

## COMMENTARY

April 10, 2009

**Opportunities for Obama in the Americas***By Peter DeShazo and Sidney Weintraub***Introduction**

The Obama administration has gotten off to an exceptionally promising start in activating relations with other countries in the Americas. The president visited Canada and hosted Brazilian president Lula in Washington, Vice President Biden traveled to Chile and Costa Rica, and Secretary of State Clinton, Attorney General Eric Holder, and Homeland Security Secretary Janet Napolitano have all visited Mexico in the past two months. The president will attend the Summit of the Americas meeting in Trinidad and Tobago April 17–19 and is slated to call on President Felipe Calderón in Mexico City before the summit.

The president's travel to Mexico and the summit provides a unique opportunity to underscore the central importance of the Western Hemisphere to the United States, a reality that is largely underappreciated. Starting with our North American neighbors and key trade and energy partners, Canada and Mexico, to our "third border" relationship with the Caribbean, the close linkages with Central America, and the broad array of variables at stake in our relations with the countries of South America, the region plays a vital role in the security, economic condition, and social fabric of the United States.

Public opinion in the Americas will welcome Obama's presence at the summit; the president is enormously popular in the region. His participation will generate expectations, some of which cannot be met immediately, if at all. Nor can the president commit the U.S. Congress to major initiatives for the region that require appropriations. However, he can announce "deliverables" in the form of specific policy steps that advance the U.S. national interest and begin to repair the deteriorated image of the United States in the region.

The visit to Mexico will set the stage for the summit, highlighting variables in play in that bilateral relationship that will have important resonance with other countries in the hemisphere.

**U.S.-Mexico Relations**

During the U.S. primary and electoral campaigns, Mexican policymakers were nervous about Barack Obama's stated desire to renegotiate NAFTA in order to include stronger provisions in the agreement on labor and the environment. This was interpreted as a technique for imposing trade restrictions based on disputes on these issues. Shortly after Obama became president, the recommendation by the U.S. Joint Forces Command that the United States "monitor" Mexico alongside Pakistan as a "weak and failing" state because of the violence spawned by Mexico's drug cartels further fueled concern in Mexican government circles and in public opinion. The continuation of the security fence along the U.S.-Mexico border added to the sensation that the United States did not put high value on its relationship with Mexico.

Obama's views on many of these issues have since been clarified. He assured Canada and Mexico that NAFTA would not be reopened without the agreement of all three countries. He stated unequivocally that Mexico would not be looked on as a failed state. Secretary Clinton said during her recent visit to Mexico that the United States also shares responsibility for the drug violence there because U.S. demand for cocaine generates operating income for the drug cartels. This was the first time a senior U.S. official publicly made this self-evident point. The U.S. government also indicated that it would seek to stem the illegal flow of weapons from the United States into Mexico, another factor contributing to the surge in violence.

These actions indicate an about-face in U.S. thinking, stemming from the recognition that Mexico and the United States share a mutual interest in countering narcotics trafficking and drug-related violence. President Obama will certainly reinforce this message during his visit, highlighting U.S. support under the Mérida Initiative, which provides some \$1.4 billion in assistance over a three-year period to Mexico and other countries in the region to bolster law enforcement and the administration of justice.

Aside from security, there are many other variables in the U.S.-Mexico bilateral agenda that will be discussed when Obama and Calderón meet. A key issue is the international economic crisis and the steps taken by both countries in response. The U.S. and Mexican economies are closely linked: Mexico is the third-largest trade partner of the United States and its second-largest source of oil imports. The economic downturn in the United States has had strong repercussions for its southern neighbor.

Mexico's financial situation was strengthening starting in the late 1990s until the contagion from the U.S. financial and credit meltdown that began in the fall of 2008. The Mexican banking situation is stronger than that in the United States, but the U.S. credit crunch has made it hard for Mexican entrepreneurs to obtain trade credit. Gross domestic product for 2009 is projected to decline by 3 percent or more, compared with GDP growth in 2007 of 3.3 percent, falling to about 1.5 percent in 2008. The Mexican peso, after maintaining its value at 10 to 11 pesos per U.S. dollar from 1995 onward, depreciated sharply to as high as 15 pesos to \$1, leading to dollar sales in the market by the central bank to limit the fall. About 80 percent of Mexico's exports go to the United States, and they are declining because of the U.S. recession. There had been much talk after five high-growth years in Mexico and Latin America that the countries in the region had become immune from adverse U.S. economic conditions. The impact of the current U.S. recession on Mexico demonstrates clearly that this is not the case.

Economic recovery in Mexico thus requires a successful stimulus policy in the United States. The U.S. Federal Reserve has opened a swap line with the Bank of Mexico for \$30 billion, and Mexico recently became the first country to use the flexible credit line of the International Monetary Fund for \$47 billion with fewer conditions on using the funds. The IMF line of credit was noted in the communiqué of the recent G-20 meeting in London.

Beyond the financial situation, Mexican economic recovery requires that the hold on new trade protection agreed to by the G-20 is honored by the United States. Before the G-20 meeting, the United States removed all funding for a pilot program for Mexican trucks that meet U.S. safety standards to bring cargo directly to destinations in the United States, and Mexico retaliated for U.S. violation of its NAFTA commitment. This issue will surely be discussed when Presidents Calderón and Obama meet. Both the Mexican and U.S. governments would prefer that Mexican trucks be allowed to bring cargo to U.S. destinations so that the retaliatory tariffs can be revoked, but President Obama will need appropriations from the Congress to do this.

## Summit Issues

The Summit of the Americas (SOA) taking place at Port of Spain in Trinidad and Tobago April 17–19 will be the fifth such meeting of heads of state since the process was initiated in Miami in 1994. The summit process was launched as a mechanism for encouraging hemispheric cooperation on democracy, poverty reduction, sustainable development, and economic integration, with the key objective of forming a free-trade area (FTAA) among all countries in the Americas by the end of 2005. The Trinidad and Tobago meeting follows the unsuccessful SOA held in Argentina in 2005 that sounded the death knell to consensus on moving the FTAA process forward and was marked by anti-U.S. street protests featuring Venezuelan president Hugo Chávez.

The U.S. objective at Trinidad and Tobago will be to reinvigorate the summit process and underscore the U.S. commitment to work with its partners in the Americas on a wide variety of issues of mutual concern. President Obama's charisma and popularity in the region will go a long way in promoting these objectives. Trinidad and Tobago, as well as the other nations of the Caribbean, are determined that this SOA be productive and that the disruptions that took place in Argentina not be repeated.

For his part, Chávez has convoked a special meeting of his Bolivarian Alternative for the Americas (ALBA) group (Venezuela, Bolivia, Cuba, Honduras, Nicaragua, Dominica) in Caracas on the eve of the Port of Spain event to coordinate positions going into the SOA and attempt to strengthen the image of his outfit as a rival to the summit. Although it is not on the official agenda, the issue of Cuba's exclusion from the summit process and from active membership in the Organization of American States (OAS) is certain to be raised by the ALBA group and probably by others. While the Obama administration has stated that it does not support lifting the embargo on Cuba at this time and would not favor Cuba's return to active membership in the OAS under current circumstances, recent moves to free up travel and remittances to Cuba and statements from the administration point to a reevaluation of U.S. policy toward Cuba, something that other SOA participants will welcome. The OAS, as it carries out summit mandates, could in fact become a useful vehicle for engaging Cuba on issues of interest to all OAS members, the United States included.

The key issues at the SOA will reflect relevant points in the Obama visit to Mexico: the current economic crisis and public security concerns. Summit partners will be vitally interested in President Obama's program for reactivating the U.S. economy and in U.S. positions related to trade and the role of the international financial institutions. The world recession is having an adverse effect across the hemisphere, although the

gravity of the economic situation varies by country. GDP is expected to decline during 2009 in the largest economies. All SOA members have a stake in a U.S. economic recovery.

Countries in the region will push hard for compliance with agreements against protectionism made by the G-20, although many hemispheric countries are likely to introduce protectionist measures of their own. There will be much interest at the summit on what President Obama may say about support for free-trade agreements with Colombia and Panama that the United States has signed but still not approved. Whatever the United States does in these cases will be seen as a harbinger of U.S. hemispheric trade policy in the years ahead.

The G-20 communiqué recognized the need to reform representation of the IMF and the World Bank, and the Latin American members of the G-20 (Argentina, Brazil, and Mexico) will push for U.S. support for a greater role for them in these institutions. It is unlikely that President Obama will be in a position to say anything definitive on this at the summit.

Another issue of high profile at the summit is likely to be public safety. Many countries in the region suffer from ballooning crime rates and the negative effects of drug trafficking, criminal gangs, and other manifestations of international crime. The SOA process provides a venue for multilateral cooperation on improving public safety in the region and strengthening the rule of law and the administration of justice.

The surge in drug-related violence in Mexico and high rates of violent crime elsewhere in the region point to the need for greater cooperation to stem illegal weapons trafficking. In 1998, a treaty among OAS member states known as CIFTA entered into force that provides for greater international cooperation against the illicit manufacture and trafficking of firearms, explosives, and ammunition. The United States signed CIFTA but has not ratified the convention. The Obama administration could send a very positive message to the region should it announce that it will seek ratification of CIFTA and strengthen cooperation on weapons trafficking.

Other important issues that will be taken up at Port of Spain will be “human prosperity,” energy security, and environmental sustainability. These are areas where U.S. cooperation is sought and would be strongly welcomed. Another important outcome of the Trinidad and Tobago summit could be a revitalized OAS, which plays the critical role of general secretariat of the SOA process and will be responsible for the follow-up to the many mandates issued by the heads of state/government in Port of Spain.

President Obama’s visit to Mexico and Port of Spain will help set the direction and tone of relations with the Americas in the new U.S. administration. While no major new initiative is expected to emerge from these stops, Obama’s presence and his diplomatic skills in and of themselves can promote a more favorable image of the United States in the hemisphere. Following up on these visits, the United States should focus on concrete steps it can take to demonstrate its commitment to the Americas.

*Peter DeShazo directs the Americas Program and Sidney Weintraub holds the William E. Simon Chair in Political Economy at the Center for Strategic and International Studies in Washington, D.C.*