel Insulza over the US-backed candidate from El Salvador in the last election for secretary-general.

The favourable economic circumstances that the region has enjoyed since 2003 have now deteriorated, even if there is every reason to expect that growth will return from 2010 onwards. It could be argued that this decline might provide a near-term opportunity for the United States to reassert its authority. However, the economic circumstances have deteriorated even more dramatically for the United States itself, so it is not clear how it could turn this situation to its own advantage. In any case, such a view takes no account of the changed political circumstances in Latin America.

To understand this change, we must go back a generation to the debt crisis in 1982. That was a traumatic episode for Latin America. Today, in the rich countries of Europe and North America, governments and voters worry about a recession that – at worst – will lead to a drop of 5 per cent in GDP per head. During Latin America's debt crisis, however, GDP per head dropped by 20 per cent in several countries, with the fall concentrated in one or two years. It occurred at a time when 17 of the 20 Latin American republics were one-party states or military dictatorships (only Costa Rica, Colombia and Uruguay were democracies). The swing of the pendulum therefore favoured the return of democracy.²² Yet, despite the dire economic circumstances and the rise of extreme poverty, the return of democracy did not in fact favour the left.

The reason was simple. The debt crisis was attributed to two factors with which the left in Latin America was deeply associated: import-substituting industrialization (ISI) and debt-led development through state-owned enterprises (SOEs). The left failed at first to dissociate itself from these policies and was also slow to recognize the new reality: globalization.

Thus, democratization favoured the right and the centre-right. They were no longer supporters of ISI and had always been uncomfortable with state-led development. Furthermore, they were willing to adopt the policies of reform favoured by the IMF, the World Bank and the US government – all institutions based in Washington. That is why these policies – privatization, trade reform, financial market reform, etc. – became known as the Washington Consensus.

After a shaky start, these policies were quite successful. Countries that had not already done so joined the General Agreement on Tariffs and Trade (GATT) and later its successor, the World Trade Organization. Rather than waiting for others to lower tariffs, some countries adopted trade liberalization unilaterally. Regional integration schemes were revived or new ones started.²³ Inflation, the

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scourge of Latin America before the debt crisis, was brought under control. Fiscal deficits were reduced and capital inflows surged.

Between 1990 and 1997, Latin America was among the fastest-growing regions of the world, but the growth rate was unsustainable. The Asian financial crisis in 1997 marked the beginning of the end. From then until 2003, Latin America experienced a major recession dubbed the lost half-decade. Capital, which had flowed into the region, now flowed out. Poverty rates rose again. As in the 1980s, Latin America looked once again like an economic disaster zone.

The swing of the pendulum spelt disaster for the right and centre-right governments that had implemented the Washington Consensus. The beneficiaries this time were the left and centre-left. By now, these parties, movements and leaders had jettisoned the old ideas of ISI and SOEs and they understood the need for tough anti-inflation policies. They offered economic reform with a gentler face, giving more space to social policies that would help the poor.

The first indication of a swing to the left was the election of Hugo Chávez as president of Venezuela in December 1998. This was followed by the election of Ricardo Lagos in 2000 as the first socialist president within the ruling coalition that had governed Chile since the return of democracy in 1989.²⁴ Then came the victory of Luiz Inácio Lula da Silva (at the fourth attempt) in the presidential elections in Brazil in 2002. Since then, the swing to the left has gained force and secured its most recent – and in some ways most remarkable – scalps in Paraguay in 2008²⁵ and El Salvador in 2009.²⁶ At that point, 17 of the 20 republics had left or centre-left governments and only three (Mexico,²⁷ Colombia and the Dominican Republic) had right or centre-right governments.²⁸

This swing was brilliantly timed from the point of view of the left. From 2003 to 2008, Latin America enjoyed a spectacular period of economic expansion that – as already mentioned – is almost unprecedented in its history. It is not so much the growth of GDP per head, although that has on average exceeded 3 per cent per year. It is more that Latin America has enjoyed at the same time balance-of-payment surpluses thanks to high commodity prices for its exports and has kept inflation low through prudent fiscal policies.

This phase of growth after 2003 was due primarily to the improvement in Latin America's terms of trade – the price of its exports divided by the price of its imports. Oil exporters benefited, of course, but net oil importers did so as well because of the rise in the price of the non-oil commodities on which their economies depend. High energy prices and high food prices – the two issues about which North Americans and Europeans have both fretted in recent years – helped Latin America greatly.

High commodity prices strengthened government finances and allowed a big increase in social spending.²⁹ That is why the left continued to win elections in countries as varied as Argentina, Brazil and Venezuela. Poverty rates fell sharply and social indicators improved. Centre-right governments have followed suit with social programmes that involve a large role for state spending.

There are clouds gathering on the horizon for incumbent governments and doubtless some will succumb in the next few years. First, the recession in the

United States is bad for Latin American growth because of the impact on the region's exports and will also lead to a reduction in remittances on which so many countries depend.³⁰ Mexico is the most vulnerable and a decline in the value of remittances was already recorded by the end of 2008. Recession in Europe and North America will also lower commodity prices – indeed, it has already happened – and a slowing of growth in other parts of the world (particularly China) will do the same.

Secondly, incumbents have struggled to contain inflation, notably in Argentina and Venezuela, and this is very unpopular. After a number of years in power, the left and centre-left are now the subjects of accusations of corruption – previously aimed mainly at right-wing politicians. There are also problems of fragile institutions in several countries. The indigenous population is now better organized and – in those countries where it represents a large share of the population – is demanding a greater share of resources.³¹

We should not, exaggerate, however. This is not 1982 or 1997.³² Latin American economies are expected to return to growth, helped by Asia (assuming it stays out of recession), commodity prices that have fallen but will still be high by historical standards, and recovery in the United States, Japan and the European Union. Nevertheless, it would be surprising if there were not a swing away from the left in the next few years in some countries even if the parties that replace the left are likely to keep many of the social policies now in place.

It is often said there are two lefts in Latin America: a moderate left led by Lula in Brazil and a radical left led by Chávez in Venezuela.³³ This is very misleading. Chávez's Venezuela is really unique in both economic and political terms. The power given to him by oil is exceptional in the region and has been used to promote Venezuela's interests in the region through PetroCaribe and ALBA (the Bolivarian Alliance for the Peoples of Our America).³⁴ Politically, also, Chávez is unusual. He shot to prominence as an army officer in a failed military coup in 1992 against a democratically elected (albeit very corrupt) government. His instincts are deeply authoritarian, although he has – just about – played within the democratic rules of the game.³⁵

More important is that Chávez and Lula are not hostile to each other. Venezuela was invited to join MERCOSUR at Brazil's instigation, and the two countries are the driving force behind a new development bank for South America (designed to replace the IMF), a project for political integration (whose unstated goal is an alternative to the OAS) and a plan for regional defence (intended to replace the Inter-American Treaty of Reciprocal Assistance).³⁶ Whether these projects come to anything is another matter, but they do demonstrate the ability of Brazil and Venezuela to work together across a broad range of interests, the sub-text of which is to reduce US influence in South America and to enhance the capacity of the sub-region to resolve its own problems without external interference.

This is the new political reality in Latin America with which the US administration must now deal. There will be changes of government and some of these will be welcomed in Washington, but it would be a mistake to assume

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that the status quo ante can be restored. Even a defeat for Lula's Partido dos Trabalhadores in the 2010 presidential elections would not end Brazil's strategic pursuit of a South America designed to further the country's regional and global ambitions.³⁷

It is true that if Hugo Chávez loses the presidential elections in 2012 and quits the political scene at the end of his current term of office (2007–13), there is every likelihood that anti-Americanism in the region, though still present, will become less shrill. Chávez's bellicose rhetoric is something of an embarrassment for most Latin American leaders, and they would prefer it to be toned down. They seek a more mature relationship with the United States, based on a partnership rather than on US leadership, and they know that public manifestations of anti-Americanism make this more difficult.

THE OBAMA ADMINISTRATION AND LATIN AMERICA – THE RECORD SO FAR

President Obama came to office in January 2009 with very few specific commitments towards Latin America other than relaxing restrictions on Cuban-Americans, closing the prison camp at Guantánamo Bay and being opposed to the proposed Preferential Trade Agreement with Colombia. Nonetheless, expectations were high – much too high – that his election would mark a new beginning.

The personnel nominated for key positions in the State Department, the Treasury, the Pentagon and the choice of National Security Advisor were reasonably well received in Latin America, but there were no special envoys as there had been in the case of the Middle East and Afghanistan/Pakistan. Hardly surprisingly, this looked like a team whose priorities would be found outside the region.

The first issue Obama had to address was the prison camp at Guantánamo Bay. It soon became clear that closing it within one year – a firm promise – would be much more difficult than anticipated owing to the unwillingness of any US state to take any of the inmates. US leverage over other countries was therefore reduced and pressure on weaker countries (e.g. Bermuda and Palau) to receive some of the inmates made the United States look desperate. Latin American governments, however, were relaxed about the issue as they could see the Obama administration was making a serious effort to meet its promises and the eventual outcome was not really in doubt.

More troubling for the new President was the prospect of united opposition to US policy towards Cuba at the Summit of the Americas in Trinidad and Tobago in April 2009. This was defused to some extent by the announcement shortly before the summit that Cuban-Americans would no longer face restrictions on travel or on remittances sent to the island, while the prospect of US investment in telecommunications in Cuba was held out.³⁸ However, pressure was reapplied by Latin American governments at a meeting of the Organization of American States where a face-saving formula was crafted under which

Cuba was invited to apply for membership of a body from which it had been expelled in 1962.³⁹

Other than Cuba, the first major headache for the Obama administration in Latin America has been the flow of illegal drugs from Mexico to the United States and the sale in the opposite direction of weapons for the traffickers. Apologies to Mexico from both President Obama and Secretary of State Clinton for the US share of responsibility in the drugs trade were well received there, but little has happened subsequently to change it. Drug consumption has not abated, money-laundering in the US continues and the transfer of weapons has not stopped. Meanwhile, the number of monthly deaths associated with the efforts of the Mexican police and army to curb the activities of the drug gangs remains very high.

The second problem for the United States has been the decision of the Ecuadorian government not to renew the lease on the US airbase at Manta. An arrangement was quickly reached with the Colombian government under which US military personnel could operate out of seven Colombian bases, but this was not well received in the rest of Latin America. The United States was placed on the back foot as it did its best to reassure a very sceptical region that there was no hostile intent and that this was purely designed to help the Colombian government fight drug-trafficking and the guerrilla movement.

There then followed one of those incidents that most US presidents have had to face at one point or another in their administrations. This was the removal by the Honduran armed forces of President Zelaya on the grounds that he had violated the constitution. This was not the view of the OAS, including the United States, which meant that Zelaya's removal amounted to a military coup. After the dust had settled, it became clear that Zelaya could only be restored if the United States was willing to flex its muscles. This, however, was precisely what President Obama had said he did not want to do at the Summit of the Americas in April 2009. The world was then witness to a bizarre situation in which the anti-American left in Latin America, including Hugo Chávez, were calling on President Obama to 'do something' to restore Zelaya, while the pro-American right preferred him to do nothing on the grounds that Zelaya was a left-wing menace!⁴⁰

After nearly a year, one is left with the strong impression of an administration that has no clear policy towards Latin America and is simply reacting to events in the region as they occur.⁴¹ This is not particularly surprising, given US priorities elsewhere, but it does fall far short of the high expectations at the time of the inauguration. Yet it is not too late to change. Obama could have another term in the White House and the region may receive more attention once the US recession ends and healthcare reform is finally settled. It is therefore worth considering what future shape policy towards Latin America might take.

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RECOMMENDATIONS FOR FUTURE US ENGAGEMENT

There are many policies open to the Obama administration that will have an impact on Latin America even though they are not specifically aimed at the region. Perhaps the most important of these is the US climate change framework that eventually emerges out of Washington following the UN Climate Change Conference in Copenhagen held in December 2009. Whatever the international frustrations from the limited achievements of the Copenhagen meeting, this is likely to provide opportunities for US firms to buy carbon credits through supporting projects in developing countries that lead to a reduction in emissions.

Beyond this specific issue, many of the recommendations that President Obama made with regard to Latin America during the presidential election did not apply exclusively to the region. Here, however, I concentrate on those policies that need to be designed specifically for Latin America rather than those that will apply more globally.

The analysis in the previous section suggests that the ambitions of the new US President in relation to Latin America should not be excessive. Above all, the Obama administration should put aside talk of re-establishing 'traditional US leadership' and instead focus on building a partnership. This semantic change may be difficult, given the history of US relations with the region, but it is essential. Indeed, President Obama's visits in 2009 to Mexico and Trinidad suggest that this lesson may well have been learnt.

Partnerships require partners and the United States cannot be expected to give equal weight to all countries in the region. The countries that are likely to be of particular importance for the United States are Brazil and Mexico, while in due course a new approach – perhaps eventually leading to a reconciliation – will need to be forged with Cuba. This means that the United States will need to be cautious about building a strategic relationship with other potential partners. Argentina, a country with which the United States has had a difficult relationship on frequent occasions in the last 150 years, is most unlikely to furnish the complementarity of interests that Washington needs. Colombia, on the other hand, will continue to need US support in its counter-insurgency campaign, but the United States would be unwise to imagine that this unequal relationship could serve as a model for the rest of the region. In any case, the relationship has been negatively affected by the unwillingness of the Obama administration to push for ratification by the Senate of the US-Colombia Free Trade Agreement.

A partnership with Mexico is so obvious that it might be felt to require little comment. Mexico, after all, is a member of NAFTA, and Mexico and the United States depend heavily on exports to each other. Migration and remittances tie the United States more closely to Mexico than to any other country in the world. Many US citizens now retire to Mexico on their social security payments and Mexican health services are in growing demand by those close to the border. US criminal networks, including youth gangs, span the border and environmental changes affect both countries for better or for worse. Mexico for its part is a leading actor in Central America, with which it has a relationship that at times

mirrors the United States' own relationship with Mexico.⁴² Yet Mexico is a better partner of Central America than the United States is of Mexico. The language of the United States is still steeped in the past, the actions of the US Congress are often humiliating for Mexico and executive behaviour is at times capricious. This needs to change and there is no better place to start than NAFTA itself.

NAFTA was sold to a sceptical US public by President Clinton on the assumption that Mexican export growth would lead to job creation and a reduction in illegal migration. That has not happened. NAFTA needs to be strengthened ('deepened' in the language of regional integration) so that it reduces the pressures to migrate. This means borrowing some of the policies used in the European Union to ensure that the average income of poorer countries rises quickly towards the regional average. Mexican incomes do not need to reach parity with those in the United States to curb outward migration, but they probably do need to reach half the US level. That is very far from the case at present.

The current US recession is forcing many Mexicans to return to their country of origin. This may lead the US administration to think that the migration problem has been solved, but that is clearly not the case. It will return with US growth. So the breathing space provided by recession should be used to shape, together with Canada, the new instruments that are needed to bring about greater income equality among the NAFTA partners. The EU is a good place to look, but of course it does not have all the answers (and some of its answers are too expensive). If the NAFTA countries can do it more cheaply and more efficiently, so much the better.

A true Mexican partnership can start with NAFTA, but it needs to go beyond it to embrace the environment, criminality and the drugs trade. Mexico has no monopoly on these problems, and the United States must take its share (a large one) of the blame. Mexico, for its part, can do much to help build a Central America that is less economically unequal, more socially cohesive and more politically mature; Central America is still the only part of the region where many political parties are little more than temporary arrangements to further the ambitions of one or another business leader. All of these developments would be very much in the interests of the United States.

A partnership with Brazil is indispensable for the United States, although it needs to have a different basis. Brazil and the United States are not joined at the hip by trade or investment, but neither can achieve its regional ambitions without the other. The Bush administration understood this better than some of its predecessors, but there is still a long way to go.

Brazil wants an unequivocal demonstration of US support for its global ambitions. These include a permanent seat on the Security Council. To demonstrate its bona fide credentials, Brazil led the UN mission to Haiti (MINUSTAH) and has peacekeepers elsewhere.⁴³ Brazil sees global warming as an opportunity to exploit its comparative advantage as an exporter of ethanol and protector of the Amazon forest. Above all, Brazil wants to be treated as a responsible player on the global stage.

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These are all aspirations the Obama administration should welcome and embrace. It will mean abandoning its ambiguity towards Brazil's global ambitions and eliminating the tariff distortions that prevent Brazilian ethanol from reaching the United States. In return, the United States has every right to expect that Brazil will help to restrain immoderate behaviour and anti-Americanism by its neighbours (including Venezuela) as well as supporting the United States wherever it can outside the region. The United States should also do everything in its power to encourage Brazil's growing presence in the Caribbean – not just in Haiti.

Last but not least is the question of Cuba. A face-to-face meeting between Presidents Barack Obama and Raúl Castro would no doubt be historic, but it is unlikely to make a dramatic difference. The current Cuban leadership is interested in improved economic efficiency, even a greater role for the private sector, but it is not interested in multi-party democracy and is not in a position where it can be forced to offer it. If it did not do so in the dark days following the collapse of the Soviet Union, it will certainly not do so now when its economic circumstances are more favourable.⁴⁴ And without multi-party democracy, President Obama would be hard pressed to justify dropping the trade and other restrictions the United States currently imposes on Cuba.

However, there is one issue on which the United States could act unilaterally that would have a dramatic effect on the bilateral relationship and would reverberate round the world. That issue is Guantánamo Bay. Not the closing of Camp X-Ray and the transfer of its inmates, which can be taken as a given, but the termination of the indefinite lease under which the United States holds the territory in the first place. This lease was agreed to by Cuban politicians after independence in 1902 under the terms of the humiliating Platt Amendment, which Cuba was forced to accept in order to end the US military occupation (1898–1902). It was justified in US eyes by the need for coaling stations for its navy at a time when the United States was preparing to launch its audacious bid to build a transoceanic canal.

The US navy long ago ceased to use Guantánamo Bay for its original purpose, but the Cuban government cannot cancel the lease unilaterally. The return of the territory would be as dramatic an illustration of a change of policy as the decision by President Roosevelt to return Bahía Honda to Cuba in 1934 as part of the Good Neighbour Policy.⁴⁵ If President Obama is looking for a spectacular gesture that would demonstrate to the whole world a break with the past, he could do no better than start with Guantánamo Bay.⁴⁶

NOTES

- 1 This war had begun in 1895 as Cuba's Second War of Independence, but following US intervention in 1898 it became known as the Spanish–American War since it led to the US occupation of Cuba and Puerto Rico (Spain's last remaining colonies in the Americas).
- 2 Batista fled from Cuba on the last day of 1958 (as viewers of *The Godfather* will know).

- Fidel Castro entered Havana in triumph a few days later.
- 3 This intervention, which drew its inspiration from the Anglo-American coup against Prime Minister Mossadeq in Iran the previous year, ushered in nearly 40 years of state-sponsored terrorism against the Guatemalan people during which over 100,000 people died.
 - 4 War was finally declared on 4 April 1945, by which time this had no military significance. See R. Humphreys, *Latin America and the Second World War, 1942–5* (London: Athlone Press, 1982), p.196.
 - 5 The Cuban missile crisis in 1962 had been ended when the USSR agreed to dismantle its nuclear installations on the island and the United States committed itself not to invade.
 - 6 The Preferential Trade Agreement between Canada and the United States in 1989 was broadened to include Mexico in 1994 and the name was changed to NAFTA.
 - 7 President Aristide, elected in 1990, had been overthrown by the Haitian military in 1991. The United Nations had brokered a deal in 1993 under which Aristide would be restored. When the Haitian military reneged on the deal, the United States intervened. See P. Hallward, *Damning the Flood: Haiti, Aristide and the Politics of Containment* (London: Verso, 2007).
 - 8 Outside Latin America, it is common to refer to Latin Americans in the United States as Hispanics. However, strictly speaking this refers only to those of Spanish descent so Latin Americans prefer to use 'Latinos'.
 - 9 This took place during a state visit by President Vicente Fox. Those British officials present were said to be in a state of shock!
 - 10 The epicentre of this area is Ciudad del Este, a Paraguayan city with many merchants of Middle Eastern descent and a reputation for black market activities. However, efforts to establish a firm link between these activities and the funding of international terrorism were not successful.
 - 11 In an effort to diversify its exports, Cuba has developed with some success a bio-science industry. There has never been any evidence, however, that this has been used to produce biological weapons.
 - 12 Since the vote on the second resolution was never held, we cannot know whether US efforts would have been successful. However, the fact that it was not held and the subsequent statements of the Chilean and Mexican Presidents suggest that US coercion had not worked.
 - 13 This support is now channelled through *Plan Colombia* and is part of the reason why Colombia has been able to turn the tide in its counter-insurgency operations. An end to US support would be a major blow and Colombia has been understandably grateful.
 - 14 Not always, of course. Under President Carter (1977–81), it was right-wing military governments that sometimes displayed anti-Americanism.
 - 15 Nor, to its shame, did the British government. Indeed, a junior foreign minister publicly celebrated the demise of Chávez during the 48 hours he was ousted.
 - 16 These agreements are referred to in common parlance as 'Free Trade Agreements'. However, this is misleading since they do not involve free trade and simply give preferences to a partner or partners across a range of goods and services.
 - 17 The United States at first had tried to delink its support for the war on drugs from the counter-insurgency operations but the close connection between the two made this impossible. The United States now explicitly supports the two struggles, recognizing that in many respects they are one and the same.
 - 18 'Columbia' (*sic*).

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- 19 These had been tightened by President Bush. However, Obama's proposed relaxation went beyond the status quo ante.
- 20 This period began in 2003, since when Latin American GDP growth has averaged over 5 per cent per year. See ECLAC, *Preliminary Overview of the Latin American Economies* (Santiago: Economic Commission for Latin America and the Caribbean, 2008). It is not possible to say at this stage what the impact of US and European recession will be on the region.
- 21 It is particularly loathed in Argentina, where it is widely blamed for the depth of the financial crisis at the beginning of this decade.
- 22 It is correct to speak of a 'return' to democracy since many countries had been democracies before they became military dictatorships (e.g. Brazil).
- 23 Those revived include the Central American Common Market (CACM) and the Andean Pact (now renamed the Andean Community). The new ones were MERCOSUR (the Common Market of the Southern Cone), whose first members were Argentina, Brazil, Paraguay and Uruguay, and of course NAFTA.
- 24 Since the return of democracy and until 2010, Chile has been governed by the *concertación*, a coalition of centre-right and centre-left parties. However, the president was always a Christian Democrat until the election of Lagos.
- 25 Paraguay had been ruled through the Colorado Party by General Alfredo Stroessner from 1954 to 1989. Then there was a managed transition that left the Colorado Party in charge. It was stretching a point to call it democracy, but the fiction was accepted by the US and other outside powers. When a radical former Catholic bishop was elected president in 2008 in free elections, Paraguay entered uncharted territory.
- 26 The FMLN, the political expression of the former guerrilla movement, seemed condemned after the end of the civil war to perpetual opposition. Yet their candidate Mauricio Funes, not himself a member of the party, succeeded in winning the presidential election in 2009.
- 27 And Mexico, it should not be forgotten, came within a whisker of electing a radical left-wing president in August 2006.
- 28 Subsequently, the centre-left were defeated in the Panamanian presidential elections in May 2009 and in the Chilean presidential elections in January 2010. This marked perhaps the beginning of the swing of the pendulum in favour of the right or centre-right.
- 29 The increased social spending has often taken the form of Conditional Cash Transfers (CCT), increasing its impact and reducing the risk of both corruption and capture by non-poor groups.
- 30 Their fall in 2009 is estimated at 11 per cent.
- 31 Not only in Bolivia, but also in Chile, Colombia, Ecuador, Guatemala and Mexico.
- 32 These were the years that ushered in financial crises that led to economic stagnation.
- 33 This argument has been developed by, among others, Jorge Castañeda (*Foreign Affairs*, September/October 2008) and Michael Reid (*Forgotten Continent: The Battle for Latin America's Soul* (New Haven, CT: Yale University Press, 2007).
- 34 PetroCaribe allows countries in the Caribbean to pay for oil imports at concessionary rates through subsidized loans. All net energy importers in the region except Barbados have joined. ALBA is a more formal institution created originally by Venezuela, Cuba and Bolivia, but which has been joined by several countries in Central America and the Caribbean. It emphasizes social solidarity and barter is often used in place of commercial transactions. Both PetroCaribe and ALBA are highly dependent on Venezuela receiving a high price for its hydrocarbon exports.

- 35 He was defeated in a plebiscite in December 2007 in his attempt to amend the constitution, including a proposal to remove the limit on the number of times a president could be re-elected. Subsequently, however, the amendment was passed.
- 36 This treaty, signed in 1947 at Rio de Janeiro, has always been regarded with suspicion by the left in Latin America because of the risk that it might be used by the United States to justify intervention.
- 37 Brazil began a campaign in the 1990s, during the presidency of Fernando Henrique Cardoso, to deny the relevance of 'Latin America' and to emphasise instead 'South America' – a sub-region in which it can legitimately aspire to hegemony. It has been very consistent (and quite successful) in pursuit of this goal despite changes of government.
- 38 There was a much publicized handshake between Obama and Chávez in which the Venezuelan President handed over a book by Eduardo Galeano, a devastating critique of US imperialism in Latin America. This book became required reading among the anti-American left many years ago.
- 39 Cuba then saved the Obama administration from any subsequent embarrassment by saying it had no intention of applying to join. It is fair to say that this had more to do with the tricky question of Cuban conformity with the OAS Charter than sensitivity to US concerns.
- 40 In September 2009 the Obama administration suspended the issue of visas. One should not underestimate the importance of this to a country such as Honduras, where the elite and their spouses are accustomed to travel frequently to Miami and other parts of the United States. Nevertheless, it was inevitable that the United States would have to do more or risk the charge of hypocrisy. In the end, the Obama administration broke with most Latin American states and recognized the presidential elections in November 2009 despite the fact that President Zelaya had still not been restored to power.
- 41 A good illustration of this is the reaction of the Obama administration to the tragic earthquake in Haiti in January 2010. The reaction was swift and largely effective, but there was no long-term plan for the reconstruction of the country.
- 42 Mexico is home to many migrants from Central America, who send remittances back to their countries of origin. Mexico has PTAs with all Central American countries except Belize and has promoted an ambitious scheme (Plan-Puebla-Panama) to link Mexico with its southern neighbours through improved infrastructure.
- 43 However, the swift response of the Obama administration to the crisis in Haiti after the earthquake and the major role taken by the US military have left unclear what role MINUSTAH will now have.
- 44 Rationing became harsher in Cuba for some goods in 2009 as a result of foreign exchange shortages, but the Cuban economy is not enduring the kind of existential crisis it faced in the early 1990s.
- 45 This naval base had also been acquired after 1902 under the terms of the Platt Amendment.
- 46 I cannot therefore agree with the otherwise sensible recommendations of the Brookings Institution (*Obama Administration and the Americas: Agenda for Change* (Washington, DC, April 2009) that the US should invite Cuba to negotiate a future for the naval base under which it would become internationalized. No international lawyer has ever disputed Cuban sovereignty over Guantánamo Bay, so it is implausible that the Cuban government would agree to anything that compromised the island's territorial integrity.