

## Latin America in the New International Context

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### FROM PRESIDENTS REAGAN TO BUSH

At the end of the Reagan administration, several of his foreign policy objectives had not been achieved. Cuba not only preserved its independence and sovereignty, but it also broke out of the isolation imposed on it since the 1959 Revolution and succeeded in "legitimizing" itself vis-à-vis the new Latin American democracies, whose most important events—presidential inaugurations—were attended by Fidel Castro. Although Soviet presence has not increased in Latin America, neither has it been reduced. In El Salvador, despite substantial U.S. economic aid, the guerrilla forces reconstituted themselves, and to date it does not appear possible for the army to defeat them. Although the economy of Nicaragua was seriously eroded and declined substantially, the Sandinista government retained its power and political influence. It defeated the Contras, and it is unlikely that the Sandinistas can be overthrown by force, as the U.S. government attempted to do. However, if the objective of the Contras was not to overthrow the Sandinistas but to wear them down economically and socially to force them to negotiate, then their purpose was achieved.

"Reaganism" arrived in the White House beset by a "Nicaraguan obsession," which became a central and inseparable objective of U.S. foreign policy for eight years. This obsession led the U.S. government to neglect other parts of Latin America and the region's most serious problems, principally economic, which in the

long run imply greater risk for the hemispheric security that so worries the United States. For example, the Caribbean Basin Initiative, conceived to provide greater access to the U.S. market for the region's industrial and agricultural goods, never achieved its purpose. Losses of the Caribbean countries due to restrictions on their sugar exports, other cases of protectionism, and low prices were greater than the gains from selling their new goods on the U.S. market.<sup>1</sup>

The policy devised to deal with the Latin American economic crisis was also a failure. After a moratorium on debt payments by all the countries of the region, the U.S. departments of State and Treasury maintained that this problem could be resolved through a renegotiating process to postpone payments, austerity programs to readjust the economies, and the renewed growth of the U.S. economy, which was then emerging from several years of stagnation. According to President Reagan, stated during the visit I made to the White House in 1982, the reactivation of the U.S. economy would pull with it the Latin American countries, situating their economic revival.

Since then, due to the shortcomings of the first debt renegotiating sessions, there has been no sign that a general Latin American revival will last. Despite the austerity programs that have been implemented and sustained growth of the United States and other industrialized countries for six consecutive years, the debt problem remains, and the Latin American crisis is the same, if not worse. Little has improved since world attention focused on the Mexican announcement that it was unable to meet its debt payments.<sup>2</sup> In contrast, the creditor banks have significantly improved their position, accumulating reserves to protect against risk of bankruptcy. At present, not even a moratorium by most of the debtors would jeopardize private international banks.

This mistaken perspective on the debt problem and the prejudices of the Reagan administration vis-à-vis international organizations and multilateral agencies prevented it from accepting the Latin American stance that the debt crisis needed a political response. Consequently, the administration systematically refused to

1. This is demonstrated statistically in Weeks (1989).

2. See United Nations (1989).

allow a dialogue with the debtor nations. Further, the Reagan administration did not appreciate the valuable role the development banks could have played in the search and execution of adequate and more efficient responses to the situation. The International Monetary Fund (IMF) and the World Bank imposed their free-market ideas indiscriminately on several Latin American countries through so-called conditionality. In addition, the Reagan administration deprived the Inter-American Development Bank (IDB) of resources by refusing to meet its financial commitments to increase the multilateral's capital. In reality, the great accomplishment of the Reagan administration was the culmination of the democratization process in Latin America that had been initiated by President Carter.

In contrast to events in previous historical periods, the U.S. government committed itself to the elimination of dictatorships and the establishment of constitutional governments. At the close of his term in office, President Reagan was able to display a map of an almost totally democratic Latin America, something that had not existed in the 170 years of the region's republican life. Only in Panama had there been a retreat from democracy.<sup>3</sup> In contrast, the last two dictatorships were defeated: in Chile, a plebiscite was won by the opposition, which prepared the way for the election of a new government at the end of 1989; and in Paraguay, the dictatorship of General Stroessner was overthrown, a successor elected, and at least a democratic transition government has been put in place. Not even the most optimistic Latin American would have imagined that all this would be possible so quickly.

The new international context and the problems of the U.S. economy are not entirely favorable for the economic reactivation of Latin America. Despite the economic growth attained during the 1980s, the United States was no longer the unequalled economic power of the 1960s. This was not only because Japan and a united Europe became major financial, economic, and technological powers, but also because the United States faced economic difficulties stemming from deficits in its budget and external account. In these conditions, it does not seem realistic to anticipate that the

3. In December 1989, U.S. troops invaded Panama, deposing the government of General Manuel Noriega and installing a new head of state.—(Ed.)

Bush administration will devise and execute an ambitious aid program for Latin America. As much as it is needed, we cannot expect an initiative like President John F. Kennedy's Alliance for Progress, or a new Marshall Plan, which several Latin American countries requested.

The tone of President Bush's electoral campaign and inaugural speeches and his first official statements and acts show no signs that Latin America is one of his priorities. Because the everyday concern of the U.S. population for the region is slight, it is understandable that its political leaders take little interest in the region. No one wins an election in the United States with speeches about Latin America. The U.S. government has historically been a sum of balances that have always impeded quick changes in its political behavior. The force of this inertia and the weight of the establishment perhaps have been what in the last instance defined U.S. foreign policy for Latin America. There is no reason to expect President Bush to change a line of conduct that has been maintained for the last decades with very few variations. During these years, there has been a progressive loss of interest in Latin America, in contrast to the greater preoccupation with Europe, the Soviet Union, the People's Republic of China, and Japan. The spectacular economic growth of Japan and Europe and the U.S. rapprochement with China and the Soviet Union are elements that substantiate these trends.

In regard to the so-called Third World, it is widely known that the United States takes interest only when conflicts arise that could alter the balance of the superpowers. If Soviet renunciation of its former role in world revolution, which had been one of its principal dogmas, is really true, then the potential for confrontation in the Third World will be reduced. With this reduction, U.S. interest in Third World countries, including those in Latin America, could wane. But because in Central America the East-West conflict still prevails, this area will be of particular interest for President Bush, who, like his predecessor, probably believes that Latin America's problems can be reduced to avoiding "communist penetration in El Salvador and Nicaragua."

Those who know President Bush describe him as being less ideological than Reagan, more skilled in political terms, more realistic, and vastly more experienced. All these characteristics

should enable him to better understand the complexity of Latin America and to value its strategic importance. However, for the reasons previously noted, it seems unlikely that there will be substantial changes in the White House and State Department perspectives on South and Central America. Further, the policy for the latter region has been clearly dominated by a military focus.

It could be said that the Brady Plan<sup>4</sup> demonstrates the contrary, and that it is a first sign that the Bush administration will revise President Reagan's low assessment of Latin America's economic problems. Indeed, this plan is the first acceptance on the part of the U.S. government that the debt problem should be treated politically, and that in some cases debts cannot be paid. Secretary Brady acknowledged this by admitting the possibility of what until recently was systematically denied: the reduction of the amount of the Latin American debt.

The proposal at best contains general guidelines for action and entails the participation of various actors in a manner not concretely specified. One hopes that such an important initiative will not meet the same fate as the so-called Baker Plan, which, as everyone now knows, was an improvisation of the then Treasury Secretary at the IMF Conference in Seoul in 1985. It is often said that in Latin America words are not always accompanied by deeds. Unfortunately, what Latin Americans have so often been criticized for is precisely what has happened in the United States, with both the Caribbean Basin Initiative and the Baker Plan.

#### EUROPE AND JAPAN IN LATIN AMERICA

If the United States does not wish to play, or cannot play, an important future role in Latin American development, and if Japan and a united Europe emerge as new economic powers, one should ask if they would be willing to commit themselves to the region's development. The present situation in Europe does not appear favorable for Latin America. Perestroika has fundamentally altered relations among European countries. There is nothing of greater im-

4. U.S. Secretary of the Treasury Nicholas Brady announced in early 1989 a new initiative to deal with the debt of the most heavily indebted countries. Over a year later, the plan had been applied only to Mexico, with uncertain results.—(Ed.)

portance than banishing the spectre of World War II, a fear under which the old continent has lived for almost half a century. For the united Europe that will be born in 1992, the need to take advantage of the economic opportunities opening up in the Soviet Union and East Europe will be a priority, along with maintaining growth. These concerns will lead European leaders to make relations with the other two world economic giants—the United States and Japan—the first point on their work agenda. Finally, Europe's traditional and favored treatment of its former colonies in Asia, Africa, and the Caribbean obviously will be strengthened. In these conditions, I believe that there will be little possibility that Europe will place great importance on its relations with Latin America, except, perhaps, and in a limited way, for Germany, Italy, and Spain.

Moreover, there is the risk that the constitution of the so-called European Fortress in 1992 will turn the continent into a bastion of protectionism. Although the trade balance continues to be favorable for Latin America, in recent years there has been a tendency toward a reduction of exports to Europe. If it is not reversed, protectionism could become more pronounced with the birth of the united Europe, bringing restrictions on Latin American exports and a worsening of the region's crisis.

By the end of the century, only the U.S. economy will exceed that of Japan. As a financial power, Japan will be second to none. This immense economic power will internationalize Japan, whose commitments with the world are increasing. There are already signs that Japan is willing to assume the leadership role that its privileged economic position gives it, via greater participation in the decisions that shape international trade and finance. Japanese interest in Third World matters is shown by the increase of its quota in the IMF. Further, the Brady Plan was derivative of the innovative initiative devised by Japanese Prime Minister Takeshita on the debt problem. With these antecedents, Latin America should pay greater attention to its economic relations with Japan and also to the "four Asian Tigers": South Korea, Singapore, Taiwan, and Hong Kong.

Europe and Japan could make an important contribution to Latin America's development if they decided to contribute to increasing the capital of the World Bank, the IMF, and the IDB.

For its part, the United States should finally honor its commitment to make a US\$25 billion contribution to the reposition fund, which would permit the IDB to almost double its loans.

### SOVIET RESTRUCTURING

The political and economic phenomena touched off by perestroika surely constitute the most significant developments in international postwar politics. The conflicts between the United States and the Soviet Union, grounded in the debate over "totalitarianism-democracy" and "capitalism-collectivism" and by the "East-West" confrontation, whose most extreme manifestation was the Cold War, soon may be coming to an end. With the advent of perestroika, those realities are changing at a dizzying speed. International relations based on fear, suspicion, and the desire to exterminate the adversary are giving way to relations based on trust, dialogue, tolerance, and cooperation. As such, it is not an exaggeration to say that since World War II, and perhaps in the modern history of humanity, we have never been closer to peace than now.

The agreements between the United States and the Soviet Union for the reduction of arms open the way for eventual nuclear disarmament and the elimination of the threat of world war, with unimagined positive economic, political, and social consequences for the future of humanity. Only a few years ago, few would have thought that the Soviet Union would unilaterally withdraw important military contingents from Europe and Asia and abandon its occupation of Afghanistan, and that its leader, Mikhail Gorbachev, would visit China, against whom the Soviets had waged so many ideological and political battles for thirty years. This Sino-Soviet rapprochement opened the door to an end to Vietnam's intervention in Cambodia and peace in Southeast Asia. The bloody war between Iran and Iraq has ended, the Palestine Liberation Organization has renounced violence, Cuban troops have begun their withdrawal from Angola, and agreements have been signed for the pacification of Southern Africa. If these trends continue, the vestige of war will remain only in Lebanon and the tormented Central American region.

If the processes of political democratization and economic liberalization in the Soviet Union continue for several more years, they will surely unleash forces in favor of extending freedoms and establishing real political pluralism and new economic reforms. These processes, once in motion, are difficult to stop. Restricted democracies cannot remain static indefinitely, without pressure for innovation and change.

For the Soviet Union, the Third World continues to be of concern because of strategic interest. In the specific case of Africa, important relations exist with several governments or political parties of that region. One objective of perestroika is the modernization of the Soviet economy, and it is obvious that the Soviet Union is interested in increasing economic relations with Japan, the United States, and Europe, an indispensable step for obtaining financial resources and technology, without which the progress of the Euro-Asian giant would not be possible in the terms set forth by its new leaders. These regions and countries, not Latin America, would seem the priority of the Soviet government.

### LATIN AMERICA AT THE CROSSROADS

Latin America has been economically stagnant for the last ten years. If there is an area of the world where the concept of a "lost decade" is relevant, it is Latin America. The standard of living at the end of the 1980s was no higher than what it was ten years before.<sup>5</sup> An analysis of the situation reveals that there is no possibility for these downward trends to undergo any changes in the 1990s. Therefore, it is not pessimistic to warn that Latin America will discover in the year 2000 that the final decades of the twentieth century were lost in terms of progress and development. In contrast, South Korea is now the tenth largest exporter in the world, but it lagged far behind Argentina, Brazil, and other Latin America countries barely twenty years ago.

Latin America's economic stagnation is compounded by its loss of influence in the international world. The decolonization of Asia, Africa, and the Caribbean multiplied the representation of

5. See the table in IDB (1989).

countries in the United Nations, its agencies, and in the Organization of American States (OAS). Latin American political and economic leadership has also declined. In light of the economic emergence of other regions of the world, it is unlikely that it will regain its former influence.

The crisis, in addition to the negative economic and social effects, gave rise to structurally worse effects in the political realm. There has been a decomposition of public institutions and loss of the state's capacity to fulfill its most basic functions, such as the preservation of civil order, the exercise of justice, the administration of essential public services, and the important economic activities that Latin American governments traditionally have provided. The underground economy and black markets are substituting for the legitimate economy, and cities are turning into immense markets of street vendors. In these economic activities, laws and government authority hold little meaning. If this process of state decomposition, of which there are signs in Peru and Argentina, is not curtailed in time, the possibility of anarchy is real.

If the Latin American state is incapable of fulfilling its elemental functions, it is even less able to execute more complicated functions, such as the formulation and execution of economic policies to overcome economic and social crises. Among the many lessons that the debt crisis has taught the region is that an abundance of financial resources does little good if there are no political institutions and public organizations to take full advantage of them.

Despite the spread of democracy, Latin America is still unstable. The changes of governments and ministers mean significant modifications in the principal public policies and in the high levels of the techno-bureaucracy. Under these conditions, it is difficult to implement the long-term programs that historically have been necessary for initiating true development. The stability and continuity of economic policies were essential to the development of the United States, Japan, Europe, and most recently the Asian economies. Even in the case of Brazil, a country that has a modern state structure, the weakness of its political party system has prevented the adequate functioning of its state agencies, thus limiting the full realization of an immense economic potential. This instability is the region's biggest obstacle to attracting foreign investment. Despite the region's efforts, foreign investment slowly de-

clined, while capital flight increased, representing losses amounting to more than half of the Latin American debt.<sup>6</sup>

To emerge from the crisis, Latin America must seek a consensus among political parties and social groups to define fundamental economic policies and obtain a commitment to their long-term implementation. An agreement of this nature cannot be reached at present in a majority of the countries because there are no credible representatives. Therefore, it is imperative to modify the situation of political parties in Latin America, in the sense of promoting a system of majority parties, which would uphold democracy and give real sense to the opposition.

A further prerequisite for renewed economic growth in Latin America is the resolution of problems related to the debt and international trade. The main responsibility for this falls on Europe, the United States, and Japan. Thanks to new less ideological and more realistic leadership, virtually all Latin American countries have implemented austerity programs and evolved toward policies that are less interventionist and more open to the world economy. Acting with great responsibility and varying degrees of success, they have done everything possible to put their houses in order. Nevertheless, the crisis has not been resolved, nor will it be resolved solely by the actions of Latin America. The developed world must find a solution to the debt problem, which requires its reduction. Further, the restrictions to trade practiced by Europe, Japan, and the United States must be eliminated and financial inflows reestablished so that Latin America can cease being a net exporter of capital. Unless these steps are taken, the problems will continue and worsen.

Trends, however, are negative. For example, the most recent U.S. trade law indicates an increase in obstacles for Latin American exports. According to Barber Conable, president of the World Bank, the trade restrictions in the industrialized countries have cost the developing world twice what they receive in aid. And that aid falls far short of Latin America's payments to foreign banks, US\$170 billion over the seven years of the debt crisis.

Latin American democratic institutions have demonstrated surprising vitality at a time when constitutional governments can of-

fer only austerity, administering scarcity and not the abundance enjoyed by the earlier dictatorships. During the troubled 1980s, Latin American democracy was besieged by extremely grave problems, mostly the consequence of the economic crisis and extremist violence. These problems would have caused the fall of constitutional governments a few years ago, but now their effect has been to weaken the governments by diminishing their credibility and reestablishing military tutelage. The case of Argentina shows the danger: The government of President Alfonsín began with a total subordination of the armed forces to civil authority but ended with a renewed military presence in the political life of that nation.

Notwithstanding these difficulties, Bolivia and Argentina, for the first time in many decades, changed governments in a constitutional and orderly manner. Despite devastating guerrilla actions in El Salvador, free elections were held, and power was peacefully transferred from one party to another in 1989, an unprecedented event in this century. The same was true of Guatemala, Peru, and especially Colombia, which faced an extremely severe economic crisis exacerbated by the violence provoked by guerrillas and drug traffickers. In the past, governments were invariably overthrown for less serious reasons.

At the same time, the changes occurring in the socialist world were felt in Latin America. The Soviet Union has always been regarded by the majority of Latin American socialists and communists as an example, an ideal to be emulated. Since the October Revolution, ideas formulated in Moscow became a catechism for Latin American revolutionaries. For some Marxists, perestroika has meant the crumbling of a large part of the ideological structure that sustained their thinking and actions.

Endogenous factors have also brought about this ideological redefinition among some Latin American Marxists. The dictatorships, particularly those in the southern cone, and the bloody consequences modified the visions of these groups of what they pejoratively called "bourgeois democracy," leading them to moderate their criticisms. They have changed their views now because they realize that without it there can be no guarantee of human rights or political freedom.

These political changes are also the result of certain attitudes of moderation, such as those now present in Cuban foreign policy.

6. "The Net Transfer of Resources Abroad," *CEPAL News X*, 1:1, January 1990.

Fascination for the Cuban model is a thing of the past. To this must be added the negative economic results of the Nicaraguan Revolution. Although attributable to the U.S. boycott and the Contra war, economic problems are leading Latin American revolutionaries to reflect on the possibility that similar situations might occur if they succeed in winning power in another country. This is particularly the case because of clear indications of Soviet and Cuban withdrawal from Latin American commitments. Under these circumstances, it is possible that the Latin American Marxist parties will evolve in the same direction as their West European comrades, who adopted parliamentary democracy as their sphere of political action.

But social tensions have increased in the region. The popular outburst in Caracas in reaction to the austerity program implemented by the president of Venezuela has been the most dramatic demonstration of the profound social malaise suffered by those living in extreme poverty. They and the middle classes know that the impoverishment they have been suffering for the last eight years may well continue until the end of the century. These spontaneous manifestations of discontent will seek some form of political expression. For now in Latin America populism is again the expression of the frustrations and anguish of the pauperized populations. It is widely known that these political movements leave behind worse problems at the end of their mandate than those they inherited.

Despite the responsibilities that Europe and Japan could assume in the development of Latin America, the role of the United States will continue to be preeminent, albeit within the framework of the changing new world conditions. Latin America and the United States have historically oscillated between two extreme positions: confrontation or subordination. Any country adopting an international policy independent of the United States necessarily became its denigrator; countries following a policy that coincided with that of the United States were subordinated to its orders. These old realities are changing. Latin America is evolving toward positions that are less polemical and more constructive in its relations with the United States. This favorable mood should be used to lay the foundations of a fruitful program of cooperation be-

tween North America and South America, two close but distant regions.

On our part, we Latin Americans must convince ourselves that only by our own efforts will we succeed in emerging from this stagnation, and only if we persevere for many years. At the same time, if the risk of nuclear war is finally eliminated, why not devote at least part of the enormous resources once reserved for preparing a nuclear holocaust to the development of the Third World?

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