LESSON 6
U.S. Interests in Latin America

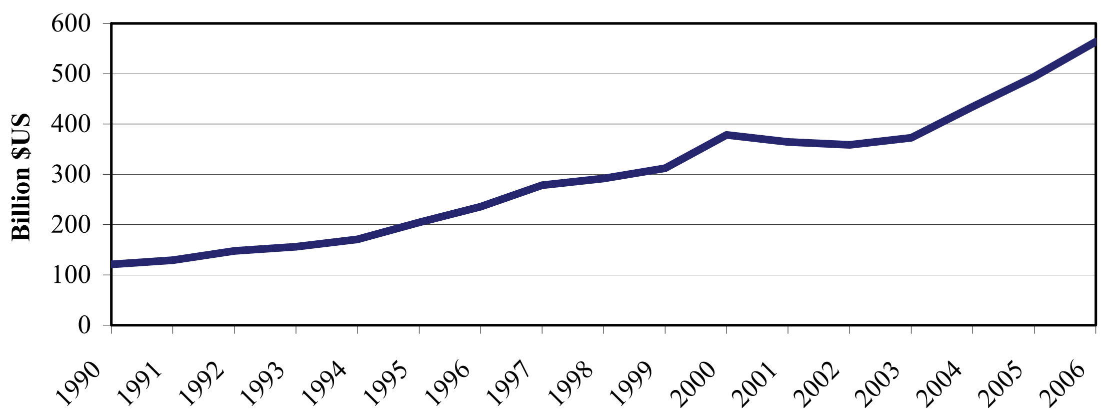
The United States has long been involved in Latin American affairs. As discussed in *Latin America in Transition*, some in the Americas have referred to the United States as the "hovering giant" or the "colossus of the north." Nevertheless, U.S.–Latin American relations have often taken a backseat to other U.S. foreign-policy priorities. For example, when President George W. Bush came to office in 2001, he promised to move Latin America to the top of his foreign-policy agenda, but the September 11th terrorist attacks on the United States and a downturn in the U.S. economy forestalled this commitment. This lack of focus on the region has occurred even as U.S.–Latin American economic and social ties have grown. Here, we focus on four important U.S. interests in the region: 1) trade and investment; 2) the drug trade; 3) immigration; and 4) Cuba.

TRADE, INVESTMENT, AND REMITTANCES

(insert at the top of page 140, before "Drugs")

Trade and investment have long been important U.S. interests in Latin America. In the 1990s, total U.S. trade with Latin America grew rapidly, largely due to the economic reforms undertaken by many Latin states coupled with an expanding global economy (see Chart 1). Growth in U.S.–Latin American trade slowed at the turn of the century due to the slowdown in the global economy; however, growth resumed in 2003, as Latin American economies began to show strong growth and the U.S. economy expanded. In 2006, 21 percent of U.S. exports went to Latin America, while 18 percent of U.S. imports came from Latin America.

Chart 1: U.S.-Latin American Trade



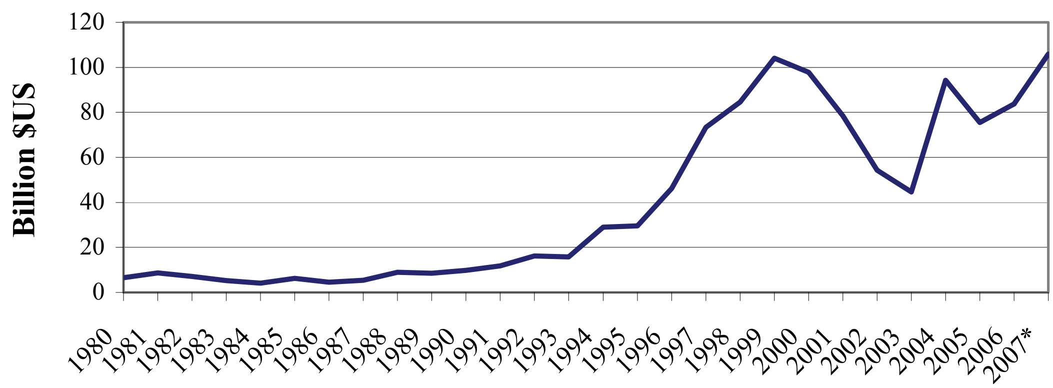
Source: IMF, Direction of Trade Statistics Yearbook, 1990-96; IMF, Direction of Trade Statistics Yearbook, 2004; IMF, Direction of Trade Statistics Yearbook, 2007.

Click here for larger version of chart.

Total U.S. trade with Mexico has quadrupled since the approval of NAFTA in 1993.[1] The United States now exports more to Mexico than to any other country except Canada.[2] The United States has also signed free trade agreements with a number of other Latin American countries since the turn of the century; however, negotiations on the Free Trade Area of the Americas (FTAA) have not progressed as much as the Bush administration would like. Even more, a new generation of center-left Latin leaders has argued that Latin Americans need to address poverty and inequality as much, if not more, than trade (see the updates for Lessons 2 and 3).

Foreign direct investment (FDI) in Latin America also reached record heights in the 1990s, driven by the market openings seen throughout the region, especially the massive privatization of state-run industries (see Chart 2). However, a significant downturn in FDI started in 2000 and continued through 2003 because of a slowing in the privatization programs, as well as the poor performance of the U.S. and European economies. It has gone back to record highs since this time, as economies have expanded and demand for Latin American commodity products has boomed. The United States remains by far the largest single investor in Latin America, although European countries such as the Netherlands, Spain, and France have also made significant investments. It is important to note that the lion's share of FDI in Latin America in recent years (81 percent between 2003 and 2007) has gone to five countries—Argentina, Brazil, Chile, Colombia, and Mexico—primarily because of their large economies, rich natural resources, and substantial industrialization.

Chart 2: Foreign Direct Investment Inflows into Latin America 1980-2007



Source: UNCTAD, FDI Database, 2007; UNCTAD, World Investment Report 2007; *ECLAC, Foreign Direct Investment in Latin America and the Caribbean 2007.

Click here for larger version of chart.

Remittances from Latin Americans working in the United States and elsewhere are an important source of revenue for many of the region's families. Total remittances for 2007 were over $66 billion.[3] In a number of countries, they were the top source of foreign income, bringing in more money than either the top export or tourism. Some 4 million Central American families receive money from relatives living abroad, and, in the poorest four states (Nicaragua, Honduras, Guatemala, and El Salvador), remittances account for between 10 and 25 percent of GDP.[4] Mexican remittances were estimated at $24 billion in 2007, with eighteen percent of Mexican adults receiving dollars from family members living abroad (the vast majority living in the United States).[5] It is important to note that the 2008 slowdown in the U.S. economy, especially in the construction industry, coupled with tighter immigration enforcement, considerably lowered the amount of remittances being sent home.

THE DRUG TRADE

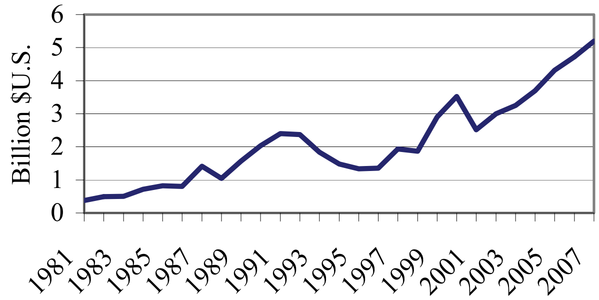
(insert on page 141 before "immigration")

As discussed in the update for Lesson 2, the persistence of weak political institutions, corruption, socioeconomic injustice, crime, and violence has led some Latin Americans to question whether democracy is the solution to the region's political problems, or whether a stronger hand is needed. Even more, a number of governments face warlike battles against disloyal, often interrelated, opposition groups, including drug traffickers, rebel movements, criminal gangs, and paramilitaries. The drug trade is at the heart of these concerns. Indeed, with $322 billion dollars in illegal annual revenues globally, the drug trade remains a major concern not just in the Americas, but throughout the world.[6] In Latin America, Bolivia, Colombia, Mexico, and Peru have been major drug producers for decades. Transshipment, or the shipping of drugs through a country and then on to the United States or Europe, presents a significant challenge throughout much of the region. On the demand side, drug use has remained steady in the United States, and has increased in Europe and Latin America in recent years. Despite some fluctuations, prices have fallen and purity has often risen.[7]

Supply. Almost all the world's cocaine comes from Bolivia, Colombia, and Peru, with Colombia alone producing two-thirds percent of the global supply, and 90 percent of the U.S. supply.[8] Although most of the world's opium is grown in Asia (especially Afghanistan), Colombia and Mexico are the primary suppliers to the U.S. market.[9] Roughly half the world's marijuana supply is grown in the Americas, with Mexico and the United States thought to be the world's largest producers (although practically every country in the hemisphere produces the drug). And the United States and Europe produce most of the world's synthetic drugs, such as amphetamines, methamphetamines, and ecstasy, though production has increased elsewhere around the world in recent years, including in Mexico and Central America.[10]

Latin American countries, generally in collaboration with the United States and sometimes with the help of the European Union or individual European states, have undertaken numerous initiatives to curtail the supply of drugs. The United States has focused its assistance on crop eradication and beefed-up military and policing efforts, including the extradition of drug kingpins to the United States; to a lesser extent the U.S. has funded crop substitution and other alternative development schemes. The Europeans have placed more emphasis on alternative development programs. As a whole, the various measures taken to reduce supply have not been able to lower the production or transshipment of drugs. Indeed, cocaine and heroin prices on U.S. streets declined by more than half between 1990 and 2005, despite a doubling of U.S. international drug control spending, as noted in Charts 3 and 4.

Chart 3: U.S. Spending on Interdiction and International Drug Control



Source: Washington Office on Latin America, 2004; ONDCP National Drug Control Strategy 2008.

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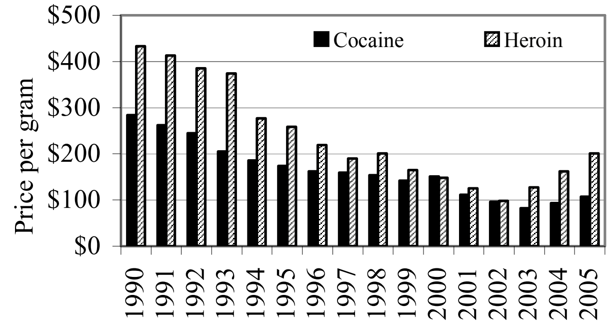
Chart 4:U.S. Retail (Street) Drug Prices



Source: UNODC World Drug Report 2007.

Click here for larger version of chart.

Economics helps explain these troubling statistics. For example, increased law enforcement efforts have resulted in major seizures and the extradition of drug kingpins, but the tremendous profitability of the drug trade means that drug traffickers quickly bounce back from these setbacks. Similarly, though crop substitution programs can help poor farmers shift production from coca, opium, or marijuana to other cash crops, drug crops are often much more profitable, creating an economic incentive for impoverished farmers to shift back to or keep growing illegal yields. In addition, such alternative development schemes have often been woefully inadequate in addressing overall development needs. Finally, large-scale eradication efforts, such as the aerial spraying of herbicides, have been countered by planting smaller patches of crops that are difficult to find, and shifting cultivation to other areas or countries. Latin American governments also face opposition to destroying drug crops through spraying because of environmental and health concerns, and the fact that legitimate crops may be destroyed as well.

As the principal drug-consuming state, the United States has also undertaken unilateral initiatives to try to curtail the production of drugs. For example, beginning in the mid-1980s, the U.S. Congress required the president to “certify” that countries were cooperating in the U.S.’s “war on drugs.” Decertified countries lost U.S. aid and risked losing access to international loans. However, a main effect of this process was to reinforce the image of a bullying, drug-consuming, and drug-producing “hovering giant” imposing its will on its Latin neighbors. In response, since 2002 the certification of countries has been waived in favor of letting the president identify the major drug-producing or drug-transit countries, and single out those countries which have “failed demonstrably” in meeting international drug-fighting obligations. In his 2007 report, President Bush identified fourteen Latin American states as drug-producing or drug-transit countries. Of these, only Venezuela was singled out for having “failed demonstrably” to adhere to international narcotics agreements. However, Venezuela was exempted from sanctions due to U.S. national interests.

It is also important to note that coca has long been a traditional crop in the Andes, being chewed as a way to ease hunger and increase stamina. Only in recent decades has coca been processed into cocaine. Today, coca is used throughout the area in medicines, teas, and other products. Indeed, efforts to eradicate coca have stirred resentment. For example, in the early 2000s, Bolivians grew discontent with President Gonzalo Sánchez de Lozada, largely because of his strong support for U.S.-backed coca-eradication efforts. Popular discontent led to many protests, often led by the head of the coca growers' federation, Evo Morales. By October 2003, Sánchez de Lozada had been forced to resign; in 2005, Morales became the first indigenous person elected to the Bolivian presidency. He has tried to formulate a new coca policy for his country, using the slogan "yes to coca, no to cocaine." Bolivia has both cooperated with the U.S. on cocaine seizures, and presided over increased coca production.

Demand. Because of the poor results in undermining the supply of drugs, many people throughout the Americas have concluded that the only way to slow the drug trade is by lowering the demand for drugs in the United States, Europe, and elsewhere. However, taking on the demand for drugs requires a hard-to-assemble combination of political will, money, education, treatment, and prevention. The United States has focused its efforts on domestic law enforcement and the incarceration of traffickers and users, but has also tried public health initiatives to help young people stay off drugs, as well as programs to treat drug users. European efforts have varied, but have generally focused more on public health approaches. In some cases, such as Portugal and the Netherlands, governments have worked to reduce the harm caused by drugs through decriminalization and regulation. Results have again been poor. Use remains steady in the U.S., even though the U.S. spends $14 billion annually to incarcerate traffickers and users, and has risen in Europe.[11] Over half the inmates in U.S. federal prisons are there for drug offenses.[12]

Increasing demand in Latin America has also become a serious problem. Brazil, for example, is now the world's second largest cocaine-consuming state, after the United States. The use of "paco," a highly addictive smokable cocaine, has soared in Argentina and Uruguay in recent years. Chile, Jamaica, Mexico, and other countries also face growing consumption problems. Reponses have varied, especially given the different resources, institutional capabilities, and political orientations of the governments. One of the offshoots of increased use in Latin America has been to add even more fuel to the skyrocketing crime and violence associated with drugs in the region.

Finding New Solutions? While there has been a diversity of initiatives to control the supply and demand of drugs, the drug trade remains a tremendous and growing challenge in the Americas and throughout the world. In Latin America, stepped-up efforts in Mexico against the country's powerful drug cartels were initiated by the new Calderón administration in 2007. These efforts significantly increased the number of drug-related killings to over 2,500 annually, with traffickers easily smuggling major weaponry in from the United States. Weak Central American and Caribbean states are ill equipped to deal with a sharp rise in gang activity tied to the drug trade, with many gang members having been trained while immigrants to the United States. Gang violence in Brazilian slums (*favelas*) can resemble outright warfare, and the government often has little control in these areas. In possibly the region's most critical case, Colombia, a civil war has entered its fifth decade, bankrolled by drug profits. Thousands of civilians in the country continue to be killed each year, and tens of thousands more are forced from their homes. Drug traffickers in Latin America are often so confident of their overall ability to bribe officials and get their products through that they risk sending huge quantities in boatloads, even as seizures and other drug-control efforts increase.

Many have called for stepped-up efforts and increased regional and global coordination in addressing the drug trade, hoping that strengthened and cooperative steps to undercut supply, provide for alternative development, and lessen demand can turn the tide in the battle against drugs. [13] Some, such as former U.S. Secretary of State George Shultz (see the *Latin America in Transition* video), have also called for new mindsets that reshape the market. While debate rages over how best to deal with the drug trade, it continues to fuel guerrilla movements, paramilitaries, crime, and corruption in the Americas and elsewhere.

IMMIGRATION

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In 2008, there are approximately 45 million people of Hispanic descent living in the United States, accounting for roughly 15 percent of the U.S. population.[14] In fact, in 2002 Hispanics became the United States' largest minority group, and they continue to be the fastest-growing minority population.[15] Most Hispanics living in the United States are U.S. citizens; many others enter the U.S. legally from Latin America to work, go to school, or be with their families. Still, almost a quarter of Hispanic adults in the United States have entered the country illegally.[16] In 2008, it is estimated that 11-12 million illegal aliens live in the United States, with 78 percent being from Latin America.[17] Most have come to better their lives economically; many had difficult immigration journeys.

Mexico remains the single most important country in the immigration issue. Since the mid-1800s, the United States has alternatively encouraged and discouraged migration from Mexico. In the 2000s, however, illegal migration from Mexico is a significant concern. Of the 11-12 million illegal aliens in the United States, it is estimated that 56 percent, over six million people, are Mexican.[18] Each year, hundreds of Mexicans die as they take dangerous routes into the United States, and over one million are apprehended by U.S. border patrol agents.[19]

Concern over illegal Mexican immigration has led to a number of significant responses in recent years. Since the 1990s, border control efforts have been greatly expanded. States have undertaken efforts to limit the social services offered to illegal immigrants. In 1993, one of the main arguments in support of the North American Free Trade Agreement (NAFTA) was that it would slow Mexican immigration to the United States by creating jobs in Mexico. So far, however, the opposite has been the case. Mexican farmers have been especially hard hit as they have been forced to compete with giant U.S. agricultural businesses. Many farmers, as well as others, have migrated illegally to the United States in search of better-paying jobs.

Upon coming to office, President Bush and Mexican President Vicente Fox quickly developed a good personal relationship. By August 2001, the two countries were negotiating a broad immigration agreement. However, after the September 2001 terrorist attacks heightened concern about the security of U.S. borders, the negotiations were cut off. Immigration reform, and Latin American affairs in general, moved down on the U.S. foreign policy agenda.

In 2006, President Bush led a bipartisan effort to address the immigration issue. In a speech to the country, the president argued that the vast majority of illegal immigrants are decent people who are part of American life; that the United States needs to put in place stronger border security measures; that a temporary worker program needs to be established that would both meet the needs of the U.S. economy and allow for legal immigration; that employers need to be held accountable for the illegal workers they hire; that it is unwise and unrealistic to round up millions of illegal immigrants and send them home; that illegal immigrants in the United States should, after paying their debt to society for breaking the law, be able to apply for citizenship; and that the success of the United States depends on helping newcomers become part of U.S. society.

Opponents, many of them congressmen from the president's own party, were focused primarily on securing the border. They strongly criticized the president's plan to open a path to citizenship for the 11-12 million illegal immigrants already in the United States. They called this path "amnesty" and said it rewarded people who had broken the law. Opponents also argued that illegal immigrants strain public schools and social services, and take jobs away from Americans. Some expressed concerns about the changes that have occurred in U.S. communities since the 1990s, when an upsurge in illegal immigration began. In the end, President Bush was not able to get the legislation through Congress. Still, given the importance of the immigration issue, it will remain high on the U.S.–Latin American agenda.

CUBA

(insert on page 144, before "Conclusion")

With the loss of support from the former Soviet bloc after the Cold War, Cuba initiated some free-market reforms, including opening its economy to tourism and allowing some foreign direct investment. However, by and large the economy remained mostly state-controlled and inefficient. Fidel Castro's repressive government stayed in power. In recent years, the country has benefited from Castro's friendship with President Hugo Chávez of Venezuela, who has provided significant oil and other economic assistance. Still, many Cubans remain in poverty. After Castro stepped aside from office because of illness in 2006, his brother Raúl took over as president. Raúl Castro has taken renewed, but tentative, steps toward opening the country to the outside world, such as allowing for broader mobile phone usage and the import of DVD players.

The Bush administration continues to maintain essentially the same policy toward Cuba that has guided the United States since the early 1960s. Almost all forms of contact between the two countries are severely restricted. The U.S. objectives remain promoting the end of the communist regime and moving Cuba toward free markets and democracy. Many Cuban Americans remain insistent that this U.S. policy continue; however, some have begun to speak in favor of a change in policy, especial younger Cuban Americans. Many U.S. politicians have also voiced opposition to the U.S.'s Cuban policy over the years. One expression of this dissent occurred in May 2002, when Jimmy Carter became the first U.S. president, current or former, to visit Cuba since Fidel Castro took power. During this trip, Carter met with Castro and political dissidents. He also made a historic, uncensored speech to the Cuban people. Would an economic opening by the United States toward Cuba push the island toward democracy and free markets? Or should the United States continue to isolate Cuba in an effort to undermine Raúl Castro's government? These remain important questions for Cuba, the United States, and the rest of the Americas.

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