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Rediscovering the New World

Christopher Sabatini & Eric Farnsworth

Has the United States “lost” Latin America? The charge has become an easy talking point for critics of U.S. policy and underlay much of the “too little, too late” commentary on President Bush’s visit to five Latin American countries last March, and during the past year, as well. The argument, such as it is, suggests that U.S. policy is responsible for the breakdown of hemispheric consensus around democracy, open trade and more besides.

The real question of “losing” Latin America, however, is not about the United States. It is above all about the capacity of Latin American leaders to overcome decades, if not centuries, of crippling institutional and economic inertia. The primary challenge to the region after the initial democratic transitions of the 1980s and 1990s went far deeper than holding elections and respecting civil liberties: It has been to recast institutions to better reflect social realities, essentially to break down the economic and political distortions that have long limited access and opportunity for large numbers of people. Some countries have made dramatic progress in this, others have made little. For the latter the result has been institutional decay, popular frustration and upheaval.

In the wake of challenge and change new leaders and observers have emerged promising sweeping reform, but not, unfortunately, a new

analytical framework. The elections of leaders as diverse as Chile’s Michelle Bachelet and Bolivia’s Evo Morales have led to facile and often pernicious attempts to apply outdated labels to recent events. Some point to a conservative and paternalist U.S. policy, while others blame the Washington Consensus and describe an epic battle between neo-liberalism and populism. Still others have stuck to the comfortable but anachronistic Left-Right dichotomy, seeing in recent election returns a resurgence of the Left. None of these shorthand attempts to describe the region is useful and each, in its own way, underestimates the complexity of present realities that will face the next U.S. administration.

The Present Agenda

Regardless of professed ideology, governments in the region currently fall into two camps: those following fiscally responsible, market-friendly policies within a democratic construct, and those that are not. The former category includes the “conservative” governments of Felipe Calderón of Mexico, Álvaro Uribe of Colombia and Tony Saca of El Salvador, but it also includes the “leftist” governments of Luiz Inácio Lula da Silva of the Workers’ Party of Brazil, Michelle Bachelet of the Socialist Party of Chile, Alan García of the APRA Party of Peru and Tabaré Vázquez of the Broad Front of Uruguay. In all these cases, policy has largely hewed to the fundamentals of a pro-market economy: reduced state involvement in the economy (Mexico’s continued con-

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trol over its energy sector being an important exception), pursuit of trade expansion agreements worldwide and tight fiscal controls to dampen inflation. Policy differences have been on the margins: more or less attention paid to social policies, anti-trust and competition policy, or emphasis on the rule of law.

The less fiscally responsible governments of the region are a more eclectic group with a potentially more volatile mix of economic policies. It includes Hugo Chávez of Venezuela, Evo Morales of Bolivia and Rafael Correa of Ecuador. These governments seek to concentrate authority using the levers of populist, para-institutionalized democracy to increase the power of the president and the state role in the economy. Their leaders have less in common with “leftist” Presidents Bachelet, Lula and García than the latter do with their conservative colleagues in Mexico and Colombia. The reason is that Chávez, Morales and Correa have come to power from outside their legacy political systems thanks to more genuinely democratic processes. They are the products of decades—in some cases centuries—of marginalization and pent-up frustration, now unleashed by the erosion of traditional political structures and actors, and they may not be the last of their kind. “Near-miss” elections in Mexico and Peru in 2006 show that electorates are on edge, and the hemisphere’s future course remains uncertain.

The standard interpretation—that these leaders represent a broad-based, popular swing to the Left and a rejection of the Washington Consensus—is demonstrably false, however. Latin Americans are actually showing renewed faith in the market.¹ That may seem to contradict the election of leaders such as Chávez and Morales, but it does not, given the region’s history. The reason can indeed be found in Latin America’s experience with the Washington Consensus, just not in the way most commentators think.

Latin American growth since the 1990s has been driven by the Washington Consensus, a set of macro-economic policies designed to reduce inflation, stabilize the money supply, open markets through trade expansion, create economic certainty and reduce state intervention

in the economy. That Consensus was not, and never claimed to be, either a recipe for social development or a substitute for education, labor and judicial reforms—the so-called second-generation reforms. But these second-generation reforms were always critical to enabling the macro-economic liberalization of the Washington Consensus to deliver broad-based economic growth. Those nations that have progressed furthest in Latin America, such as Chile, implemented the Washington Consensus but simultaneously paid attention to poverty reduction through education and social development programs, judicial reforms, labor-market liberalization and appropriate regulatory structures.

In other parts of the region, however, second-generation reforms were not fully realized, if they were initiated at all. In Bolivia, macro-

Most of Latin America has never experienced a true market economy, only a distorted one.

economic shock therapy succeeded in corraling 30,000 percent annual inflation, but the government balked at reforming established political and economic institutions. Elsewhere, implementation of even the Washington Consensus was only partial, so it failed to break the back of economic monopolies and establish the stability necessary to institute second-generation reforms. Half-hearted macro-economic reforms and some trade liberalization could not seriously affect highly unequal patterns of access to capital and resources amid an essentially predatory or parasitic state.

Moreover, those shut out of the political process and the formal economy on account of social status, race, poor education or other fac-

¹According to a recent survey by the Pew Global Attitudes Project, from 2002 to 2007 support for markets increased from 26 to 43 percent of the population in Argentina, from 45 to 55 percent in Mexico, and from 56 to 65 percent of the population in Brazil. Even in Venezuela, support for markets has swelled in the last five years by 9 percent to an impressive 72 percent, the highest in the region. Only in Bolivia has support dropped, from 54 to 53 percent.

tors were less equipped to seize the new opportunities presented by the global marketplace. As a result, the region's economic growth involved only a narrow upper slice of the population. Vast numbers of people have once again been left behind, and other emerging markets have expanded their lead over Latin America as a result.

Thanks to the monopolistic practices of the economically powerful and the exactions of an overweening state, citizens in most Latin American countries have never experienced a true market economy, only a distorted one. Neo-liberalism to them thus means a greater disparity of wealth and increased access to benefits for an already class-privileged minority. Yet, somehow, most of Latin America's have-nots seem to sense the difference between a distorted market economy and a genuine one that enables access and opportunity. This is evident from a stroll down a city street in any Latin American capital, where sidewalks are choked with small vendors, hawkers and stores, all part of the masses clamoring for access to the market.

For years, oligarchs blocked fair access to Latin American markets, leading to the creation of a large "black" market. In time, the "black" market for goods and services spawned a po-

litical twin: a "black" market for representation and recognition. What leaders from Chávez to Morales to Correa have represented to most Latin American voters has been change—not some abstract leftist rejection of an economic framework, but rejection of a status quo that choked off initiative and fair rewards for work. Seen this way, popular support for outsider candidates represents a pragmatic choice, not an ideological sea change or a rejection of a global market-based economy.

In other words, after more than twenty years of reasonably fair elections in most Latin American countries, centuries-old patterns of economic and social exclusion are finally being addressed at the ballot box. Citizens throughout the hemisphere are fed up with their leadership class, pessimistic about their economic futures, frustrated with their democracies (though not with democracy in principle) and mistrustful of their governments. In the 2006 region-wide *Latinobarómetro*, for example, only 38 percent of the population in 18 countries reported being satisfied with the way democracy works in their country, a number that has remained relatively constant over the 11 years in which the survey has been conducted. The lack of satisfaction with democratic functioning manifests itself most



An informal street market in Mexico City

Keith Dannemiller/Corbis

clearly (and alarmingly) in Latin Americans' low regard for democratic institutions. Political parties, congress and the judiciary were among the three least-trusted institutions in Latin America: Only 22 percent of respondents in the 18 countries trusted political parties, and only 27 percent trusted congress and the judiciary. Firefighters (82 percent), the church (71 percent), radio (69 percent) and television (64 percent) all fared much better.

The reason for this goes deep into political culture. Institutions such as political parties, congress and the judiciary evolved in environments in which they represented only a narrow slice—often a decided minority—of the population. Most Latin American political parties were created as elite tools of top-down political mobilization. Their formation and development were thus often skewed toward urban areas and reflected pre-existing economic and political imbalances. As a result, congresses reflected those same imbalances. Judiciaries throughout the region have been marked by lack of access, impunity for the wealthy and politically powerful, and manifest inefficiency. In these cases, informal patterns of power—cronyism spotted with occasional violence—often trumped formal rules and structures. This prevented the consolidation of the very elaborate constitutions and laws debated, crafted, passed and touted with great frequency. (As the saying goes, “In the United States when you want to avoid doing something, you create a commission to study it; in Latin America, you pass a law.”)

While a certain level of skepticism is healthy for a liberal democracy, such acutely low levels of trust are deadly. Indeed, the *Latinobarómetro Report 2007* found that 34 percent regionally said democracy could exist without political parties, and 29 percent said it could exist without congress. While not a majority, for many Latin Americans in the region, democratic change may mean doing away with some of the traditional institutions of representation.

At the same time, new political identities are emerging from centuries of economic and social exclusion, and new means of expressing them are taking shape.² This is a positive trend, as long-repressed groups engage in the political system and seek representation. But it does add stress to a political system that engenders

little legitimacy or trust to begin with, and the same is true for the growing pool of youth and employees in informal sectors. According to recent estimates by the UN Economic Commission for Latin America and the Caribbean (ECLAC), more than 53 percent of the urban working class in the region is engaged in the kinds of small scale, unofficial commerce and production that are classified as informal. This majority is not just off-the-books economically; it is also off-the-books politically, lying outside the organizational realm of traditional unions and political parties.

A crisis of representation also exists for the large youth bubble that many countries in the region face today. More than 65 percent of Latin America's population is under the age of 35. In the poorer Andean countries, the numbers are even starker, and as their numbers grow so does their frustration (see Figure 1). The 19 percent youth unemployment rate is double the overall Andean rate of 9 percent. Not surprisingly, many of these groups have a grim view of the future and a rosy picture of the past. When asked if their parents had it better than they will, more than 60 percent of youth between the ages of 16 and 25 in Ecuador, Peru, Bolivia and Colombia answer “sí.”

Enter the Outsiders

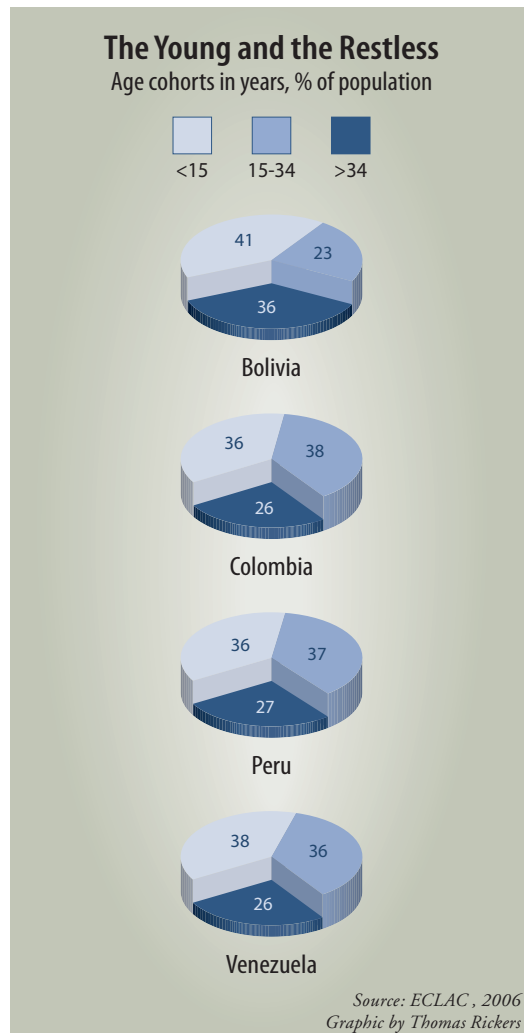
As a result of these social and structural pressures, what started in the late 1990s has accelerated in the past three years: a profound and historic structural shift in Latin American politics and government. Political party systems

²In Bolivia and Ecuador, for example, indigenous self-identification has grown in recent years. In Bolivia in 1998, 10 percent of the population self-identified as indigenous; by 2006, twice that number identified themselves with Bolivia's excluded minority. In Ecuador, 73.6 percent of the population self-identified as *mestizo* (mixed European and indigenous) in 2001; by 2006 that number had increased to 78.7 percent. A corresponding number of Ecuadorians also no longer classified themselves as white: 17.5 percent in 2001, decreasing to 12.1 percent by 2006.

are unraveling, and in some cases they have collapsed, leaving a crisis of representation in their wake. States are struggling to maintain order in the face of growing crime, political polarization and protest.

This is the context that is giving rise to the new crop of movements and leaders in Venezuela, Bolivia, Ecuador and beyond, representing new popular frustration and often raising new, untested demands. They form a bloc of allies, rallying around President Hugo Chávez's anti-globalization, anti-Americanism and oil money (in particular the money). In many ways they form a counter bloc to countries like Chile, Brazil, Peru, Colombia, Uruguay, Mexico and El Salvador, which are seeking to integrate themselves with the world economy. But despite their proximity to Venezuela's volatile President and their adoption of nearly all of his political project, the rise of these leaders needs to be understood in the social and political context specific to each country.

In Venezuela, Chávez owes his rise and consolidation to the rejection of the former ruling class and the institutions associated with their turn under the power-sharing system that evolved after 1958. Shortly after his election in 1998, Chávez convened a constituent assembly that drafted a constitution to fit his "Bolivarian" vision. The decimation of the opposition parties (largely self-inflicted) and popular rejection of the past has meant that Chávez's assault on political institutions—even those established under the 2000 Bolivarian constitution—went virtually unchallenged before the December 2007 referendum. Chávez built a large popular base by liberally doling out the country's oil- and gas-based windfall to the poor and to his political cronies, dismantling previous controls intended to ensure the independence of the central bank and other government savings mechanisms. At the same time, he has reasserted state control over key industries. For example, he has forced international companies to renegotiate contracts to grant the state oil company, PSDVA, more than a 50 percent share in local ventures, and re-nationalized the electricity provider and main telecommunications industry, which had been privatized decades earlier. At the same time, Chávez further restricted freedom of expression through tough



laws on slander against public officials, media content laws, and the closing of the private TV station RCTV. He also further politicized institutions—including the packing of the Supreme Court and the electoral commission—so that there are ever fewer organized spaces for citizens to speak out.

The end point of Chávez's attack on institutions, a reverse neutron bomb that leaves people but destroys institutions, was supposed to be a referendum to make essentially permanent the Bolivarian revolution. But Chávez got impatient, and the Venezuelan people proved unwilling to go as far as he thought. His narrow defeat in the December 2 constitutional referendum to add 66 changes to his Bolivarian constitution demonstrated the limits of Venezuelans' tolerance for the President's ambitious attempt to create a 21st-century socialist state. Nevertheless, with the reins of power already firmly in his grip, Chávez still has substantial latitude

to remake the country as he likes without having to go again to a popular referendum. What the referendum did, however, is give opposition forces renewed faith in the potential for democratic processes to push back.

The Venezuelan case shows that when large numbers of people are frustrated and in search of change, they tend to devalue institutions associated with the *ancien régime*. Venezuelan attitudes toward democracy and the future somewhat perversely have reached their most positive in almost a decade, as the destruction of institutions has continued apace. According to *Latinobarómetro 2007*, 57 percent of Venezuelans were satisfied with democracy in 2006, up from 36 percent in 1995, despite the fact that there was a lot less of it. Venezuelan citizens also gave 59 percent support (second-highest in the region) for a congress entirely controlled by Chavistas after the opposition miscalculated and boycotted the legislative elections. They had similarly positive evaluations of their judiciary and political parties, in contrast to the majority of their neighbors.

Does this mean that democracy has finally arrived in Venezuela, or that Venezuelans have discovered that they are leftists? Neither. It is rather a reflection of the deep frustration and the rejection of the past, and the sense that at long last there has been a burst of change. Unfortunately, the level of democracy, at least as measured by the health of institutions, seems to matter little as long as people feel closer to politics and have the sense their lives will improve.

In Bolivia, popular discontent also paved the way for an outsider candidate, Evo Morales—the country's first indigenous elected president. Morales' election drove a nail in the coffin of the long-suffering, traditional three-party system that had dominated politics since the transition to democracy in 1982. In its place now are two large, inchoate groupings: Morales' heterogeneous, indigenous Movimiento al Socialismo (MAS), and the remnants of the traditional parties, now known as PODEMOS. Morales has skillfully portrayed himself as the democratic expression of a majority that once was oppressed and exploited by the European-descended elite and the international carpetbaggers to whom they had sold the country.

The rhetoric may sound like the hackneyed,

leftist dogma spouted by intellectuals everywhere (indeed, it is just that, to some extent), but the reality is something more original, indigenous and angry. Shortly after his election, Morales convened a constituent assembly to draft a new constitution to represent the Bolivian majority. While the governing MAS failed to win the two-thirds supermajority necessary to approve constitutional measures on its own, it has offered a dizzying array of proposals designed to re-create a multiethnic state that resurrects indigenous patterns of property ownership in parts of the country. The discourse is remaking Bolivia's political system with new parties, institutions (including judicial institutions based on indigenous principles) and norms that not only break with the colonial past but in many cases aim to resurrect the *pre-colonial* past.

In economic matters, the Morales government has taken a decidedly statist turn. On May 1, 2006, just six months after he was elected, President Morales ordered the military to seize gas installations in Bolivia. After months of hard negotiations, he placed international gas operations under the control of the revitalized Bolivian state company, YPBF. He then looked to other economic sectors, including mining and railroads. These initiatives have made international investors skittish, though the government has promised to honor all new contracts going forward. It now seeks investors as "partners" and not "bosses."

Morales' government clearly seeks to increase the state's role in the economy in order to shield its citizens from economic exploitation and to protect key sectors. For now, much of this policy has remained at the level of vague, platitudinous discussions of sovereignty, national identity and recovering indigenous forms of production. Nevertheless, it has made the Morales government popular and, as with Venezuela, that has temporarily improved public perception of political institutions. Public satisfaction with democracy jumped from 24 to 39 percent a year after Morales was elected.

But not everyone is happy. The heavy-handed way in which the President's supporters rammed through a new constitution in December 2007—prohibiting opposition constituent assembly members from voting—inflamed political and regional tensions. The move sparked a

backlash by nine eastern provinces, whose coordinated protest, ostensibly about local autonomy, amounted to a not-so-veiled threat at succession.

The 2006 presidential election in Ecuador also brought an outsider candidate to the presidency. U.S.-trained economist Rafael Correa railed against the establishment, denounced the international financial system and promised to take back the country for its citizens, particularly indigenous ones. Once in office, he appointed several indigenous leaders to his cabinet, and—in a now familiar pattern—set out to draft a new constitution, claiming that the former one was a vestige of the corruption and elitism of the past. In the September 2007 elections for the constituent assembly, Correa's movement won a majority.

The rejection of the political class in Ecua-

The toothpaste is out of the tube in Venezuela, Bolivia and Ecuador.

dor runs very deep. More than 39 percent of the population believes that democracy is possible without parties and without congress—highest in the region. Given these levels of dissatisfaction, there is little doubt that the new constitutional assembly will bring change, but what kind of change remains unclear. In the meantime, Correa has begun to reassert state control over the energy sector. Other sectors could be targeted in the future. Disavowing contracts with international investors, Correa's government has also declared that it will withdraw from ICSID, the international arbitral body that is part of the World Bank Group and has been a key confidence-builder for investors who otherwise face Ecuador's notoriously unreliable domestic courts.

The toothpaste is out of the tube in all three nations—a fact that many former political elites in these countries still refuse to acknowledge. Years of mismanagement, corruption, rising expectations and, in some cases, racial injustice and exclusion have overtaken their political systems and led to a new leadership class with an uncertain but in some ways decidedly anti-institutional bias. Where will all this tumult lead? Once institutions have been

trashed in a polarized environment, how can new ones be built and sustained?

Events in Venezuela, Bolivia and Ecuador may be contagious. In Peru, indigenous former military officer Ollanta Humala, an ally of Hugo Chávez, fell just short of being elected in 2006. He and his wife (who has become the public face of the movement) now wait in the wings for the next election in 2011, stoking popular discontent and urging on renegade local political leaders to increase a sense of disorder. In Nicaragua, popular disgust with the ruling elite and a split opposition led to the re-election of the Sandinista leader from the 1980s, Daniel Ortega (who now enjoys Chávez's support, too). In Paraguay, Fernando Lugo, an anti-system, Chavista-style candidate, is also running a strong race for the 2008 elections.

This anti-institutional onslaught is having potentially serious repercussions, not just in the nations themselves, but also throughout Latin America. The continent has become more hospitable for global adventurism from outside actors, particularly Iran, which has been invited into the region by Venezuela and welcomed by Bolivia, Ecuador and Nicaragua. The specter of regional conflict, although still remote, has become more likely, too. Venezuela's relationship with its neighbors Colombia and Guyana has at times been tense, and Ecuador's Correa, spurred on by Chávez, has threatened to take action against Colombian anti-drug programs that spill over onto Ecuadorian territory. (Correa is also committed to evicting U.S. anti-narcotics assets from the base at Manta, while Venezuela has increasingly allowed its airspace and national border to be crossed by drug traffickers.) Chávez's well-documented arms-buying spree is doing nothing to calm regional nerves or to tamp down speculation about his intentions. At a minimum it threatens to increase the availability of arms to a host of lawless regional groups.

Bolivia may be ground zero for regional violence. Morales has railed against businessmen of European descent and threatened to assert greater federal control over the east of the country, which is more productive and has a mostly non-indigenous population. This has unnerved

Brazil, which maintains significant assets in Bolivia's eastern region. One need only look at a map of Bolivia to see that a political disintegration there would affect all five surrounding states. Add to this Chávez-stoked grievances against Chile for its seizure of Bolivian access to the sea in the 19th century, and suddenly the broad regional peace that has marked interstate relations in Latin America for almost a century can no longer be taken for granted. Addressing the eroding foundation of regional comity is fast becoming a serious test for the inter-American system. Passing the test will require a nuanced diplomatic approach by all interested parties, including the United States.

New Goals for U.S. Policy

The forces driving political change in Latin America have broad implications for U.S. foreign policy interests, going well beyond concern over a leftward shift in the region's electorate. The open-market, liberal democratic model for the Americas that has been the keystone of U.S. policy in the region for the past generation is under siege. Up to now, we have assumed that the momentum toward democratic politics and market economics was sufficient to shore up U.S. national interests in Latin America. It has become a lot more complicated than that, and the next U.S. administration will simplify this complex reality at its peril.

The era of good feeling in hemispheric relations that was so evident during the 1990s is over, and the list of Latin American grievances, perceived and real, is long. The United States has clearly made mistakes, most often when it has taken steps to protect its own interests without taking into account the issues that matter most to Latin Americans themselves. In politics, the Bush Administration's early and thinly disguised preference for specific candidates and parties in certain elections stands in stark contrast to the days when U.S. policymakers professed to care about the process, not the outcomes. On matters of economic policy, agricultural subsidies intended to buy off important U.S. domestic constituencies have deadlocked trade negotiations, wrecking a process intended to lead to a hemispheric free trade area by 2005.

Post-9/11 U.S. policies and public postures further contributed to the problem. It isn't just about the Iraq war (which is deeply unpopular in Latin America); 9/11 dramatically changed the lens through which the United States views its southern neighbors, shortening the already-limited U.S. attention span for hemispheric matters and pushing intelligence sharing and security to the top of the priority list for inter-governmental relations. To top it off, the U.S. government has been pouring ever more aid resources into the Middle East in the name of supporting democracy and freedom, but its development assistance to Latin America—a region with the most unequal income distribution in the world and nascent democracies under fire—has declined in real terms.

Nonetheless, U.S. policy is *not* the central issue in hemispheric relations: The hemisphere is not ours to "lose" in the first place. Those who claim otherwise miss the larger story and are themselves guilty of the paternalism they often so quickly condemn in others. Latin America's current state of affairs is a result of historical currents and choices made by its peoples, over whom the United States has little control. That said, there are five goals the United States should pursue in the next Administration to constitute the basis for a new policy in the Americas that goes beyond rhetorical short-term efforts to improve a tarnished U.S. image.

First, the new administration needs to understand that the currents we face in the Americas are not short-term or transitory. We may not like certain leaders or their policies, but so long as they are democratically elected and act responsibly, we must accept and work with them. The sooner we understand that there's no going back, and that current trends may take a generation or more to play out, the sooner we can devise appropriate strategies.

Above all, the next Administration should forge closer bonds with stable partners such as Brazil, Chile, Colombia, Mexico and Peru (to say nothing of Canada) to establish informal regimes of acceptable regional behavior. Such informal regimes would, for example, reject partnerships with global troublemakers like Iran; refuse to turn a blind eye to terrorists and drug traffickers; and promote stability in Haiti and a democratic transition in Cuba. Similarly, nuclear



Riots in eastern Bolivia, November 2007

Martin Alipaz/epa/Corbis

non-proliferation and global warming are global issues ripe for hemispheric engagement. The United States should seek support from Argentina to help isolate Iran; after all, it was the Iranians who provided support in the early 1990s for the destruction of the Israeli Embassy and the AMIA Jewish Community Center in Buenos Aires, crimes that Argentina has not forgotten.

To achieve this goal of building common views and informal partnerships will require that the United States re-emphasize regional democratic development and put the necessary resources behind it. Nations that flout democratic principles in the Americas tend to reach out to global actors who reject international norms, whereas healthy democracies tend to encourage responsible behavior. Therefore, the U.S. government should also prioritize nurturing democratic governance and regional democratic institutions such as the Organization of American States and the Inter-American Development Bank.

Second, the United States must do better at reaching out to a new generation of groups and leaders by restoring the image of the United States as a generous, welcoming nation. Scholarships, seminars and public diplomacy can still work if they use new technologies and creativity

to reach out to indigenous and new-style leaders. The increasing rejection of past institutions in many Latin American countries and the collapse of old institutions in countries like Bolivia and Venezuela signal the rise of a new leadership class. This is not necessarily a bad thing, but many of these new leaders have had little contact with the United States. Most of what they think they know about us has come from a steady diet of anti-imperialist, anti-globalization screeds and caricatures.

To rectify this problem, the best case for our country is our own people. Therefore, the U.S. government and the private sector must join together to invest more effort in reaching out to groups and individuals not traditionally on our radar. Not hundreds but thousands of scholarships should be made available each year for individuals to travel to the United States to study. Achieving the desired effect, however, will require streamlining visa application procedures to accommodate new students so as not to welcome with one hand and dissuade with the other. In addition, U.S. embassies should consider offering in-country English classes, much as the Chinese are organizing Mandarin classes in South America. If we do this, many of the region's economically

disenfranchised will be better prepared to succeed in the global economy, and thus gain a stake in preserving it.

One additional and important way the United States can show a more welcome face would be comprehensive immigration reform. The unfortunate by-product of our recent approach to immigration has been that many law-abiding Hispanics no longer feel welcome in the United States, and some local communities are taking steps that would worsen this perception. We need to get migration flows under control, to be sure, but if we work with Mexico and Central American countries as partners, rather than targeting them as problems, we will stand a better chance of finding mutually beneficial solutions.

Third, the United States must re-energize and redouble its effort to promote prosperity through open markets, despite the significant domestic opposition to freer trade that currently exists and is likely to persist over the next four years. Trade expansion is one of the most powerful tools we have to support regional economic development, the only thing that can ultimately relieve migration pressures. It is a tool that, if used properly, can also help bring governments like Bolivia's into the fold.

Open markets build broad-based wealth, which supports democratic governance and U.S. national security interests by providing the resources necessary for social programs, law enforcement and counter-narcotics activities. In a rare but significant moment of bipartisanship, Congressional Democrats and the White House came together to enable passage in December 2007 of the free trade agreement with Peru. The 110th Congress should now approve trade agreements with Colombia and Panama; if it does not, we will undercut some of our best friends in the region and support our opponents who claim that the United States is an unreliable partner without a vision for the region.

Once these agreements are passed, we should then look to harmonize regional trade agreements, NAFTA and DR-CAFTA, with our bilateral agreements to bind together our trading partners, create larger markets, shorten

supply chains, simplify the rules of trade and investment, and build a larger stepping stone to an eventual hemispheric trade association. This precisely should be our goal before the end of the next Administration in January 2013.

We should not stop there. The United States and many of our hemispheric free trade partners also have existing or potential free trade agreements with various nations in the Asia-Pacific Region, including Australia, South Korea and Singapore. By stitching together our free trade partners in the Western Hemisphere with our partners in Asia, we can build a pan-Pacific trading zone. A free trade zone encompassing North America, Central America and the West Coast of South America with free trade partners in Asia would generate new momentum to the trade expansion agenda by advancing

We need to avoid the Manichean approach to diplomacy implied by the Left-Right dichotomy.

liberalization more quickly with willing partners. Countries like Brazil, which have been able to sit out the trade expansion game, would be more likely to play if it became too costly not to. As the largest Latin American economy, Brazil should be our primary interest in further regional trade expansion. We should aim to accomplish this pan-Pacific trading zone by the middle of a second term, if the voters return the administration to office.

Fourth, the United States should work with multilateral donors to promote truly innovative ways to address citizens' demands. Labor reform, pension reform and more effective police forces all go to the heart of most citizens' concerns related to economic and personal security. Beyond technical and financial assistance, the United States has neither the capacity nor the desire to run Latin American schools, police forces or labor markets. These issues must be addressed domestically. Nevertheless, developing multi-country teams in which technocrats can go on long-term "loan" to a country to work on a specific issue, embedded in the bureaucracy as employees, would promote cross-border learning and the development of regional collective re-



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sponses. Both the Inter-American Development Bank and a revitalized and expanded Peace Corps could have a dramatic impact here.

Finally the United States needs to avoid the Manichean approach to diplomacy implied by the Left-Right dichotomy. The new administration must reach out even to unstable partners who are willing to sign on to the regional movement toward free markets and democracy. The Bolivian government, for example, has expressed a willingness to sit down with U.S. negotiators to discuss specific details about a free trade agreement. Let's do it. Indeed, negotiations with Bolivia may help sustain its unity and cool off the tempers and tensions that now threaten to splinter a country at the very center of South America.

The current Administration should also support a bipartisan bill recently introduced by Senators Bob Menendez (D-NJ) and Mel Martinez (R-FL) and by Representatives Eliot Engel (D-NY) and Dan Burton (R-IN) to provide some \$2.5 billion in aid to Latin America over the next ten years. But in the current political climate, this ambitious initiative may not come to pass. If the Bush Administration cannot muster the support in the 110th Congress, its successor must do so with the 111th. Such assistance should be made available for social development, especially education and workforce development, anti-corruption, investment-led job creation and other activities that nurture healthy democracies. Despite the excess global liquidity for emerging markets in recent years, Latin America has attracted less investment than its respective economic weight in global markets would otherwise predict, which has limited the kind of broad-based economic growth democracies depend on. An intensive focus on global economic competitiveness and investment climate reforms is long overdue, and the United States and other interested parties should assist.

The choice to compete globally is for the nations of Latin America to make. But the United States and its partners can provide financial and technical support to help willing nations make that leap and succeed. Only then will we know who, if anyone, has "lost" the Americas. 🌐