FEATURED Q&A

Does the U.S. Have a Good Strategic Plan for Latin America?

Q
With fewer than three months until the U.S. election, the administration of President Donald Trump announced a new strategy for the Americas, listing as top priorities areas such as security, illegal migration, human trafficking and drug trafficking, among others. What are the most significant aspects of the administration's new "Western Hemisphere Strategic Framework"? To what extent and in what ways will countries in the region cooperate with the United States toward its goals? What does the Trump administration's strategy say about U.S.-China competition in the region?

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Fernando Cutz, senior associate at The Cohen Group and fellow at the Wilson Center: "In 2017, then-National Security Advisor Lt. Gen. H.R. McMaster led efforts at the NSC to write President Trump's National Security Strategy. In that document, we emphasized threats facing the Americas, including violence, drug trafficking, illegal immigration, transnational criminal organizations, corruption, an encroaching China and the need to restore democracy in Venezuela and Cuba. We also looked at opportunities facing the region, including a growth in stable, friendly and prosperous democratic states that present an opening for increased American trade and partnerships. The new document that the Trump administration released last month seems to restate many of the points that were made three years ago, with some minor updates and some expanded verbiage. The significance of this policy comes from the fact that it was released to much fanfare in South Florida just a couple of months prior to a presidential election, while no similar National Security Strategy expansion document was be-

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ECONOMIC NEWS

Argentina Debt Deal Has ‘Massive’ Acceptance: Guzmán

Private creditors have overwhelmingly accepted an offer to restructure $65 billion in Argentine debt, allowing the country to avoid another default and protracted legal battles, the government announced Monday, the Associated Press reported. Argentine Economy Minister Martín Guzmán announced that 93.55 percent of bondholders accepted the deal and that Argentina would save $37.7 billion over the next 10 years. “The offer had a massive acceptance by our creditors as a result of the dialogue process that was established in recent months,” said Guzmán, the AP reported.

“...The offer had a massive acceptance by our creditors…”
— Martín Guzmán

President Alberto Fernández also celebrated the bondholders’ acceptance. “We have the peace of mind that we have not betrayed the trust of the Argentines because we did things as we said we were going to do them. This time the debt will not be paid by those who have the least,” he said. Fernández also thanked world leaders, including Mexican President Andrés Manuel López Obrador and Pope Francis, for their support during the negotiations. The deal will help Argentina avoid its ninth sovereign default and also revive its economy, which is expected to contract 12.5 percent this year, its third year of recession, Reuters reported. “Now there are other challenges, the first of which is to reactivate the domestic market,” said Fernández. Argentina’s government struck a deal with three main groups of creditors earlier in August, and on Friday, Reuters reported that the government had high confidence that creditors overall would back the deal. The government added on Monday that the agreement would help to lower average interest payments on bonds governed by foreign law to 3 percent from 7 percent. Argentina now must focus on talks with the International Monetary Fund to replace a defunct $57 billion lending program that was agreed to in 2018, said Guzmán. The government also will need to turn its attention toward smaller regional debt restructurings and provincial debt, he added. [Editor’s note: See related Q&A in the Aug. 13 issue of the Advisor.]

Remittances to Latin America Varied Over Year’s First Half: Pew

Money transfers to several Latin American nations varied during the first six months of the year, with lower remittances year-over-year to Colombia, El Salvador, Guatemala and Honduras, while they were up for Mexico and the Dominican Republic, according to an analysis of central bank data published by the Washington-based Pew Research Center on Monday. Across the six nations included in the study, remittances totaled $981.2 million in April, 17 percent lower as compared to the same month last year. El Salvador saw the sharpest decline in money transfers that month, registering a 40 percent drop as compared to April 2019. Remittances to Colombia during those four weeks were down 38.5 percent. Mexico experienced the smallest drop in remittances among the six countries in April, at just 2.6 percent, while in March, money transfers to Mexico hit a record monthly high of $4 billion, up 35 percent from the previous year. The increase in March was in part driven by a favorable exchange rate between the Mexican peso and the U.S. dollar, a rise in the number of individual remittance transactions and a higher average amount sent in each transaction, the Pew Research Center said in a statement. Mark Hugo Lopez, the center’s director of Global Migration and Demography Research, said there likely wasn’t a single explanation for the discrepancy among the countries analyzed, the Associated Press reported. [Editor’s note: See related Q&A in the Aug. 13-26 issue of the Dialogue’s biweekly Financial Services Advisor.]

NEWS BRIEFS

Gang Members Take 10 Guards Hostage in Guatemalan Prison

Incarcerated gang members in a Guatemalan prison took 10 guards hostage on Monday after prison system officials moved some gang leaders to another lockup, the Associated Press reported. Interior Minister Olivero García dismissed gang demands that the Barrio 18 gang leaders be returned in exchange for the guards’ release at the so-called “Little Hell” prison in southern Guatemala. García said authorities had control outside the prison. The move sought to break up the gangs, García said, adding that authorities will use force if necessary.

Chile’s Government Threatens to Penalize Striking Truck Drivers

Chile’s government on Monday threatened to invoke a state security law to penalize truck drivers who have been on strike for five days, blocking roads and damaging supply chains, after talks between the two sides fell through, Reuters reported. Interior Minister Víctor Pérez said the government had made a “serious and all-encompassing” offer of greater security for the industry, without providing details. Truckers are protesting violence in the country’s southern region, demanding that law-and-order bills be fast-tracked in Congress.

Workers’ Union Begins Strike at Colombia’s Cerrejón Coal Mine

The largest union of workers at the Cerrejón coal mine in Colombia began a strike Monday following the collapse of contract negotiations, Reuters reported. Approximately 99 percent of the members of the Sintracarbón union who voted earlier in August on a potential strike backed the walkout. The mine is owned by BHP Group, Anglo American and Glencore.
Venezuela Says It Will Pardon More Than 100 Political Foes

The Venezuelan government on Monday said it would pardon more than 100 political opponents, the largest political amnesty in the Andean nation in almost a decade, the Voice of America reported. Maduro issued a presidential decree that ends criminal cases against more than 20 imprisoned and exiled opposition politicians, as well as dozens of political activists, Jorge Rodríguez, the minister of communication, said in a surprise national address on Monday. However, many of those on the list had never been formally charged or even presented to court. The pardon did not include some of Maduro's biggest opponents, including National Assembly President Juan Guaidó, whom dozens of countries consider Venezuela's legitimate interim president. The government presented the decree as a peace offering to the opposition, which has vowed to boycott the National Assembly elections planned for December over concerns that the vote will be rigged in Maduro's favor. The government said the decree's aim is to "deepen the process of national unity" before the vote. "This is a very intelligent move by Maduro that attempts to unblock the country's political paralysis," Jesús Seguías, a Venezuelan political pollster, told The New York Times. "This measure seeks to delegitimize radical parts of the opposition and force a moderate majority to participate in elections," he added.

Roger Noriega, visiting fellow at the American Enterprise Institute: "The Trump administration’s new Western Hemisphere Strategic Framework provides a logical context for its transactional approach to advancing the president’s priority of fortifying U.S. borders against illegal immigration and related crimes. The new framework confronts two primary threats that are targeting democratic capitalism in the Americas: the predatory practices of transnational organized crime (for which the Cuba-controlled Venezuelan regime is a driving force) and China’s mercantile exploitation. Although some unlikely partners (in Mexico and Central America) have adapted themselves to the Trump administration’s transactional demands, robust U.S. diplomacy and development is required to help other governments address the economic and social causes of systemic poverty. A healthy private sector is not a panacea; capitalism requires states capable of shaping and enforcing the rules of the game. The administration’s promotion of ‘self-reliance’ and ‘resilience’ in the region is laudable. But that long-term aspiration does little to help regional leaders who are managing chronic poverty and the economic collapse caused by the Covid-19 pandemic. The Trump administration has been criticized by some in the region for being ‘obsessed’ with China, Cuba and Venezuela. However, it cannot be denied that these regimes are active threats to free-market capitalism, democracy and the rule of law. The most effective U.S. strategy will not seek to impose an anti-China bias on governments that have no interest in being in the middle of a geopolitical tug-of-war. By the same token, regional leaders cannot dodge their responsibility to defend the rule of law and economic freedom. The new framework and the ‘América Crece’ agreements—backed by new financing from the U.S. International Development Finance Corporation—with a dozen countries in the region are steps in the right direction."

Margaret Myers, director of the Asia & Latin America program at the Inter-American Dialogue: “Some of the proposed pillars of the Western Hemisphere Strategic Framework—advancing economic growth, promoting democracy and strengthening alliances—are similar to those advanced in the administration’s 2018 policy toward the hemisphere, and indeed to those promoted by previous administrations. Most would agree, as the framework indicates, that outreach in these three areas is indeed critical to ensuring a ‘prosperous, safe and democratic region.’ But whether the administration will indeed dedicate the resources necessary to build these pillars, and do so thoughtfully and with the region’s best interests in mind, is exceedingly uncertain. The timing of the framework’s announcement, in South Florida in August, suggests that it—like much of Trump’s policy toward the region—is intended to shore up support for his re-election in November, especially among the South Florida Latino community.
rather than upgrade hemispheric relations. The region should nevertheless expect to see more engagement related to China and its ‘malign political influence,’ as indicated in the document, including through a number of hopefully beneficial capacity-building initiatives. That said, so long as the Trump administration continues to prioritize domestic and even electoral interests over hemispheric ones, China will continue to be viewed in an increasingly positive light by Latin American audiences.”

A Rubens Barbosa, former ambassador of Brazil to the United States: “The United States’ new strategy for the Americas repeats concepts and priorities of previous governments. Generic objectives are included to preserve U.S. interests in relation to security, illegal immigration, human and drug trafficking, and democracy. The fact that only Nicaragua, Cuba and Venezuela are mentioned clearly indicates the administration’s concern of the ideological deviation of those countries in the region. The United States does not refer to the difficulties of Argentina, Mexico and Brazil, nor to ways in which it could help restore their prosperity to strengthen a better and diversified relationship. Despite the document’s opening statement, Latin America continues to have low geopolitical priority in U.S. foreign policy. The lack of interest in the region of both U.S. government and companies gave way to a growing presence of foreign powers. It is not a surprise that the only new feature in the document is the geoeconomic priority, included in this kind of policy paper for the first time; China is mentioned in a prominent way. In a revival of the Monroe Doctrine, the new strategy states that the United States will counter China’s economic aggression and malign political influence and encourage countries to avoid buying Chinese technology (5G), accepting financial cooperation in order to avoid debt trap and even selling commodities so as to not expose their sovereignty. Brazil is perhaps the main focus of this concern, given that it falls under these three points. China is the number-one trading partner to Brazil. It is not in the region’s interest to import U.S.-China confrontation and to take sides on this dispute. National interest above geopolitical concern and ideology should be the name of the game.”

A Nasim Fussell, partner at Holland & Knight: “Despite the on-again off-again relationship between President Trump and President Xi, the administration signed the U.S.-China phase one trade deal in January; however, this neither reduced the tariffs nor tackled the core structural issues identified in the administration’s Section 301 Report on China. With only nominal progress made through unilateral actions, the administration seems to be shifting focus to global strategic alliances to combat China’s ‘malign influence,’ as stated in its recent Western Hemisphere Strategic Framework. As it should be, trade is a centerpiece of the framework. By advancing economic growth and expanding free markets in the Americas, the administration seeks to counter the spread of China’s mercantilist behavior and unfair trade practices. The framework offers a comprehensive vision for a safe, prosperous and democratic Western Hemisphere, which requires combatting China’s growing influence in the region. Has the Trump administration awoken to the reality that it cannot go it alone when it comes to China? Hopefully so, as the right approach requires more strategic alliances and fewer blunt, unilateral actions that harm U.S. consumers and businesses while shrinking important export markets for American producers. Such an awakening would be good news for the Western Hemisphere. The question remains whether the Trump administration will have the interest, and a meaningful opportunity, to expand on this vision in a second term.”