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Reshaping U.S. Foreign Policy in the 90's: a View from the Periphery

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**RESHAPING U.S. FOREIGN POLICY IN THE
90'S: A VIEW FROM THE PERIPHERY**

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SINOPSE

O término da Guerra Fria impôs profundas mudanças nas relações internacionais. Neste contexto, o redirecionamento da política externa americana terá forte influência no novo cenário que se delineia.

Este estudo procura analisar — dentro da ótica americana — quais seriam os principais fatores que deverão afetar o novo relacionamento dos Estados Unidos com as outras nações.

A primeira parte do trabalho considera os diversos interesses de setores específicos da sociedade americana. Como tentam influenciar a condução da política externa, alterações que estão ocorrendo dentro de sua estrutura governamental e que, também, terminarão por caracterizar o relacionamento dos Estados Unidos com o resto do mundo. A segunda parte analisa a atual política americana para com a América Latina, dando ênfase à tendência de formação de um bloco econômico regional que, futuramente, poderá vir a incluir o Brasil.

I. Introduction ¹

The capacity to understand U.S. foreign policy is important for anyone interested in world affairs. In the specific case of Latin America, such knowledge acquires greater relevance due to the implications American actions historically have had in the Western Hemisphere, and their consequences for the region's development.

The end of the Cold War presents the United States with some very complex decision-making alternatives. A year after the U.S. victory over Iraqi forces in Desert Storm, American euphoria is sharply reduced, and there is now a strong uncertainty about the role it will play in the new world scenario.

There is no questioning the importance of the United States in world economics and politics, and several factors will influence the reshaping of American foreign policy. On the one hand, there is a need to address some important domestic economic problems (eg. the U.S. budget and trade deficits; lack of competitiveness vis-a-vis other industrialized countries; increasing income inequality). On the other hand, there is a common concern that, even with the end of Cold War, several U.S. interests abroad — in both the security and economic arenas —, will be maintained. How those two conflicting objectives will be accommodated is a major concern not only to the American people, but for almost everyone in the world. The question, for many, is whether these problems will be addressed through isolationism or, on the contrary, by means of a more aggressive international presence.

This study is a broad effort to foresee which foreign policy goals the U.S. will pursue until the end of this century, its major constraints, and their links with Latin America. Considering some specific patterns of the American policy-making process and the fact that its foreign policy is mainly a result of several institutional views and interests, special attention is given to different U.S. perspectives of its own role in the world.

The end of the Cold War is expected to generate major changes on U.S. policy vis-a-vis its southern neighbors. A reduction of American geo-political interest in the region is, at the same time, feared and welcomed by Latin American nations. American interventionism has never been well accepted in the region. In more than one occasion U.S. perceptions about its security needs aborted national efforts toward socioeconomic development.² But one can also argue that, in the event of an expected increase in world protectionism and the proliferation of regional economic blocs, the political and economic links between the United States and Latin America will acquire more relevance to both regions. The North American Free Trade Agreement (NAFTA) and the Enterprise for the Americas Initiative (EAI) signal this new regional approach.

In many points the changes perceived are mainly a continuation of President Bush's policy towards Latin America. The phasing-out of Central America and the Caribbean as major security subjects of U.S. foreign policy is regarded as a positive step by most Latin American nations. Although the Iran-Contra scandal played an important role in this shifting, it can be argued that such a policy movement was also an attempt to accommodate some new perceptions about U.S. security interests in Latin America in the post Cold War era.

The first section of this paper presents some perceptions about the U.S. role in world politics after the Cold War. The results of the November Presidential election may alter them, but it is not believed that they will drastically modify U.S. foreign policy, particularly regarding Latin

¹ A previous draft of this paper was presented on June, 1992, at the Advanced Seminar on the U.S. Foreign Policy Process, held at University of Maryland, College Park, sponsored by the Ford Foundation.

² U.S. military and covert interventions in Latin America reached the figure of 86: 43 interventions in the 19th Century; 32 in the first half of the 20th Century; and 11 during the Cold War (Guatemala in 1954; Cuba in 1961-1962; Dominican Republic in 1961 and again in 1965; Bolivia in 1967; Chile in 1971-1973; Nicaragua, Honduras and El Salvador during the 80's; Grenada in 1983 and Panama in 1989).

America.³ The growing share of economic concerns over security will also be briefly analyzed, as some possible international reactions toward American foreign policy. Trade issues, which are expected to become the most important subject in U.S.-Latin American relations, will be discussed in the second part of the study. The establishment of a North American Free Trade Agreement (NAFTA), and its possible extension into a "Pan American Free Trade Area" will be analyzed in more detail, as well as the two other "Enterprise for the Americas Initiative" (EAI) components, namely debt relief and investment incentives.

II. The End of the Cold War

December 1991 presented the world with one of the most astonishing facts in modern history: the end of the Soviet Union, after its defeat in the Cold War.

The consequences of this historical phenomenon are still unclear. Scenarios are being drawn by many. Some are very optimistic, with nations collaborating with each other in a non-ideological and increasingly interdependent economy. Others suggest that the end of the bipolar system will cause an increase in nationalism and ethnic rivalry, in a world where the major powers will not necessarily be able (or willing) to intervene.

The first and obvious consequence of the collapse of the Soviet Union is that the United States is now *the hegemonic power* in the world. Many theoretical approaches can be applied to the present situation, as the fact that the superpower concept is a bipolar one, and other nations will necessarily react against the existence of a sole hegemonic — or imperial — player. The "need to accept" a smaller role in a new multilateral arena, in which countries such as Japan and Germany (or groups of nations, as the European Economic Community — EEC) will also have a relevant position is being strongly supported not only outside the U.S., but even within parts of its own society.

The non-existence, up-to-now, of a clear American strategy to face the latest changes in world's politics is being considered, by many, as an incapacity to deal with a new state of affairs in which the capitalist-communist struggle has already lost its momentum. Others believe that, due to some specific realities the United States is now facing — a combination of a long-lasting recession and a Presidential election — major policy changes are being somewhat delayed.

To many observers, the present Administration's policy is exactly one of avoiding the acceptance of new realities (obligations) in a non-ideological world, playing what may be called the "billiard game".⁴ In such a model you have a very large ball (the United States), a couple of mediums (Germany and Japan) and several small ones. The larger ball will always direct the others, the objective of the game being to avoid the mediums and/or smaller balls playing together against the larger one. Inherent in this "theoretical approach" of U.S. foreign policy is an absence of ethical values (what matters is order, not justice), since it does not give any importance to what is happening inside the balls, but only to their movements on the billiard table.

The above simplification of American self-perceived interests allows us to draw some scenarios for the "chess game" of world politics. It is also necessary to note that, apart from any conceptual definitions about the future of U.S. role in the international arena, the end of the Cold War is increasing the influence of "pragmatic policies" in its foreign affairs.⁵

³ *The results of the November election might generate deep changes domestically if one party succeeds in electing the President and, at the same time, obtains the majority in the House of Representatives, ending with 12 years of divided government.*

⁴ *The "billiard game" model was described by Prof. Ivo Daadler, from University of Maryland, in a lecture on March 19, 1992.*

⁵ *American pragmatism in dealing with the post-Cold War is being explained in several ways. The conjunction of a recession and an electoral year — with its own society increasingly questioning the need for a strong role in world politics — is a major point. The non-existence, in the White House, of influential foreign policy ideologues is often*

International relations during the Cold War era were dominated by bipolar nuclear deterrence. The ideological conflict between the United States and Soviet Union was an element of stability not only in the international level, but also in U.S. domestic policy. The need to confront communism was a paradigm well accepted inside American political system. Both Republicans and Democrats supported this views. This paradigm also gave credibility to U.S. military interventions in its perceived spheres of influence, in the same way it did for Soviet Union.⁶

The end of the Cold War is requiring a new system of conflict control. American self-perceptions about its role in the world will strongly influence it. The five scenarios presented below are an effort to foresee the forces and pressures now taking place inside American society.

i) **The hegemonic unilateralism (or the Pentagon perspective):** the United States won the struggle against communism and now wants the spoils of war⁷.

Such a view gives priority to the defeat of former Soviet Union and its allies. According to its supporters, U.S. victory was due mainly to its own efforts during the last 45 years. As a consequence, there is nothing more natural (and acceptable) than America becoming the major beneficiary in a new world order.⁸ The United States will play the role of "policeman of the world", and the others should act according to its perceived interests. Continuing threats of terrorism and the potential spread of ethnic conflicts will require special attention.

In order to guarantee such a scenario, the U.S. should not greatly reduce its military strength, and also should maintain the regional balance of power around the world (eg. Russia vs Germany vs France & Great Britain in Europe and China vs Japan in Asia, and so on). The failure of communism will also lead to discredit the last social-democracies, and neo-liberal economies will prevail.

The future of the North Atlantic Treaty Organization (NATO) is of great concern in such a scenario. Although the collapse of the Soviet empire will necessarily modify the role of the Atlantic Alliance, the existence of NATO would remain important to maintain peace and order in a larger "westernized" Europe.

As questioned by Jeane Kirkpatrick⁹, "What, after all, is the point of a U.S. military presence to defend Europe if there is no one against which to defend it? What is the point of a U.S. presence to defend a Europe capable of defending itself?" In her own words, "the United States has no appropriate role in many aspects of this European reconstruction. However, its participation in three wars (two hot, one cold) has demonstrated that Americans have a substantial stake in the relations of European states with each other and with the rest of the world... It is true that NATO is not needed to protect Western Europe against the Soviet Union. But it may be very useful in protecting the new democratic republics of Central and Eastern Europe from one another, and in providing the sense of

mentioned as another. State Department's Secretary James Baker is by many defined as a pragmatist bureaucrat. Secretary of Defense Dick Cheney and National Security Advisor Brent Scowcroft "low-profile" role is explained by both their personal character and the non-existence, up to now, of a clear security strategy for the U.S. in the post-Cold War era. Such a perspective has the advantage of avoiding misleading paths during a period marked by so many structural changes, but has also the danger of becoming an "ad hoc" policy, just reacting to surging problems.

⁶ e.g. Soviet Union invasions in Hungary, Czechoslovakia and Afghanistan; American interventions in Latin America and Vietnam.

⁷ This perspective was very clear during meetings with Department of Defense officials in February 1992. In the same month The Washington Post published a "leaked" Pentagon document (February 17, 1992) foreseeing seven hypothetical conflicts: Panama, Persian Gulf (twice), Korea, Philippines, Baltic nations and a not defined R.E.G.T. (Resurgent/Emergent Global Threat).

⁸ The concept of a "New World Order", was initially invoked by Bush and Gorbachev in 1989-90, in the context of the end of the Cold War. As defined by B.S. Prakash ("The Defining Moment: U.S. Self Perceptions about its Role in the World", published by University of Maryland, June 1991, pp. 10), it is both normative and descriptive, as it is seen "as the reality of a "New World" which has already come into being; or as a goal to be attained, a "new order" yet to be realized.

⁹ See The Washington Post (1992, p. A19).

security within which they can thrive. The most important lesson of the long Cold War in Europe is perhaps that alliances can be even more useful in preserving peace than in fighting war".

This approach has the obvious support of the military-industrial complex, which is being under fierce attack by the press and political activists. To date, it had succeeded in avoiding major cuts in the Government's non-nuclear arms expenditures, in part due to the recession,¹⁰ but also to the non-existence of a clear U.S. foreign policy.

The major weakness of such a proposal is quite obvious: will the United States have economic strength to pursue its goals, and at the same time maintain the security engagements directly derived from them?

Although for many such a tradeoff is exactly the major constraint in the future of U.S. role in the world, the influence of the security complex over economic and political decision-making should not be oversimplified¹¹. And, as it always has been the case, bureaucracies, including the military, work primarily for their own interests, other objectives being secondary, particularly when they feel themselves threatened.

The United States role as "policeman of the world" is well known in Latin America, a region with high geo-strategy relevance during the Cold War period. U.S.-Latin America trade relations might not be directly affected by the hegemonic vision, but issues such as drugs and environment will become quite delicate.

In an evolving world economy as the one of the 90's, the hegemonic approach might imply serious damages for the development of non-traditional sectors in the Third World. Sensitive technology exports will remain subordinated to security considerations, narrowing the possibilities of non-industrialized nations seeking autonomous development strategies.¹²

- ii) **Positive (or idealistic) foreign policy:** the United States has finally beaten the "evil empire", and will now support world's peace efforts, focusing its security interests in dealing with "resistance pockets", such as Cuba, North Korea and Vietnam, and guaranteeing peace in strategic regions, as the Middle East and parts of former Soviet Union. This perspective is very similar to the previous scenario. Its major difference is placed in the level of justifying intervention as a good (or necessary) thing to do.

A deviation of the principles that have driven American foreign policy up to the end of the 19th Century, this approach have the characteristic of subverting the noblest ideals of the Founding Fathers. As mentioned by David C.

¹⁰ *The House of Representatives Armed Services Committee has already earmarked \$ 274 billion for defense in 1993. The arms industry has great competence in obtaining support from Congress. As NewsWeek (June 30, 1992, pp. 30) states, "Congress is backing this expenditure because too many members think of their country only as the sum of its special interests. What counts in this game are defense jobs for their states and their districts local payrolls and votes, not the national economic security".*

¹¹ *The following figures show the relevance the Department of Defense has over the American economy:*

- a. 1991 budget: almost 5% of the Federal budget (\$ 291 billion);
- b. four million employees (2.1 million military personnel);
- c. over 15 million contracts on goods and services every year;
- d. 500 military installations outside the U.S.

¹² *The March 1991 report of Office of Science and Technology Policy lists the following technologies as essential to the "long-term national security and economic prosperity of the United States": aeronautics; applied molecular biology; ceramics; composites; computer simulation and modeling; data storage and peripherals; electronics and photonics; energy; flexible computer integrated manufacturing; high-definition imaging and displays; high performance computing and networking; high performance metals and alloys; intelligent processing equipment; material synthesis and processing; medical technology; micro- and non-fabrication; microelectronics and optoelectronics; photonic materials; pollution minimization, remediation, and waste management; sensors and signal processing; software; surface transportation technologies; and systems management technologies.*

Hendrickson,¹³ "...This role of American in the new world order represents a marrying of two opposing traditions in American foreign policy, though without the limitations characteristic of either. The tradition represented by Thomas Jefferson and Woodrow Wilson entertained grand ambitions in the world but was equally insistent on achieving these ambitions through measures short of war. The tradition represented by Alexander Hamilton and Henry Cabot Lodge eschewed grand ambitions and insisted that foreign policy be tied to the pursuit of limited national interests; at the same time it saw the need for military preparedness and believed that military force would remain the great arbiter of conflicts among nations". According to him, "President Bush's vision of foreign policy embraces both universal aspirations and military force. It is an authentic offspring of both traditions, but one from which each parent would have recoiled. It offends the Hamilton-Lodge tradition by virtue of its universalism; it offends the Jefferson-Wilson tradition by virtue of its reliance on force".

The inter-relations between the hegemonic power concept and the idealistic one are quite clear. If joined together, these perceptions narrows the "acceptance scope" of U.S. foreign policy towards positions held by other nations, especially the ones with low comparative strength, as it is the case of Latin American countries.

The worst thing one can be, in such a world, is a fundamentalist with an atomic bomb. The remaining Latin American leftists are not welcome, either.

- iii) **Praetorian multilateralism:** this is, for many, the most likely scenario in the near future, since it accommodates the interests of all the major powers. The United States will maintain its predominant role, but divide some of the derived obligations and benefits with its most influential allies (Germany — or EEC — and Japan in the short-run and possibly Russia and China in a longer perspective).

An important component of this scenario is the success of GATT's Uruguay Round, which is perceived as crucial to ease U.S.' trade difficulties: a larger market to its agricultural, high technology and service exports. In the security sector, great priority would be given to a strong reduction in world's nuclear arsenal, by means of "inducing" minor players to refrain from acquiring such weaponry.

The accommodation of other developed countries interests allows the U.S. to deviate part of the economic resources previously spent in the security sector — the so-called "peace dividends" —, to address domestic needs.¹⁴

The Gulf War is often mentioned as a best example, with America leading 26 other nations in a military effort to guarantee free access (at low cost) of oil supply for everyone, including itself.¹⁵ If at the beginning of the conflict most developed nations opposed financially supporting the U.S. military effort, they finally agreed to back most of the war costs.¹⁶

A modern version of the old "concert of nations", the new multilateralism derives from changes on U.S. perceptions and interests in world politics. For the first time since the beginning of the Cold War, the U.S. is considering the United Nations as an important forum to negotiate and discuss international affairs. The

¹³ See Rosecrance (1992, pp. 55-56).

¹⁴ Increasing poverty in inner cities; growing budget and trade deficits; relative loss of industrial competitiveness; structural problems in the educational and health sectors, etc.

¹⁵ The United Nation Charter, prohibiting one country to invade and/or occupy another, as Iraq did with Kuwait, is often given as the main reason for the war. But the same does not apply for Serbian invasion of Bosnia and Herzegovina, for example.

¹⁶ According to Time Magazine (May 12), the war costs for the allies (\$ 61.6 billion) were divided as follows: Saudi Arabia: \$ 16.84 billion; Kuwait: \$ 16.06 billion; Japan: \$ 10.01 billion; United States: \$ 7.46 billion; Germany: \$ 6.4 billion; United Arabs Emirates: \$ 4.09 billion; others: \$ 280 million.

appearance of new subjects in the international arena, which, in principle, are better dealt in a multilateral body as the United Nations (eg. human rights, environment and terrorism) supports this view.

The end of the ideological polarity in the U.N. Security Council is the most important fact underlying this change. The U.S. is being able to successfully implement important policy measures through decisions taken within the Security Council, what would not be conceivable just a few years ago. The economic sanctions to Libya, approved on April, 1992, are a good example. Russia, Great Britain and France voted with the United States, and China decided to abstain, thus not using its veto power¹⁷. The Gulf War, with 26 countries fighting against Iraq under American umbrella can be considered the best result of U.N. "new role" in global affairs.

There is also a feeling that the U.N., as other multilateral institutions, can better support American objectives by inducing the players to act according to U.S. self-perceived interests. A new role for the United Nations in minor political crisis in the periphery (as peace-making, besides peace-keeping) would reduce opposition against U.S. interventions in other nations' domestic affairs. The end of the bipolar system also put in check the cohesive idea that the U.S., in order to contain the spread of communism, had the right to intervene everywhere.

A deviation of the new multilateralism, specially drawn for dealing with North-South relations, is the so-called modular multilateralism. As stated by Feinberg and Boylan, "it is *multilateral* in that it involves many players coming to the table at the same time, and *modular* in that the particular actors at the table at any one time will shift according to the issue at hand. ...Modular multilateralism is offered as an elastic framework for understanding and shaping North-South cooperation in the sphere of economics. It assumes diversity among participants as well as variety among issues".¹⁸

- iv) **America First:** this perspective has a strong electoral appeal, although opposed by most American elites. This isolationist approach is also influenced by the end of the Cold War, but in different ways than the previous scenarios. It can be simplified in one sentence: "since America won the struggle against communism, it should now look inward and take care of its own problems". In the economic side, protectionism is expected to predominate.

The isolationist approach is well represented in the most conservative side of the Republican Party, by Pat Buchanan, and on the left wing of the Democratic Party by Tom Harkin. Very interesting to note, Pat Buchanan succeeded in receiving around 30% of the votes at most of the G.O.P. Primaries, while Harkin withdrawn from the Democratic Primaries after only a few races.¹⁹ Another candidate seen as isolationist is dark horse Ross Perot.²⁰ In less than two months suggesting he could become a third party nominee, he was able to surpass both Bush and Clinton in popular preferences.²¹

"America First" clearly confronts free-trade principles. Tensions are expected to increase on the international level, in particular in U.S. relations with nations maintaining large trade surpluses with America, as Japan and other Asian NIC's.

¹⁷ China's voting in the Security Council was regarded as a retribution to President Bush courtesy vetoing a congressional law approved last March, conditioning China exports to the U.S. under GATT's Most Favored Nation clause (MFN) to human rights respect.

¹⁸ See Feinberg and Boylan (1992, p. 19).

¹⁹ It must be pointed out that the Democratic Party had five candidates at the initial Primaries, while the G.O.P. had only two. Besides, voting for Buchanan was also regarded as a protest against Bush's economic policy, strongly questioned during a long-lasting recession.

²⁰ In a public speech given on June 8, 1992, Perot positioned himself against NAFTA. His main argument was that the Agreement would generate a transfer of low wage jobs from the U.S. toward Mexico.

²¹ Polls conducted for Time-CNN and Newsweek in the first days of June put Perot 13 and 2 percentage points in front of Bush and Clinton, respectively.

According to a survey conducted by the Gallup Organization ²², the most important foreign policy goal of the United States, for the American public, should be "protecting the jobs of American workers". This approach received 65% of public support. With 63% of public support ran closely in second the idea of "protecting the interests of American business abroad".

Isolationism also confronts the idea of establishing a FTA embracing all Americas, needless to say about NAFTA. Besides, it shall affect other issues of U.S.-Latin American relations, such as illegal immigration, environment, human rights and drugs. ²³

Economic reality doesn't allow America to unilaterally reduce its role in international affairs. The growing importance of transnational corporations for the U.S. industrial sector makes even impossible to determine exactly what is "made-in-America".²⁴ The increase on American exports in recent period — which more than doubled in the last five years ²⁵ —, shows that the United States is effectively being able to market its products. Finally, American trade structure — based on imports of traditional goods, labor-intensive or standardized, and exports of agriculture and high technology products, besides services —, is strongly dependent on the "multilateralist world" established during Breton Woods.

But, if such a scenario prevails, public enemy number one will be a Japanese with a \$ 300 lap-top P.C.

- v) **Regional retrenchment:** in contrast to the previous scenarios, the regional approach is a defensive one, reacting to an eventual increase on European and Asian protectionism.

The reasons underlying "America's First" also apply here. In "regional retrenchment" American foreign policy will not be much different than in the previous scenario, except the one for Latin America. Derived from the theory of regional economic blocs, it clearly opposes the multilateral perspective. It adapts the balance of power game so popular in the Old World, but in a new conceptual approach. Political ideologies loose their momentum to "economic" spheres of influence, which are now defined in regional terms.

Often mentioned as a second best option in the case of a failure in the negotiations now taking place in GATT's Uruguay Round, this perception strongly influences the two single components of the present Administration policy towards Latin America, which will be analyzed in more detail in the next chapter: NAFTA and EAI. As noted by Mark B. Rosenberg, "Bush plan has been motivated by a genuine U.S. concern for the specter of global trading blocs and the possible exclusion of the United States". ²⁶

The five scenarios presented are not static. They are not excludable, either. It is not believed that one scenario, as drawn here, will completely prevail over the others. A policy basket, including elements of all perspectives, is likely to dominate U.S. foreign policy during the present decade.

²² See *The Chicago Council on Foreign Relations Report* (1991, p. 15).

²³ *Idem*, pp. 11 and 36. According to 30% of the American public, drug abuse and the budget deficit are the biggest problems facing the country today. 47.3% of the black population and 29.3% of the white one favor use of U.S. troops to intervene in other countries even if their governments will not cooperate to control problems of illegal drugs.

²⁴ A poll conducted by the *Wall Street Journal* in February 1992 shows that, from the six best-selling cars in the U.S. — including General Motors, Ford and Chrysler built ones — the one that had more American components and labor was Honda Accord.

²⁵ In 1991 alone American exports increased by 7,5%, reaching \$ 422 billion. This figure permitted the U.S. to regain the position of world's leading exporter, which it had lost to Germany in 1989.

²⁶ See Rosenberg (1991, p. 2).

The American political system is a peculiar one, especially when dealing with foreign policy. The White House has the initiative in conducting the country's external relations, but each decision reflects the predominance of a specific group (or groups) of American elites over the others. Hence, interest groups participating in U.S. policy-making (and thinking) do not necessarily share similar views. Not surprisingly, the hegemonic unilateralism, also denominated the "Pentagon perspective", has a strong appeal in the military and in the arms industry. Due to a need to address constituency interests, "America First", as the positive or idealistic foreign policy, are found easier in Congress. Parts of the academic community, plus some regional and sectoral groups, support the idea of regional retrenchment, while the State Department and other U.S. Government bureaucracies have a tendency to act accordingly to the so-called praetorian multilateralism. Although it is impossible to foresee which view will prevail in the near future, there is no doubt that it will depend on both domestic and international events.

Domestic interests exert strong pressure over foreign policy everywhere. The United States could not be different. But American foreign policy has also some very specific patterns. Similarly to its domestic policy making, the foreign policy process is a result of internal disputes in a divided and fragmented political system. The end of the Cold War is also highlighting an old dispute in U.S. foreign policy making: the one between the security and the economic complex.

The basic instrument of modern American foreign policy is the National Security Act of 1947. It created the National Security Council (NSC), the Central Intelligence Agency (CIA) and a coordinated military under the Secretary of Defense and the Joint Chiefs of Staff. The structure of the system — also called *the security complex* — is a direct result of World War II and the struggle between American capitalism and Soviet communism.

The secondary role international economics had played over the U.S. economy during the first years after the War — Western Europe and Japan destroyed, Third World countries seen as commodities exporters, and a very low trade dependence — was important for the establishing of the system. America was able to grow by itself, and its perceived role in the international arena was basically to confront communism. These perceptions gave the security complex some specific peculiarities. It is centralized and relatively free from external pressures. It is also strongly influenced by the individual beliefs of its most prominent officials.

The NSC and the Departments of Defense and State have been defining American foreign policy in the last 45 years. The predominance of one of these institutions over the other two depends heavily on the personal strength and political links of their heads. During Kennedy's years, for example, the most influential official was the Secretary of Defense, Robert McNamara. During Nixon and Ford's period it was Henry Kissinger, first as Assistant to the NSC and after as Secretary of State. Cyrus Vance was very influential during Carter's Administration, but also was the Assistant to NSC, Zbigniew Brzezinski, a close adviser of Carter's. During Reagan's Administration both the Secretaries of State (Alexander Haig and George Shultz) and of Defense (Caspar Weinberger and Frank Carlucci) were influential, to the detriment of the Assistant to NSC, in part due to the high rotation of the position (six Assistants: Allen, Clark, McFarlane, Poindexter, Carlucci and Powell). Finally, during President Bush first three years in office the influence of James Baker, III, first as Secretary of Treasury and than as Secretary of State, is partially explained by his longstanding relationship with President Bush.

The economic complex is a less rigid system. Initially designed by the Keynesian Employment Act of 1946,²⁷ it is strongly linked with the memories of the 1930's Great Depression and the New Deal policies. It is formed by the Chairman of the Council of Economic Advisors (CEA), the Budget Director, the Treasury Secretary (the economic "troika") and the Chairman of the Federal Reserve (the "quadriat"). It also functions in distinct ways than the security complex. Due to its complexity and several spheres of action (trade,

²⁷ The Employment Act also created the Council of Economic Advisors (CEA) and the Joint Economic Committee of the Congress.

finance, macroeconomics) it is less centralized and more open to the influence of other Governmental institutions, as the Secretariat of Commerce and Agriculture, Congress and interest groups. The major focus is the domestic sector, and there is a lack of clear strategy in dealing with emerging situations in the "outside" world.

Foreign policy, during the first years of the Cold War, was a major responsibility of the security complex. The economic complex activities in international affairs were basically to support a relatively free trade system, and to provide resources to foreign aid programs.²⁸ As mentioned by I.M. Destler, "the security complex had the clear lead in international economic policy, which was linked (and subordinated) to political-military interests".²⁹

The creation of the Special Representation for Trade Negotiations in 1962 was a first step seeking to alter the relations between both complex. In an effort to support American interests during GATT's Kennedy Round, today United States Trade Representative (USTR) moved trade issues from the diplomatic level (State Department) to the economic one. The movement was perceived as a recognition of the increasing importance international transactions were acquiring over the U.S. economy, and sought to separate diplomatic from economic goals.

The Cold War did not allow structural changes to occur in the pace expected. The growing relevance of international transactions was widely accepted, but East-West confrontation required American foreign relations to remain subordinated to security concerns. The relatively low importance international trade had (and still have) over the American economy supported this perspective. As Destler notes, "the security complex deals with traditional diplomatic and military issues, giving priority to *foreign* policy goals and relationships. The other — the economic complex — addresses trade and money and finance, with emphasis on their *domestic* impact. ... What has evolved are two professional networks that speak different languages, focus on different variables, and have difficulty communicating with one another".³⁰

There is no communist threat, anymore. The end of the Soviet Union will necessarily increase economic considerations in American foreign policy-making. The security complex will now have to share decision-power with new players, coming from other sectors. American foreign policy will rely more in economic concerns, and maybe moral values, as human rights respect, than in ideological justifications. The question is whether these changes will imply in more or less interventionism in other nations domestic affairs.

On the international front, a natural interrogation is how former Cold War allies (EEC and Japan) will perceive the new U.S. foreign policy, and how they will react towards a more internationalist (or isolationist) approach coming from America. There are several doubts about how American elites will address the present increase of a not very well defined yet isolationism among parts of its own society. If American policy makers fail to minimize this tendency, other countries, including the European ones and Japan, might opt for a more independent policy, in both security and economic spheres. American isolation in the United Nations Conference on Environment and Development (Rio Summit) might be a first signal to this new trend.

Old ideological enemies shall not become a serious problem in the short run. It is not expected that Russia, due to its domestic crisis, will play an aggressive foreign policy role in the years to come. There is concern about Russian minorities (and troops) living in the other C.I.S. and Baltic nations, as well as about the rise of regional conflicts, based on nationalism and ethnic rivalries, as the one now taking place in Yugoslavia. Violence might spread all

²⁸ Though foreign aid is considered the major pillar of U.S. foreign policy, the resources involved are extremely small as compared to military expenditures. Even with the end of the Cold War, defense expenditures are expected to reach the figure of \$ 1.4 trillion in the next five years. From 1945 to 1990 U.S. foreign aid amounted to \$ 390 billion, including the Marshall plan. Foreign aid in 1990 reached the amount of \$ 11.366 billion, the world's largest donor. But, as percentage of its GNP it is placed in 17th, among the 18th most industrialized nations, with only 0.21%.

²⁹ See Destler (1992 pp. 3-4).

³⁰ *Idem*.

over Central and Eastern Europe, as well as in Asia (e.g. Czechoslovakia, Crimea and Armenia), but it is hard to accept that Saravejo will once again put the world in a widespread war. The major question, for the United States and Western Europe, is whether they should avoid being involved on those conflicts, or have instead an active role seeking to minimize them.

China will also maintain itself secluded, trying to manage the existing bias between economic modernization and lack of democracy. Besides, it was an American ally during World War II, and its position in the Asian balance of power does not confront American interests in the region.

Potential players, like Brazil and India, need first to address their socioeconomic backwardness, what demands political capability and time (probably more than one generation) before applying to join the "club".

III. The Regional Option

On January 1st, 1989, the U.S.-Canada Free Trade Agreement (CFTA) signed 15 months before, started to be implemented. On June 27, 1990, the U.S. President launched the "Enterprise for the Americas Initiative" (EAI), proposing a new set of political and economic relations within the Western Hemisphere. In June 1991 the trade ministers of the United States, Canada and Mexico met in Toronto, and formally began negotiation of a North American Free Trade Agreement (NAFTA). Up to now 16 framework agreements on trade and investment have been signed covering all Latin American and Caribbean nations, but Cuba, Haiti and Surinam.³¹ This section intends to briefly discuss each of the proposals above.

- i) **The U.S. — Canada Free Trade Agreement (CFTA):** the U.S. — Canada Free Trade Agreement (CFTA) started to be put into effect on January 1st, 1989. With an implementation period of 10 years, it seeks to eliminate all existing tariffs and non-tariff barriers (NTB's) between the two signatories. Provisions were also made on investment, services and dispute settlement. It establishes, in a very detailed way, the phasing-out of all tariffs in three gradual stages. It has a preamble, eight parts (21 chapters and 150 articles), three letters of intent and several annexes.

The CFTA is not anymore a major issue in American politics. It started to be implemented only three years ago, and overall effects to the American economy are too small to make it a national issue. According to Representative John J. LaFalce, Democrat from New York, while one in each five jobs in Canada depends on its exports to the U.S., only one in each 120 jobs in the U.S. depends on American exports to Canada.³²

Canadians, on the other hand, are extremely concerned with the consequences of the agreement to their economic system, and even to the future of the country as a single entity. To date, a direct consequence of the Agreement is Prime-Minister Brian Mulroney low popularity level.³³ According to Jonathan Lemco,³⁴ serious changes in the Agreement structure — or even its termination by Canada — are expected if Mulroney's Conservative Party loses the 1993

³¹ *Framework Agreements have been signed with Colombia, Ecuador, Chile, Honduras, Costa Rica, Venezuela, El Salvador, Peru, Panama, Guatemala, Nicaragua, Dominican Republic, MERCOSUL (Argentina, Brazil, Uruguay and Paraguay) and CARICOM (Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts-Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad & Tobago). Mexico and Bolivia signed before EAI was announced.*

³² *See Building a Canadian-American Free Trade Area (1987).*

³³ *June 1992 polls in Canada give Mulroney less than 20% of popular support.*

³⁴ *Professor at The Paul Nitze School of Advanced International Studies (SAIS), in a lecture at University of Maryland on March 19, 1992.*

general elections. A pleiad of reasons are given, by the Canadians, to explain the Agreement's lack of popularity in English-speaking Canada:³⁵

- Canada will lose its cultural identity;
- trade with the U.S. is crucial to the Canadian economy, but not the opposite. An increase on the trade relationship will narrow Canadian leverage on other issues, due to the asymmetries involved;
- the Agreement will force trade North-South, instead of East-West, endangering the existence of Canada as a binational country;
- American companies located in Canada will return to the U.S. and simply export to Canada (gains of scale), generating both job losses and a decrease in foreign investment;
- the recessionary period Canada is now facing (partially a consequence of the U.S. recession) is aggravated by the FTA implementation;
- sectoral losses, regarded as structural adjustments inherent to any FTA³⁶ became considerably more severe than previously expected;
- more labor losses, due to Mexican low wage rates.

In order to understand the reduced popular support for the FTA in Canada, the discussions that preceded its approval must be considered. For the Canadians, the main reason to support the Agreement was a fear about the consequences an eventual rise in U.S. protectionism would have in the Canadian economy. Canada's political structure also played an important role. Canadian political system is extremely disciplinable, with the majority party supporting almost all the Administration proposals.

The points above are important to understand a major characteristic of any economic integration policy: political support alone does not guarantee the process' success. Public involvement during negotiation, and the acceptance of the Agreement as a positive national policy option is crucial. Otherwise, any domestic difficulties, as Canada's present recession, might be seen as generated by the integration process.

- ii) **The North American Free Trade Agreement (NAFTA):** the North American Free Trade Agreement (NAFTA) started to be formally discussed on June 12, 1991. The negotiating structure has over 20 groups, and covers trade in goods, services, investment, intellectual property and dispute settlements. The agreement's scope will be similar to the one between the U.S. and Canada, but interests involved are greater, and so are domestic pressures over it.

American objectives in reaching a FTA with Mexico can be divided in two general goals: economic and security ones. The later is the one which places Mexico in a very peculiar position, as compared to other countries in the Western Hemisphere, especially the South American nations. The U.S.-Mexico border, with 1.993 miles and more than 120 million people crossing every year, is by itself an excellent justification for the agreement. According to the U.S. 1990 Census, Mexican immigrants living in the United States more than doubled to 4.4 million over the 80's.³⁷

As mentioned, U.S. interests in reaching a FTA with Mexico go well beyond economic concerns. Americans, in general, are amazed by the fact that NAFTA's proposal was done by President Salinas himself. Mexican's, "for more than a century ... depicted the northern neighbor as a menace to be distrusted.

³⁵ *The Agreement is very popular in French-speaking Canada.*

³⁶ *See, for example, Harris (1984, pp. 1016-32).*

³⁷ *See The Washington Post (1992, p. A19).*

The free-trade initiative required a different mental construct, of a neighbor whose inevitable geographic presence provided an economic opportunity".³⁸ For the first time in their troubled relationship with the United States, Mexicans took the initiative of strengthening the ties with their northern neighbor.³⁹ The move was well received in the U.S., a nation geographically isolated from its European origins. The gradual "Latinization" of the United States, with 7.5% of American population speaking Spanish as first language⁴⁰ played its role in the process.

The end of American-Soviet disputes in Central America is also relevant. Mexico historically had a different perception than the U.S. about American positions on Central American conflicts. Violeta Chamorro's election in Nicaragua; peace talks between the El Salvadoran Government and the rebels; and Cuba's economic crisis are significant pieces in this ideological puzzle.

For the present Administration, the "success" of Mexican economic reforms was the last stone needed to start building a new set of social, political and economic relations with its southern neighbor. Miguel de La Madrid and Salinas de Gortari's drastic changes in economic policy are still astonishing U.S. policy-makers. The understanding, in the United States, is that Mexico not only started to implement economic liberalization as demanded by multilateral organizations (International Monetary Fund and World Bank), but did it in a faster pace than expected, what had a strong positive impact.⁴¹

Bush's Administration has also started to recognize that the previous policy towards Mexico did not solve the major problems in their bilateral relations. It is well accepted that Mexico's new economic policy is not just a consequence of American proposals (or pressures), but also of the country's own perceived objectives. The settlement of common patterns to deal with illegal immigration, drugs, environment, human rights and even democracy is in the interest of both countries. After more than a decade trying to address those problems in an issue-by-issue basis, the United States started to officially recognize their existence as a result of a deeper and more complex socioeconomic situation.

Although all the points above are relevant in the understanding of U.S. new policy vis-a-vis Mexico, the major reasons for such a change are directly linked to the benefits the new Administration perceives as a consequence of closer relations with Latin America.

As Gary R. Edson, General Counsel, Office of the United States Trade Representative, pointed out,⁴² "Already we have seen the benefits of liberalizing trade with Mexico. Since 1986, when Mexico joined the GATT and reduced its tariffs from 100 percent to a high of 20 percent, U.S. exports to Mexico more than doubled from \$ 12 to \$ 28 billion. That doubling of U.S. exports created 320,000 U.S. jobs.

Today our exports to Mexico are growing twice as fast as compared with our exports to the rest of the world. Mexico currently buys fully 35 percent more per person from us than does the far more affluent European Community.

A North American Free Trade Agreement would not only lock in these gains, it would create new market openings for U.S. business. Mexican tariffs are still 250 percent higher than ours. If we can bring them down, dismantle its import

³⁸ Professor Sidney Weintraub, in "An Overview of North American Free Trade: Economic, Political, Social and Environmental Issues", in *North American Free Trade Agreement - Congressional Concerns. Proceedings of a CRS Seminar*.

³⁹ A well known citation in the U.S. is Porfirio Diaz' "Poor Mexico, so far from God, so close to the United States".

⁴⁰ U.S. 1990 Census.

⁴¹ All the American officials interviewed emphasized the fact that Salinas and his top economic team graduated from American colleges, and have a "free-market oriented mind".

⁴² Testimony before the Subcommittee on Trade, Committee on Ways and Means, United States House of Representatives, April 30, 1992.

licensing, export performance regulations, we will improve access to a market projected to have 100 million consumers by the year 2000".

The perception above is also shared, for several reasons, by the business and think tank communities. It is seen as a policy alternative for an unexpected worldwide increase on protectionism, and also as a second best alternative for American industries seeking (or needing) low wage countries to invest. As pointed out by another American official, from the House of Representatives Subcommittee on Trade, the movement of American enterprises to the Pacific Rim has caused serious domestic job losses inside the U.S. Those same losses would be lower in the scope of a FTA with Mexico or other nations in the Western Hemisphere. Latin American countries have the highest "made in America" import ratio in the world ⁴³, what reduces the negative impacts of those capital movements in the domestic economy. Besides, due to geographical proximity and also to established economic links, higher wages (in particular managerial) would also remain in the United States. In other words, there still has a trade-off, but one less damaging to American interests.

Finally, it cannot be forgotten that NAFTA will strongly benefit the border states, including Texas, not by coincidence the home land of President George Bush and former Secretary of State James Baker, III.

The present Administration strong support of NAFTA doesn't guarantee its approval. The negotiations are being held under fast-track authority ⁴⁴, and Congress will not vote the Agreement before the November election.

Some important sectors in the American society strongly oppose FTAs with any low wage nation, especially Mexico. In the specific case of NAFTA, opposition comes from labor unions, fearing wage losses in sectors such as automobiles and other trade protected industries, as textile, steel and sugar.

Environmentalists are also demanding more participation in the negotiations, although they are not acting as a single block yet. Some groups oppose NAFTA with the perception that American companies will move to Mexico with the objective of avoiding stricter environmental regulation in the U.S. Others see the agreement as an intelligent movement to gain leverage in order to improve environmental standards in both the U.S. and Mexico. The two countries willingness to impose safeguard clauses to control environment degradation in Mexico will be a major issue in Congress' voting decision.

There is also concern about Mexican political system. American elites and Congress need to be convinced that NAFTA will definitively bring democracy to Mexico. As mentioned by William Barreda, Deputy Assistant for Trade and Investment at the Department of Treasury ⁴⁵ a major worry for many is whether it is compatible to have a FTA between two large countries with so different political, social and economic systems.

- iii) **The Enterprise for the Americas Initiative (EAI):** in a speech on June 27, 1990, President George Bush launched "The Enterprise for the Americas Initiative" (EAI). As described by Gary C. Hufbauer and Jeffrey J. Schott, EAI is "broadly designed to support democratic governments and market-oriented reforms through a program that will cut trade barriers, promote investment and help reduce debt". ⁴⁶

⁴³ While the average European imports about \$ 30/year of American products, the average Mexican imports more than \$ 300/year.

⁴⁴ Fast-track authority commits Congress to vote only up or down on the entirety of a trade agreement presented to it, disallowing approval of some provisions and not others. Implementing legislation must also be voted with a fixed period of time.

⁴⁵ During a visit to the Department of Treasury, May 8, 1992.

⁴⁶ See Rosenberg (1991, p. 20).

Support of EAI among American elites was rather positive. It represented a sharp movement from previous U.S. Government policies, which focused mainly in the debt problem, with no emphasis in other related issues, such as trade and investment.⁴⁷ EAI has three major policy goals:

- (a) *trade liberalization*: suggests a large free trade area from Point Barrow, Alaska, to Cape Horn. The U.S. — Canada Free Trade Agreement was the first step. The bilateral negotiations being held with Mexico follows it. Incorporation of other Latin American countries⁴⁸ will be the next objective, Chile being the first. Framework agreements on trade and investment shall be the most important instrument paving the way for a future "Pan American Free Trade Agreement" (PAFTA). A sharp reduction on trade and investment restrictions is obviously the first step demanded for nations seeking entrance to PAFTA;
- (b) *investment*: proposes the transformation of the Inter-American Development Bank (IDB) in an additional credit source, besides the World Bank and IMF, seeking to "help Latin American countries to compete for capital by reforming broad economic policies and specific regulatory systems".⁴⁹ The new Multilateral Investment Fund (MIF) goal is to reach \$ 1.5 billion for a five year period. The fund would support measures directed to the modernization of Latin American nations and, doing so, contribute to an increase in foreign investment;
- (c) *debt relief*: intends to restructure and reduce U.S. official credits towards Latin America, if Congress approves specific legislation. These credits amount to \$ 12.3 billion, while Latin America external debt is over \$ 400 billion.

The Enterprise for the Americas Initiative is the first set of political and economic policy proposed towards Latin America since the Alliance for Progress. It also differs from previous strategies in dealing with the debt crisis, as the Baker and Brady plans. Debt reduction remains relevant, but it has a secondary role as compared to the prospects of generating investment opportunities and establishing a PAFTA.

EAI opponents are the same of NAFTA, and they confront the proposal in the same perspective they oppose the agreement: a transfer of low-wage jobs to Latin America, and also in some specific sectors, such as the automobile and textile industry. There is concern about environmental degradation and also some complain about debt reduction. But those questions lose great relevance since the "carrot" shown by the Administration — FTAs with the U.S. — will only be offered after Latin American nations complete their free-market oriented reforms.

There is also a clear hierarchy on the negotiating process: first NAFTA, then a FTA with Chile, and after CARICOM. The greatest challenge, MERCOSUL, will be dealt at the end, unless Argentina decides to negotiate directly with the United States.

The step-by-step negotiation gives Bush Administration clear advantages in both domestic and international levels: it minimizes the potential risk for opposition in Congress,⁵⁰ and at

⁴⁷ The Brady and Baker Plans, launched in 1985 and 1989, were not an attempt to deal with economic stagnation in Latin America. They only sought to minimize the potential risks a multinational default would have for the international banking community.

⁴⁸ Or group of nations, as CARICOM, the Andean Pact and MERCOSUL. As explained by Ambassador Julius Katz, Deputy United States Trade Representative, in a meeting at USTR in May 8, 1992, "it is better to negotiate wholesale than retail".

⁴⁹ President Bush statement launching EAI. Office of the Press Secretary, The White House, June 27, 1990.

⁵⁰ Congressional opposition comes mainly from Representatives elected from states whose constituency might suffer greater job losses due to FTAs with Latin American nations, as the Rust Belt ones and the Carolinas, with their textile industry.

the same time pushes Latin American countries to implement reforms needed, in order to avoid being left out behind the process. In other words: "you have to finish your homework to qualify for the finals".

There is no doubt that the financial support proposed by EAI will not help much in solving Latin America's socioeconomic problems. But EAI must also be seen in a different approach. It represents a sharp change in U.S. interests in the region. Latin America might become, in the long run, an important market to American products. American elites are starting to realize that Latin American development might also increase U.S. economic growth.

Also relevant in this new relation is the perception, by most Latin American countries, that a confrontational approach toward the United States will not help much their own economic problems. The advantages of a default bloc, for example, might be interesting in a historical perspective, but are not seriously considered anymore.

Not by coincidence, EAI fits well in the neo-liberal revolution now taking place all over Latin America.⁵¹ Starting with Chile in the 70's, during the Pinochet regime, this market-oriented movement gained credibility with Mexican President Salinas' reforms in 1989-90, and is now reaching its peak, with Argentine and even Brazilian deregulation and privatization process.⁵²

After losing a decade in the debt-ridden 80's, Latin American nations envisage now free-market policies as the only way to modernize their economies. Technological progress in sectors such as computer science, has also proven the inadequacy of the import substitution model, so popular in the region, in an evolving world economy demanding huge amounts of resources to be channeled into R & D.

Private sector response (including American companies) to the changes taking place now is quite positive. Trade and investment are soaring. American exports to Latin America doubled in the last five years, from \$ 35 billion in 1987 to an estimated \$ 70 billion in 1992.⁵³ American investment in the region is estimated in \$ 55.2 billion,⁵⁴ and is increasing fast. In the last 18 months Latin American financial markets received around \$ 50 billion in foreign investment, although a reasonable part of this amount is believed to be money repatriation.

Regretfully, neither EAI or the liberal movement now taking place address the real causes of Latin American backwardness, as income concentration, an inefficient agrarian sector, and lack of public investment in fields as education and health.

Previous U.S. administrations have seen Latin American proponents of such social policies as leftists, necessarily linked with international communism. At the same time, elites in Latin America have utilized this ideological fear in their own interests, repressing popular movements, in order to maintain the *status quo*.

The end of the Cold War presents the United States with the possibility of having — for the first time in its relations with Latin America — a unique role in supporting liberal movements

⁵¹ Modern history suggests that neo-liberal movements gain momentum during periods of sweeping technological changes. It seems to have been the case of the Industrial Revolution, at the XVIII Century, and at the end of the XIX Century.

⁵² *BusinessWeek* (June 15, pp. 52) lists the following items as the ones needed in order "to modernize in a hurry, Latin style":

1. Privatize everything in sight, from toll roads to sewers;
2. Crush inflation;
3. Slash tariffs to world levels;
4. Open doors to foreign investment;
5. Sign free-trade pacts with neighbors and eventually with the U.S.

⁵³ Latin American exports to the U.S. also increased, but in a lower pace, from \$ 47 to \$ 67 billion in the same period.

⁵⁴ Year-end 1990. USTR's fact sheet about EAI. April 15, 1992.

(what EAI does), and also sociopolitical reforms, indispensable to long-term economic progress (what EAI does not).

Latin American nations do not necessarily share the same interests in their relations with the United States. Even the major countries (Argentina, Brazil, Chile, Mexico and Venezuela) have very different views about American policy toward the Hemisphere. This reality becomes very clear when we verify the way EAI is being perceived domestically in each of those countries. But it must be conceived that, although EAI might not give significant support in dealing with Latin American socioeconomic priorities, it points out some important changes in U.S. relations with the region.

IV. Conclusion

The end of the Cold War is generating deep adjustments in international relations, especially regarding American foreign policy. The same process is taking place all over the world, including the "old" Third World nations. The increasing relevance economic subjects now have will exert strong influence in the reorganization of foreign policy thinking.

In such a scope, Latin America will have to reconsider and redefine the region's interests and goals in the international arena. Although Latin American influence over world politics is almost irrelevant, the region (or at least its most influential nations) needs to redefine its interests in a changing political and economic environment. A dynamic foreign policy towards the developed world, including the U.S., would be in the interest of the region as a whole.

For bad or for good, the dominant elites in most Latin American countries have already taken the decision to strengthen political and economic links with the United States. The maintenance of this policy in the long-run will depend strongly on Latin America political system and on the responsiveness to this new relationship.

Latin America is not a priority issue in the U.S. foreign policy, yet. But at the same time the Western Hemisphere remains a marginal region to the U.S. political and economic interests, the end of the Cold War is also generating some new perceptions about it among U.S. policy-makers. Latin America, in the future, might become an important region to the U.S., in both the political and economic spheres.

NAFTA and PAFTA partially show this trend. Contrasting with previous actions in the continent, American economic and security interests are now mixed in a policy basket very broad in global objectives, yet short in specifics.

This new approach is an effort to combine American two major interests in the region: the spread of free-market oriented, liberal economies, and a more elaborated policy confronting U.S. perceived problems in the region: drugs, immigration and environmental degradation.

The major challenges to U.S. objectives are not placed in the economic arena. To different degrees, Latin American nations are doing exactly what the U.S. and multilateral institutions have been proposing during the last decade. But the feasibility of deep structural reforms with no relevant financial support has not been proven, yet. Although Latin American countries have followed the proposals, social conditions are worsening, and might endanger the process. The political situation in Haiti, Peru, Venezuela and other Latin American nations shows how painful the trade-off may be.

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⁵⁵ This study was also based on articles published by the American media; on several lectures and meetings attended during the Seminar and on interviews with the author.
