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## **“South America and the U.S.: How to Fix a Broken Relationship”**

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Office Building**

**House Committee on Foreign Affairs**

Mr. Chairman distinguished Members of the Committee:

I am much honored to have been invited to testify on the important subject of U.S. South American relations.

Relations between the U.S. and the South American nations have had a troubled history, in which the vagaries of U.S. foreign policy have generated through the years disappointments and sometimes exasperation. Decades ago, these feelings motivated a distinguished statesman to brand the U.S. an “uncertain ally”.

I mention this, because in the period from 2003 to 2006, Latin America as a whole turned in its best performance in a quarter of a century, both in economic and social terms. The U.S. has played a vital role in this trend. Furthermore, thanks to the Free Trade Agreements the U.S. has concluded with some Latin American countries, which are presently awaiting Congressional approval, the American role may become even larger.

Data from the Economic Commission for Latin America and the Caribbean (ECLAC), shows that between 2003 and 2006, over 18 million Latin Americans were able to escape from the poorest ranks of society. This is a tangible testimony of falling unemployment, improved income distribution, and a strong upswing in the number of jobs, notable in some South American countries, among them Colombia and Peru.

### **Trade and growth**

Growing trade opportunities lie at the core of such economic and social advances. And trade, precisely, has been a chapter in which the U.S. has kept constantly engaged since 1983 through various free trade programs such as the Caribbean Basin Initiative (CBI), culminating with actual Free Trade Agreements, namely with Chile, D-Cafta, plus the ones with Colombia, Peru and Panama. It is crucial that the latter three agreements, as it

was with Chile and D-Cafta, receive Congressional approval for the benefit of millions of more Latin Americans and of course American producers and consumers.

This is a promise the U.S. cannot afford to abandon or circumvent, particularly in Colombia, without incurring costly negative consequences. As we all know, until only a few years ago, a democratic Colombia was on the verge of being lost amidst the chaos and extreme violence generated by drugs and drug related terrorism. Thanks to the resilience of the Colombian people and the sustained backing of the U.S. through the Plan Colombia as well as the able leadership of President Alvaro Uribe, the country has begun to turn the tide in this decades-long battle.

It is difficult to even imagine the levels of stress that extreme violence has imposed on Colombia's society, with no exception.

Of course, it is imperative to address the mistakes and abuses committed in fighting this terrible war, as the Colombian people are doing vigorously as part of the checks and balances of their democratic system. It is indeed encouraging that the Colombian authorities are responding with increased resources to strengthen the fight against impunity, to support the protection of labor leaders, and to increase the accountability of public officials for their links with radical groups.

### **Global interests**

And there is, above all, together with the undeniable progress made by Colombia in recent years, the steadfast support this South American nation has given the United States in the war against terror. Providing Colombia better trade opportunities with the U.S. and with resources to continue the struggle against drugs and narco-terrorism, is key for the reinforcement of democracy in that embattled country. Denying this would send a terrible signal to America's friends, and very good news to its foes all over the world.

Let us not lose track of the fact that there is indeed a battle going on in Latin America, a battle for democratic rule, for human fundamental rights, a battle of the hearts and minds of the young and many others. The challenge to the values which are central to our civilization comes from regimes outwardly democratic but authoritarian in substance and practice.

### **Venezuela and Iran**

President Hugo Chavez does not fool many any more as to the true nature of his ideas and practices. The coming into power of this Venezuelan leader, and his project to export his kind of revolution is a well known story. What is not widely known is Chavez's current role in aiding and abetting Iran to expand its presence in Latin America and the Caribbean. In the not too distant future, such a presence may pose a major threat to stability in the region.

It should be added that after his electoral victory last December, Chavez has intensified his authoritarian rule at home rule by going after the independent media. This campaign has led to major blunders, such as silencing the television channel RCA-TV, a step which has generated world-wide condemnation and numerous, almost daily, protests in Caracas mainly from university students.

Given this background, it is in the best strategic interest of the United States to do all it can to consolidate and strengthen the political and economic gains of its friends and allies in the Hemisphere. It would be a serious mistake to weaken these governments by depriving them of crucial support and thus provide fertile ground for radical populism. The U.S. should continue and expand its engagement in Latin America in a creative way. This is the only approach that can yield sustainable results in the quest for democratic and social improvement in the region.

### **Frustration**

Prior to the current trend of economic growth, particularly during the 1990's and early in the present decade, feelings of frustration and hopelessness had a pervasive effect in the general attitudes towards democracy, free markets, political and legal institutions, and even in regard to the United States as the main point of reference for those values. Countries with strong democratic traditions and functional institutions, as well as nations with reasonable growth and adequate social policies, have coped better with this tide of pessimism. Others have found ways to channel frustrations through legitimate political change, but the most fragile democracies risk floundering.

### **Bolivia and Ecuador**

Bolivia and Ecuador come to mind as examples of the latter. Vast majorities of their populations are indigenous people who feel left behind. They sense the large gap between expectations about the benefits of democratic rule versus the concrete lack of improvement in their standards of living. This dire situation is deeply rooted in the past. Given the changes the political system has undergone, they rightly expected a better outcome from democracy.

Added to this historic and social background is the intensity of present complications deriving from the weaknesses of public institutions as well as from more visible social tensions in those countries.

Deep divisions along regional, ethnic and economic lines—frequently evidenced in the political parties' platforms, structure and the kind of popular support they gather—are well-known features of the Bolivian and Ecuadorian political environments. Regional antagonisms have encouraged political parties usually incapable of compromising with each other and political leaders with a very narrow space to maneuver. Such features have nurtured an increasing radicalization of positions rendering agreements among

parties more difficult to achieve. A proliferation of small parties, many of them created exclusively to serve as bargaining tools, has made it more difficult to articulate stable majorities in Congress.

Today, both countries, under pro Chavez leaders, are still on the road of populism without a certain definition. Both are a work in process.

### **The Chávez Conundrum**

Venezuela's case shares some traits with Bolivia and Ecuador, but differs in some important areas. The widespread dissatisfaction with the lack of improvement in the wellbeing of millions of poor people in a country rich in natural resources was a key factor in the rise to power of Hugo Chávez. But in addition, and perhaps even more important, was the fact that the majority of its citizens had lost faith in the corrupt political parties which governed Venezuela during four decades, which in turn led them to elect as President the unrepentant leader of a failed military coup.

While in office since 1999, Chávez has increasingly and systematically drifted away from democratic procedures. The trend has become more pronounced as he has gradually suppressed the opposition, imposed drastic limits to fundamental freedoms, seized private businesses, and embraced Fidel Castro.

From the beginning it has not been an easy task to deal with this complex situation. However, things have worsened considerably due to mistakes made in the overall handling of the coup that briefly ousted Chávez from office in 2002. Rhetorical confrontations with Chávez have not been helpful for the U.S. In the last two years the Administration has taken a positive turn by not engaging Chavez in such confrontations. The truth of the matter is that Chavez craves and seeks to provoke confrontations because it enhances his image among some sectors of the Venezuelans and other nations. At the same time, it diverts attention from his actions and is an easy way to avoid a serious assessment of his misdeeds by other countries in the region which could evolve into a peer-pressure difficult to withstand.

In the meantime, Chávez has been doing his best to gain political weight in the region. High oil prices have helped him immensely in this endeavor. Taking advantage of the huge oil windfall, he has been busy negotiating agreements with Caribbean nations for the supply and refining of oil at very attractive prices. He has also started his own multinational news outlet—TeleSur—to promote his views against U.S. policies, in particular free trade agreements.

### **Policy and Actions**

Yes, the U.S. should be more engaged in Latin America. But engagement needs content, a forward-looking succession of actions capable of yielding sustainable results in terms of Democracy and economic growth coupled with social improvement. It is the only approach that can bring a modicum of stability to the region. Let me suggest some options:

• **Strengthen institutions.** Democracy, rule of law, respect for human rights, economic growth and international trade are based on and highly dependent on the strength of the institutional framework of a given society. The weakness of key institutions such as political parties, the Judiciary, or the Parliament, is at the root of the most serious problems faced by several Latin American countries. To build institutions is always difficult, and more so after dictatorships have damaged important parts of the social fabric. It takes resources, time, patience, and expertise, which sometimes are lacking in a particular country. Nevertheless, there is no more important task than to help nations in transition towards democracy achieve:

- An independent and capable judicial system, which is essential to promote growth, to ensure respect for human rights and to fight corruption
- Modern Parliaments, including capabilities for an informed and effective decision-making process and consistent and responsible pro democracy political parties. The National Endowment for Democracy, the National Democratic Institute and the International Republican Institute have made outstanding contributions to this end throughout the Hemisphere and their work becomes even more essential at the present juncture.
- Property rights that provide the bedrock for investment, entrepreneurship, and encourage the leveraging of assets by the poorer strata of society
- Education and health systems

• **Foster positive trends.** The bright spots in Latin America should be highlighted. There are many good things Latin American countries have been doing which deserve support and encouragement. Three examples come to mind:

- Countering poverty head-on, with innovative, ambitious and successful programs such as Bolsa Família, in Brazil, and Oportunidades, in Mexico. Both are Conditional Cash Transfer schemes (CCTs), which provide modest monthly stipends to poor families that commit to send their children to school and have their health monitored on a regular basis. Such programs give families a lifeline and at the same time stimulate the creation of human capital through better educated and healthier young people. This way entire families become seeds for breaking the poverty cycle over time. The Brazilian program benefits some 7.5 million families and the Mexican initiative 5 million families.
- Trade agreements which improve access of the Latin American countries to the U.S. market are commendable. However, we need to bear in mind that in Latin America many view statements made by developed economies about the virtues of free trade contradictory to their subsidies, quotas and tariffs that prevent poorer countries from exporting agricultural goods in which they have a comparative advantage. This open chapter demands greater attention by the U.S. and its European partners.
- A helping hand for growth. Even with opportunities for trade, the poorest countries confront obstacles for which they require a helping hand. The recently announced programs on bio-fuels (in conjunction with Brazil) and to provide financial help to small businesses are steps in the right direction. Likewise, the Millennium Challenge Account (MCA) and the Millennium Challenge Corporation (MCC), created with bipartisan support, are a forceful and

commendable idea. There have been, as we all know, concerns about the speed of the process but some glitches are to be expected when launching such an important initiative.

- **Better use of existing institutions.** Strengthening national institutions and fostering positive initiatives demands involving the Inter-American and international institutions that operate in the region. Whether in the realm of public health (Pan American Health Organization), agriculture (Inter-American Institute of Cooperation for Agriculture), political and democratic issues (Organization of American States), or financing for economic stability or development (International Monetary Fund, World Bank and the Inter-American Development Bank), multiple resources can play an important role in the fulfillment of the most pressing needs of Latin America. As an example, experts of those institutions could assist countries that have qualified for the MCA to prepare adequate proposals for sound technical projects with considerable social benefits. Of course, some of those entities carry the heavy baggage of bureaucratic vices. But their involvement can and should be on an ad-hoc basis and under strict rules of accountability.

- **Expand student and youth exchanges with Latin America.** The task is a long term endeavor, and a good starting point would be to substantially increase the scholarships for Latin American students in the U.S. at different levels, namely, high school and university plus special visits for young leaders and new faces in Latin American politics. The number of young American visitors to Latin America also should expand under existing or new programs.

Finally, with the goal of building a better region, more prosperous and with greater opportunities for all, the Latin American nations have laid down important foundations and they continue to work hard at it. Nevertheless, a helping hand from the democratic superpower is always appreciated. This does not necessarily mean financial backing. As outlined above, the to-do list for the U.S. is far more wide-ranging and following it would greatly contribute to reaffirm its relations with the overwhelming majority of friendly countries it has in the region. More intense cooperation in the form of true Inter-American diplomacy is the best strategy.