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FEATURED Q&A

What Would U.S. Budget Cuts Mean for Latin America?



U.S. President Donald Trump's budget proposal contains major cuts in foreign aid and the elimination of dozens of government programs. // File Photo: White House.

Q U.S. President Donald Trump's 2018 budget proposal contains major cuts to foreign aid, including \$140 million in cuts to aid for Colombia, as well as the complete elimination of more than 60 federal programs, including the Overseas Private Investment Corporation, the Inter-American Foundation, and the U.S. Trade and Development Agency. What would Trump's cuts mean for the United States' role and relations in Latin America? How likely are these cuts to become law? What does the budget proposal say about the Trump administration's priorities for Latin America and the Caribbean?

A Marta Lucía Ramírez, former Colombian defense minister and foreign trade minister: "The Trump administration's budget cuts to the State Department and some cooperation programs are campaign promises coming true. They reflect how Trump envisions the role of the United States in the global community. Isolation, migration and fear are some of the words that come to my mind. Enlarging the military budget at the expense of international cooperation is not good news for anyone, especially for Colombia's government, which was counting on U.S. economic support to deliver the vast and uncalculated expenses derived from the peace agreements with the Revolutionary Armed Forces of Colombia, or FARC, rebel group. For more than a decade, U.S. policy on Colombia has been the result of a bipartisan commitment that hopefully will stand the test and challenges of present days. Hopefully the commitment against narcotics will be a priority for both countries, because the deal between the Colombian government and FARC requires that we have a common language and policies against

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At Least Four Killed in Mexico Prison Riot

Two police officers, a security guard and an inmate were killed in the prison in Ciudad Victoria, in Tamaulipas state.

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BUSINESS

Brazil Orders Caixa Not to Refinance JBS Credit Lines

The government ordered the state-run bank not to refinance credit lines to the holding company that controls the company, which is embroiled in a graft scandal.

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POLITICAL

U.S. Ambassador Denounces Gov't of Venezuela's Maduro

Nikki Haley, the U.S. ambassador to the United Nations, called for elections in Venezuela and told a panel of Venezuelan activists in Geneva that President Nicolás Maduro's government is destroying the country's democracy.

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Haley // File Photo: U.S. State Department.

POLITICAL NEWS

U.S. Envoy to U.N. Denounces Gov't of Venezuela's Maduro

The U.S. ambassador to the United Nations, Nikki Haley, on Tuesday denounced the government of Venezuelan President Nicolás Maduro, saying that it is turning into a dictatorship and should not be allowed to follow a path similar to that of Syria's Bashar al-Assad, Reuters reported. "This is an economic, political and humanitarian crisis that demands the world's

“It's supposed to be [a] democracy; it's turning into a dictatorship and that's a problem.”

— Nikki Haley

attention,” Haley told a group of Venezuelan activists and experts at a U.S.-hosted panel on the sidelines of the U.N. Human Rights Council in Geneva. “The Venezuelan government is in the midst of destroying human rights and democracy in Venezuela. It is conducting a campaign of violence and intimidation against unarmed demonstrators, businesses, civil society and freely elected political opposition.” Later at the Graduate Institute in Geneva, Haley said governments should work to prevent human rights crises from becoming armed conflicts. “It's the reason why I am so concerned about Venezuela. Because in Venezuela, [one is] hard-pressed to see that Maduro is not following in the same steps as Assad. We have to make sure we stop it before it gets to that point,” she said. “It's supposed to be [a] democracy; it's turning into a dictatorship and that's a problem.” However, Venezuelan envoy Jorge Valero told the Human Rights Council that Venezuelans have fundamental freedoms. “This [U.S.] government has no moral authority to set itself up as a universal judge of human

rights,” said Valero, Reuters reported. At least 65 people have been killed and hundreds have been injured in more than two months of unrest in Venezuela. Some 3,000 have been arrested. Haley also called for Venezuela to hold elections. “There are many things that could be done to help the people of Venezuela. But they really only need one thing: a free election,” she said. Maduro has called for the creation of a “constituent assembly” to rewrite the country's 1999 Constitution, which was put in place early in the government of Maduro's late predecessor and mentor, Hugo Chávez. Maduro has said a new charter is needed to restore peace to the country, but his opponents have called the move an attempt to skirt national elections.

At Least Four Killed in Mexico Prison Riot

At least four people were killed and six were injured Tuesday in a prison in the Mexican state of Tamaulipas, Reuters reported. Two state police officers, one security guard and an inmate were killed, said Luis Alberto Rodríguez, a state spokesman. He said late Tuesday that the count of casualties at the prison in Ciudad Victoria was still preliminary. Authorities had seen “rising tensions” between rival gang members in the prison, said Rodríguez, adding that there were reports of inmates smuggling weapons inside. During an inspection, authorities had discovered a firearm and two high-caliber weapons, said Rodríguez. Tamaulipas has been hard-hit in recent years amid violence between the Gulf and Zetas drug cartels.

ECONOMIC NEWS

Mexico, U.S. Announce Deal on Sugar Trade

Mexico and the United States on Tuesday announced an agreement on a contentious trade dispute, with Mexico agreeing to U.S. demands to reduce exports of refined sugar.

NEWS BRIEFS

Flooding in Uruguay Displaces Nearly 3,500

Nearly 3,500 people in Uruguay have been displaced due to massive flooding, BBC News reported Tuesday. The northwest province of Salto was the worst affected, with nearly 2,000 people forced to evacuate. The Paysandú and Artigas provinces were also badly affected by the heavy rains and flooding. More heavy rains have been forecast for the coming days, which authorities worry could put more towns at risk.

Trump Proposes Using Solar Panels to Help Pay for Border Wall

U.S. President Donald Trump on Tuesday during a meeting with Republican lawmakers proposed installing solar panels on top of his proposed border wall between the United States and Mexico, with the goal of using the energy generated by the panels to pay for the cost of constructing and monitoring the wall, The Wall Street Journal reported Tuesday. Trump had campaigned on the promise that Mexico would pay for the wall, which he has said would prevent illegal immigration and drug smuggling.

Fugitive Former Mexican Governor Arrested in Panama

Roberto Borge, who was the governor of Mexico's Quintana Roo state from 2011 to 2016 and was wanted on corruption charges, was arrested in Panama as he was about to board a flight to Paris, authorities said Monday, the Associated Press reported. Mexican officials are seeking Borge's extradition. In February, authorities in Mexico seized 25 plots of state-owned land that were allegedly sold at a fraction of their value. Media reports in Mexico have linked the buyers to Borge. He is the third ex-governor of the ruling Institutional Revolutionary Party to be arrested this year on graft charges.

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money laundering and narco-trafficking in Colombian politics in order to keep our democracy safe.”

A James M. Roberts, research fellow for economic freedom and growth at the Institute for Economic Freedom and Opportunity at The Heritage Foundation: “President Trump’s 2018 budget proposal is forcing a long-overdue overhaul of how aid from American taxpayers for economic development and military assistance flows to our friends and neighbors in the Western Hemisphere. The goal of that reform process should be to assess all of the many U.S. foreign aid ‘spigots.’ Those that open markets and enhance U.S. national security should be preserved and turned up. Those that do not should be turned off. From the heady days of 1948—when the newly created World Bank sent its first ‘mission’ to Colombia—the U.S. foreign aid mechanism has devolved into an increasingly undisciplined, scatter-shot and unfocused mess that is hindered further by U.S. politicians, who, eager to score cheap political points with domestic constituencies, legislate earmarks on where and how it is allocated. Well-connected ‘missionary’ special interest groups have long known how to take advantage of this to capture pieces of the international affairs budget. Foreign aid can also feed the perception of Washington cronyism that many Americans voted against in 2016. The Overseas Private Investment Corporation is a perfect example. Although OPIC is supposed to promote investment in developing countries, Heritage analyst Romina Boccia reports that in practice it can subsidize private risk and put taxpayers on the hook. There are numerous cases where OPIC loans encouraged moral hazard by private companies that took on more risk than prudent because they were largely shielded from losses. Many other U.S. foreign aid programs and agencies are simply too small to make a long-term difference. While lobbying by insiders benefiting

from the current inefficient U.S. foreign aid system may forestall reforms, they are certainly coming. Latin America will be better off for them.”

A Fernando Cepeda Ulloa, professor of political science at Universidad de los Andes in Bogotá and former Colombian interior minister: “It’s possible that the question is simply speculation, notwithstanding the importance of the proposals. I’ve read that the proposal arrived at Congress with a low likelihood of approval—dead on arrival. But the intention alone is very telling. It’s yet another manifestation of the distinct foreign policy approach of the Trump administration. Perhaps as Moisés Naím said, ‘the United States is unilaterally ceding spaces of power where until now the country had enjoyed a clear leadership.’ It’s a line of thought that has already taken on an even more radical form, as we’ve seen when Trump last week announced his decision to withdraw from the Paris Agreement on climate change, not to mention other significant decisions relating to the commercial and military sectors. In the case of Colombia, the decision to cut back on strategic contributions from the United States, which had been considered one of the country’s most successful foreign policies in the last 50 years, by 35 percent, goes beyond the question of budget. What’s at stake is a consolidation of significant efforts to promote U.S. security, security in the region and, of course, security in Colombia. It is a bipartisan effort from the United States that has been carried out under three Colombian presidencies: those of Pastrana, Uribe and Santos—it’s exceptional. Various professors concluded in a document published on Feb. 2, 2016 entitled ‘The United States and Colombia, From Security Partners to Global Partners in Peace,’ that ‘while there is much to celebrate in the successes of the U.S.-Colombia partnership, there is also much that remains to be done.’ This work should not go unfinished.”

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“We have gotten the Mexican side to agree to nearly every request made by U.S. industry to address flaws in the current system and ensure fair treatment of American sugar growers and refiners,” U.S. Commerce Secretary Wilbur Ross said Tuesday at the U.S. Chamber of Commerce, The Hill reported. The U.S. sugar industry has pushed for more restrictions on the Mexican sugar and opposed the deal, The New York Times reported.

BUSINESS NEWS

Brazil Orders Caixa Not to Refinance JBS Credit Lines

The Brazilian government has ordered state-run lender Caixa Econômica Federal not to refinance any existing credit lines to J&F Investimentos, a holding company controlled by the Batista family, who have accused President Michel Temer of working to block a corruption probe, and who run JBS, a meat-packing company that is embroiled in its own corruption scandal, Reuters reported Wednesday. Earlier this year, former JBS Chairman Joesley Batista submitted to Brazil’s Supreme Court a recording of a conversation he had with Temer on which Temer is allegedly heard endorsing Batista’s bribing of Eduardo Cunha, the jailed former speaker of the lower house of Congress. One source said that the government’s ordering that Caixa cease doing business with J&F was retaliation for the accusations Batista made against Temer. Caixa is J&F’s largest creditor, with outstanding loans worth 9.7 billion reais, or approximately \$3 billion. Caixa first made provisions related to J&F when it set aside extra capital to reclassify some of its loans that it deemed riskier than before. Caixa took steps for extra provisioning after it asserted control over unnamed collateral J&F had put forth for a merger financing loan it had taken out two years ago, according to a source. Caixa said it made extra provisions related to J&F, but did not elaborate as to why. J&F declined to comment.

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A **Maria Velez de Berliner, president of Latin Intelligence Corporation:** “We are far from a final 2018 budget reconciliation between the Senate and the House. Therefore, the proposed cuts may not be sustained. What becomes law might be very different from what is proposed. However, based on his actions, President Trump’s priorities are focused on the United States, not abroad. Whether by policy or neglect, the administrations of presidents Bush and Obama, and now Trump, ceded influence in Latin America to exogenous actors such as China, Russia and Iran, or left Latin America to fend for itself. Consequently, the United States can no longer count unreservedly on Latin America’s loyalties, collaboration and support, which are vital to the United States in its attempts to help Latin America fight the corruption and collusion that feed the formation, growth and expansion of powerful transnational terrorist and criminal organizations that operate within and from Latin America. Given President Trump’s obsession with terrorists entering the United States, making cuts to aid to Colombia, the epicenter of transnational crime, and to agencies with a record of helping Latin America alleviate the preconditions for the formation of criminal organizations (hardship, poverty, lack of education, dispossession, low skills, unemployment, disaffection, and social and political exclusion) is shortsighted. Rather than focusing on the shortcomings of foreign-assistance organizations and using them as the rationale for the proposed cuts, Trump’s administration should focus on what worked and apply lessons learned to a modified model of development that will be submitted to periodic, independent audits and that is suitable to the needs and demands of the 21st century. Otherwise, as Secretary of Homeland Security John Kelly fears, the day may not be far off when some who believe the United States contributed to their hardship and dispossession make their way through Latin America’s porous borders to act nefariously within U.S. territory.”

A **Adam Isacson, senior associate for the regional security policy program at the Washington Office on Latin America:** “It’s hard to underestimate the damage that Trump’s hastily devised cuts would do to U.S. influence, U.S. security and the well-being of millions in Latin America. The White House would undo ‘Peace Colombia,’ a modest increase in assistance for 2017 designed to help Colombia implement its peace accord. The proposal has signaled that some in the United States want to walk away from an ally during the fragile first moments of its post-conflict period. The proposal would also nearly completely undo aid increases legislated for Central America in 2016 and 2017, which intended to help address causes underlying a 2014 wave of child and family migrants. In mid-June, a Miami meeting with Central American leaders is to discuss a new way forward. This meeting’s agenda should be overshadowed by the threat of a 39 percent aid cut, combined with the possible mass deportation of hundreds of thousands, including more than 300,000 Salvadoran and Honduran recipients of Temporary Protected Status. Interestingly, the proposal even zeroes out Foreign Military Financing, the main non-drug military aid program for the region, as well as money for ‘hard-side’ drug-crop eradication and drug interdiction programs. This may be appropriate: it’s time to explore other approaches. But the budget proposal includes no funding for alternatives, either. Congress won’t cut the aid as deeply as the White House wants, nor will it take a similar chainsaw to the U.S. diplomatic corps. But Congress will be distracted: legislators from both parties will also be defending domestic priorities that are similarly being slashed. In the end, aid to Latin America won’t be cut by more than a third. But a double-digit-percentage aid cut for 2018 is still possible and would do severe harm.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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