

US-Latin America Relations under President Obama

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United States Policy Towards Latin America

This is one of many lectures being given this month on US relations with particular countries or regions. Last week at FIU, for example, John Bruton spoke on US relations with the EU under President Obama. No doubt in Tirana this week there is a seminar on US-Albanian Relations under Obama. Unfortunately, here is a tendency to exaggerate the importance of each region to the US in these lectures and to examine in too much detail the entrails of Senate confirmations, election campaign pronouncements and the other epiphenomena of US democracy. I shall try to resist this today by taking a more historical and structural approach.

I am also conscious of the fact that I am neither a Latin American nor a US citizen. However, I have worked on Latin America and the Caribbean all my adult life and ten years ago I edited a book on US-Latin American Relations. Last, but not least, I am a Visiting Professor in Miami which is as good a place as any to examine the interface between the US and Latin America.

If there is any region in the world where the US might expect to be hegemonic it is Latin America and the Caribbean. However, the classic period of US hegemony was in fact limited to the Caribbean Basin – the islands and the smaller countries on the Caribbean litoral – for a sixty year period that ran from the end of the Spanish-American War in 1898¹ to the downfall of Batista in Cuba at the end of 1958². 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 Arbenz in Guatemala in 1954 was perhaps the most egregious example³.

In the rest of Latin America, US influence was always much more limited. The US, for example, could not stop the nationalisation - some would say expropriation – of Mexican oil in 1938. It was unable to persuade Argentina to declare war on the axis powers when it really mattered⁴. It had no influence on the state-led import-substituting policies that undermined US exports to many parts of South America. Last, but not least, it could not stop the formation of the drugs cartels in response to the growth of demand in the US itself.

The United States did intervene from time to time, as in the support it gave for the military coup against President 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 its own “backyard”. Nor was the US able to broker a face-saving deal for the Argentine military following the invasion of the Falkland Islands in 1982.

The end of the Cold War did not signal a re-engagement with the region, but rather a decline in interest. The creation of NAFTA⁵ and the UN-supported invasion of Haiti in 1994⁶ marked the high point of engagement with the region under President 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 offered the next one an excellent opportunity to improve relations with Latin America. Furthermore, the early signs were encouraging. Bush emphasised his former role as Governor of Texas, a border state with many people of Latin American descent⁷, 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 US had no more important bilateral relationship than the one with Mexico⁸.

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 Paraguay⁹ was cited as a possible funding source for international terrorism, an attempt was made to link Cuba to the proliferation of weapons of mass destruction¹⁰ and illegal migration to the US – 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 response from Washington DC, 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 resented¹¹. Support was only forthcoming from a handful of small states and from Colombia, dependent on the US for the success of its counter-insurgency strategy¹².

Anti-Americanism, present in the region in various forms since the mid 19th century, reached alarming proportions. It was fuelled also by the rise of the left in South America, since the anti-American tradition has been stronger on the progressive wing of politics in recent decades¹³. The rhetoric was pumped up several degrees by President Chávez in Venezuela, following the attempted coup against him in April 2002. Although the US did not plan the coup, it seems highly likely that the Bush administration had advanced knowledge and failed to inform the Venezuelan authorities. Certainly, unlike many South American governments, the US did nothing to condemn the attempted overthrow of a democratically elected leader¹⁴. This left a sour taste, which President Chávez has ruthlessly exploited ever since.

The low point was reached in September 2008, when President Morales in Bolivia expelled the US ambassador for allegedly interfering in internal affairs. Venezuela followed suit. Not to be out done, the president of Honduras, one of the few countries the US can usually count on for support, refused to accept the credentials of the United States 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 Bush left the White House as the most despised US President 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 (PTA)¹⁵ were reached with Central America 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 the drug traffickers. And Bush remained a strong supporter of the Colombian government's fight against the FARC and the drug traffickers¹⁶.

The New Context

The negative perception of the Bush administration in Latin America might seem to provide President Obama with an opportunity to improve relations. However, this time it 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 things that matter to the region, it will not be easy for the incoming administration to deliver.

This became clear during the presidential campaign. Neither candidate wanted to talk about immigration policy – an issue of major importance to the region – because of its sensitivity. John McCain did not want to be reminded of his failure to broker a deal in Congress on comprehensive immigration reform, while Barack Obama 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 their detailed policy plans. A search for Latin America and the Caribbean in John McCain's website produced little more than rhetorical support for Cuban exiles and the frequent misspelling of Colombia¹⁷. Obama at least made some specific commitments, including removing all restrictions on visits and remittances by Cuban-Americans to their families on the island¹⁸. However, it included some policies 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 Colombian elections and opposing a PTA with that country on the grounds that trade unionists are routinely assassinated.

Obama also insisted that the US 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 seem 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 I now turn.

The region to which President Obama will address himself in the next few years has changed dramatically from the one faced by his post-war predecessors. Latin America and the Caribbean is now much more assertive, less subservient and determined to seek a new relationship with the developed world – including the United States. There are, of course, nuances and these will be examined in due course, 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 powers have been greatly weakened in recent years. Although in a geographical sense the countries south of the Río Grande are still in the US sphere, geography no longer determines destiny. The region sells its commodities and services around the world, it receives inward investment from a growing array of countries and bilateral Preferential Trade Agreements link the countries of the region to a large number of partners outside the Americas. For the first time in decades, Latin America has enjoyed a prolonged period of fast growth with low inflation and a balance of payments surplus¹⁹.

This exceptional economic circumstance, although now deteriorating, 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 not only able to use its own considerable muscle to influence policy but did so also through international and regional bodies over which it exerted great power. The international institutions included the IMF and the World Bank while the regional ones included the Inter-American Development Bank (IDB) and the Organisation of American States (OAS).

The international institutions now have little influence in Latin America. That could change, but it is likely that countries in other regions will present far more pressing demands on the limited resources of these institutions in the next few years. Latin American countries have used the economic bonanza of the last few years to repay loans and the IMF in particular has become a despised institution in many quarters (not just Venezuela)²⁰. The World Bank is not held in such contempt, but the middle-income countries of the region do not figure very high in its priorities even if their demand for loans were greater than it has been.

The 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 US 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 US after its creation in 1948 – has become almost insubordinate. Member states favoured the Chilean socialist José Miguel Insulza over the preferred US candidate from El Salvador in the last election for Secretary-General.

The favourable economic circumstances that the region has enjoyed since 2003 are now in decline. It could be argued that this might provide an opportunity for the US to reassert its authority. However, the economic circumstances have deteriorated even more dramatically for the US itself, so it is not clear how it could turn this situation to

its own advantage. In any case, it takes no account of the changed political circumstances in Latin America which we must now address.

To understand this change, we have to 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 five per cent in GDP per head. During the region's debt crisis, however, GDP per head dropped by 20 per cent in several countries with the fall concentrated in one or two years.

The debt crisis 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.²¹ 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 things with which the left in Latin America was deeply associated: import-substituting industrialisation (ISI) and state-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: globalisation.

Thus, democratisation favoured the right and the centre-right. They were no longer supporters of Import-Substituting Industrialisation 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 D.C.. That is why these policies – privatisation, 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 GATT and later its successor, the WTO. Rather than waiting for other countries to lower tariffs, trade liberalization was adopted unilaterally. Regional integration schemes were revived or new ones started²². Inflation, the scourge of Latin America before the debt crisis, was brought under control. Fiscal deficits were reduced and capital inflows surged.

From 1990-7, 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. Latin America – as in the 1980s – now looked once again like a basket case.

The swing of the pendulum spelt disaster for the right and centre-right governments that had implemented the Washington Consensus. The beneficiary this time was the left and centre-left. By now these parties, movements and leaders had jettisoned the old ideas of import substitution and to a lesser extent state-led development 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 within the ruling coalition that had governed Chile since the return of democracy in 1989²³. Then came the victory of Lula 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 - scalp in Paraguay in 2008²⁴. At the end of last year, sixteen of the 20 republics had left or centre-left governments and only four (Mexico²⁵, El Salvador, Colombia and the Dominican Republic) had right or centre-right governments. And one of these – El Salvador may well move to the left in the March presidential elections.

This swing was brilliantly timed from the left's point of view. Since 2003, Latin America has 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 exceeded three per cent in all of the last five years (including 2008). 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. The two things about which North Americans and Europeans have fretted in recent years – high energy prices and high food prices – helped Latin America greatly.

High commodity prices strengthened government finances and allowed a big increase in social spending²⁶. That is why the left continued to win elections in countries as varied as Argentina, Brazil, Chile 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 the swing of the pendulum will doubtless claim a few scalps in the next few years. First, US recession is bad for Latin American growth and will also lead to a reduction in remittances on which so many countries depend. 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 deceleration 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, accusations of corruption – previously aimed mainly at right-wing politicians - are now levelled against the left and centre-left. There are also problems of fragile institutions in several countries, notably Bolivia²⁷. The indigenous population is now better organised and demanding a greater share of resources²⁸.

We should not, however, exaggerate. This is not 1982 or 1997²⁹. Latin American economies are expected to continue to grow beyond 2008 helped by Asia (assuming it stays out of recession), commodity prices that have fallen but will still be high by historical standards and strong fiscal positions. Still, it would be surprising if there was 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 Venezuela³⁰. 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 ALBA³¹. Politically, also, Chávez is unusual. He shot to prominence as an army officer in a failed military coup in 1992 against a democratically elected government (albeit very corrupt). His instincts are deeply authoritarian, although he has – just about - played within the democratic rules of the game³².

More important is that Chávez and Lula are not hostile to each other. Venezuela was invited to join MERCOSUR at Brazil's behest 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)³³. 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 outside 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 D.C., but it would be a mistake to assume 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 ambitions³⁴.

It is true that, if Hugo Chávez quits the political scene at the end of his current term of office (1907-2013), there is every likelihood that strident anti-Americanism in the region will become less shrill. However, 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.

Recommendations for Future US Engagement

There are many policies open to the new administration that will have an impact on Latin America even though they are not specifically aimed at the region (stress this point). Perhaps the most positive of these is the climate change framework that may emerge out of the international negotiations at Copenhagen at the end of the year, since it 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. Perhaps the most negative would be an increase by the US in domestic protection. Much of President Obama's election material on Latin America made recommendations that 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.

Partnerships require partners and the US 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 US will need to be cautious about building a strategic relationship with other potential partners. Argentina, a country with which the US has had a difficult relationship on frequent occasions in the last 150 years, is most unlikely to furnish the complementarity of interests that the US needs. Colombia, on the other hand, will continue to need US support in its counter-insurgency campaign, but the US would be unwise to imagine that this unequal relationship could serve as a model for the rest of the region.

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 both Mexico and the US 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. 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 its own relationship with the US³⁵. Yet Mexico is a better partner of Central America than the US is of Mexico. The language of the US 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 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 US 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 European Union (EU) is a good place to look, but the EU does not of course 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 of these problems and the US 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 – and here I include Panama - 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 this 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, full membership of the G-8 and a presence in other international fora. To demonstrate its *bona fide* credentials, Brazil is leading the UN mission to Haiti (MINUSTAH) and has peacekeepers elsewhere. 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.

These are all aspirations the Obama administration should welcome and embrace. It means 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 US 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 so much more

favourable. And without multi-party democracy, President Obama would be hard pressed to justify dropping the trade and other restrictions the US currently imposes on Cuba.

However, there is one issue on which the US could act unilaterally that would have a dramatic effect on the bilateral relationship and would reverberate round the world – especially in Latin America and the Caribbean. 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 US holds the territory in the first place. This lease, together with Bahia Honda on the north coast, was agreed to by Cuban politicians in 1903 following the humiliating Platt Amendment which Cuba was forced to accept in 1902 in return for independence (“sovereignty” would be too strong a word). The lease was explicitly linked to the need for coaling stations for the US navy at a time when the US was preparing to launch its audacious bid to build a transoceanic canal.

The US navy long ago ceased to use Guantánamo Bay for the purpose stated in the lease, but the Cuban government cannot cancel the lease unilaterally (it refuses to cash the check for a few thousand dollars that the US Treasury sends each year). The return of the territory would be as dramatic an illustration of a change of policy as the decision by President Roosevelt to return Bahia Honda to Cuba in 1934 as part of the Good Neighbor Policy³⁶. 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.

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 it had no military significance. See Humphreys, R., *Latin America and the Second World War, 1942-5*, Athlone Press, 1982, p.196.

⁵ 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.

⁶ 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 US intervened. See Hallward P., *Damning the Flood: Haiti, Aristide and the Politics of Containment*, Verso, 2007.

⁷ Outside Latin America, it is common to refer to Latin Americans in the US as Hispanics. However, strictly speaking this refers only to those of Spanish descent so Latin Americans prefer to use "Latinos".

⁸ This took place during a state visit by President Vicente Fox. Those British officials present were said to be in a state of shock!

⁹ 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.

¹⁰ 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.

¹¹ 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.

¹² 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.

¹³ Not always, of course. Under President Carter (1977-81), it was right-wing military governments that sometimes displayed anti-Americanism.

¹⁴ 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.

¹⁵ 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.

¹⁶ The US 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, recognising that in many respects they are one and the same.

¹⁷ "Columbia" (sic)

¹⁸ These had been tightened by President Bush. However, Obama's proposed relaxation goes beyond the *status quo ante* as it would remove **all** restrictions on family visits and the amount of remittances.

¹⁹ This period began in 2003, since when Latin American GDP growth has averaged over five per cent per year. See ECLAC, *Preliminary Overview of the Latin American Economies*, Santiago, 2008. It is not possible to say at this stage what the impact of US and European recession will be on the region.

²⁰ It is particularly loathed in Argentina, where it is widely blamed for the depth of the financial crisis at the beginning of this decade.

²¹ It is correct to speak of a "return" to democracy since many countries had been democracies before they became military dictatorships (e.g. Brazil).

²² Those revived include the Central American Common Market (CACM) and the Andean Pact (now renamed the Andean Community). The new ones were MERCOSUR, whose first members were Argentina, Brazil, Paraguay and Uruguay, and of course NAFTA.

²³ Since the return of democracy, 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.

²⁴ Paraguay had been ruled through the Colorado Party by General Stroessner from 1954 to 1989. At that point 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 United States and other outside powers. When a radical former Catholic bishop was elected President in 2008 in free elections, Paraguay entered uncharted territory.

²⁵ And Mexico, it should not be forgotten, came within a whisker of electing a radical left-wing president in August 2006.

²⁶ 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.

²⁷ Bolivia is locked in an existential struggle over economic rents from hydrocarbons that is pitting the highlands against the lowlands. Since most of the indigenous population lives in the highlands, there is an ethnic dimension to this struggle as well.

²⁸ Not only in Bolivia, but also in Chile, Colombia, Ecuador, Guatemala and Mexico.

²⁹ These were the years that ushered in financial crises that led to economic stagnation.

³⁰ This argument has been developed among others, by Jorge Castañeda (Foreign Affairs, September/October 2008) and Michael Reid (*Forgotten Continent: the Battle for Latin America's Soul*, Yale University Press, 2007).

³¹ PetroCaribe allows countries in the Caribbean to pay for oil imports at concessionary rates through subsidised loans. All net energy importers in the region except Barbados have joined. ALBA is a more formal institution created by Venezuela, Cuba and Bolivia which now also counts Dominica, Honduras and Nicaragua among its members. It emphasises 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.

³² He was defeated in a plebiscite in December 2007 in his attempt to amend the Constitution. The proposed amendments included removing the limit on the number of times a president could be re-elected.

³³ 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 US to justify intervention.

³⁴ 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 they can legitimately aspire to hegemony. They have been very consistent (and quite successful) in pursuit of this goal despite changes of government.

³⁵ 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.

³⁶ As part of the Good Neighbor Policy, President Roosevelt also returned to Cuba the other naval station (Bahía Honda) it had acquired under the Platt Amendment.