SPECIAL REPORT

U.S. Foreign Policy Towards Latin America Under Trump: Beyond Business as Usual

Madrid, July 2017
1. INTRODUCTION

Since the election results were announced proclaiming Donald Trump president of the United States in November 2016, experts, pundits, business executives and others working in Latin American affairs have been eagerly contacting their sources to get a sense of what the new administration’s foreign policy toward Latin America would look like. Uncertainty has reigned regarding the new administration’s Latin American foreign policy. The disorientation in the region following Trump’s victory, which caught Latin American leaders—and most of the world—by surprise, has resulted in negative projections about what his administration means. Those who have not yet sounded the alarms are, at the very least, concerned. But it is still not clear how U.S. foreign policy shifts will impact the region, and analysts have learned by now that trying to predict President Trump’s moves is a risky business. Additionally, the administration is still in its early days, and the president’s foreign policy team is just beginning to take shape. Therefore, rather than overreact, it is advisable to step back and think strategically on how a Trump presidency might shift the United States’ regional approach and how its impact might be different for various countries.

Figure 1: Many do not expect relations with U.S. to change during Trump’s tenure

*Now that Donald Trump is the U.S president, over the next few years do you think that relations between our country and the U.S. will ___?*

<table>
<thead>
<tr>
<th>Country</th>
<th>Get better</th>
<th>Stay about the same</th>
<th>Get worse</th>
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<td>Latin America</td>
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<td>Venezuela</td>
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<td>Global Median</td>
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Latin America, except for Mexico, was rarely mentioned during the presidential campaign, and the region will likely not be of strategic importance to the Trump administration. In the absence of specific initiatives involving the region, as well as President Trump’s administration’s clear “America First” strategy, this paper will argue that this administration’s foreign policy toward Latin America will be influenced by its specific positions on issues that have served as the main three pillars driving U.S. foreign policy in the region since the late 1980’s: free trade, democracy & governance (soft power) and security. Exceptions to these positions within these key pillars are only likely to occur when the White House considers it necessary to court a member of the U.S. Congress –especially a U.S. Senator– with an interest in a foreign policy matter regarding the region. We should be particularly attentive to the foreign relations and intelligence committees, as well as the Western Hemisphere’s sub-committees both in the House of Representatives and the Senate. President Trump might need to strike a deal for much-needed support, especially among Republicans, to pass key pieces of legislation regarding domestic policy, which will in the end drive most of the decisions coming from the White House. Let’s explore some of the details regarding these points.
2. LATIN AMERICA IS NOT A PRIORITY... AGAIN!

Let's face it – the fall of the Berlin wall caused a shift in U.S. global geostrategic interests, and after the terrorist attacks on September 11, 2001. Latin America ceased to be a foreign policy priority for its northern neighbor. Former President George W. Bush began his presidency in 2000 with strong intentions of strengthening ties with the region, symbolized by inviting former Mexican President Vicente Fox to visit the White House prior to inviting his European or Canadian counterparts. During the welcoming ceremonies, Bush declared the U.S. had “no more important relationship in the world” than with Mexico, a comment usually more associated with Great Britain. However, the terrorist attacks on U.S. soil, the ensuing wars in Afghanistan and Iraq, the battle with al-Qaeda and the clash with Iran shifted the focus of his foreign policy. Meanwhile, President Obama relegated the region to the back from the beginning, in large part for the same geostrategic reasons mentioned earlier. Additionally, his own foreign policy initiative was focused on a strategic pivot toward Asia, especially with a rapidly-rising China, as well as on reaching a nuclear deal with Iran. His contentious relationship with Russia’s Vladimir Putin, whom he mistakenly tried to initially appease, and the rise of ISIS in Syria and Iraq, also kept his hands full in the foreign policy arena. The United States’ neighbors to the south took a back seat during his presidency.

Latin America’s lack of strategic importance for the United States is not likely to change under Trump’s presidency given the number of pressing foreign policy issues currently facing the White House in other parts of the world. This will only change if an unprecedented situation that could endanger U.S. security takes place in the region. President Trump rarely referenced Latin America during his campaign, outside of using NAFTA as his main punching bag when debating against multilateral free trade agreements and focusing on illegal immigration coming from the US-Mexico border.

Nominating an Assistant Secretary of State for Western Hemisphere affairs, the top U.S. diplomat for the region, has also not been a top priority, as other key U.S. State Department posts needed to be filled first. In

fact, one of Secretary of State Rex Tillerson’s early setbacks came during his first week on the job, when President Trump rejected Elliott Abrams, his top choice to serve as Deputy Secretary of State, due to Abrams’ criticism of Trump during the campaign. The position was finally filled in late May, when the Senate confirmed John Sullivan to the post. A former Deputy Secretary of Commerce in George W. Bush’s administration, Trump originally chose Sullivan to be the top lawyer at the Pentagon, but after a lengthy search to fill the position at the State Department, he became the candidate Trump and Tillerson settled on for the Deputy Secretary position. To be fair, the responsibility for slow confirmations of various positions in the administration cannot solely be put on the White House. Senate Democrats have also stalled confirmation hearings for every department Trump has offered, to the frustration of Republicans.

While the current top diplomatic post for the region remains vacant, it is worth noting that the administration has named individuals with strong Latin American expertise to key government positions, although primarily in security and defense. General John Kelly, who leads Homeland Security, previously led the U.S. Southern Command, which among other things oversees security cooperation with Latin America and the Caribbean, except Mexico. Assistant Secretary for International Narcotics and Law Enforcement Affairs William Brownfield is a career foreign service officer with a long track record in Latin America, including having held the positions of Ambassador to Colombia, Venezuela and Chile. Other Latin Americanists have also recently been added to the team: Sergio de la Peña, a retired U.S. Army Colonel, who ran his own consulting firm advising U.S. businesses on how to strengthen relationships with Latin American governments, was named Deputy Assistant Secretary of Defense for the Western Hemisphere; and Juan Cruz, a career CIA veteran and former Station Chief in Colombia, was named Director for Western Hemisphere affairs at the National Security Council.

“The administration has named individuals with strong Latin American expertise to key government positions, although primarily in security and defense”
3. U.S. FOREIGN POLICY PILLARS REGARDING LATIN AMERICA... WHERE WILL THE TRUMP ADMINISTRATION STAND?

From the late 1980’s to the present, U.S. foreign policy toward Latin America has mostly rested on three main pillars: free trade, democracy & governance (soft power) and security. From Republican presidents like Ronald Reagan, George H. W. Bush and George W. Bush to Democrats such as Bill Clinton and Barack Obama, U.S. administrations have all supported these three areas, albeit with slightly different approaches.

FREE TRADE

Free trade is perhaps the one foreign policy area where this White House has demonstrated the most clarity and consistency in its position. President Trump has remained true to his electoral discourse, despite the views of those who felt his campaign was more of a show to attract voters than an explanation of his own administration's policies. As soon as he assumed the presidency, he withdrew the U.S. from the Trans-Pacific Partnership (TPP) free trade agreement, which focused on Asia but also included three Latin American countries (Chile, Mexico and Peru).

He has also reiterated his willingness to renegotiate the North American Free Trade Agreement (NAFTA), as well as all treaties that “do not benefit” the United States.

The major players in trade and foreign investment connecting the United States and Latin America will maintain a close economic relationship. The U.S. is currently the main trading partner and first foreign investor in Latin America. In 2016, U.S. exports to Latin America reached $353.4 billion, while Latin American exports to the United States totaled $397.1 billion. Meanwhile, U.S. foreign direct investment in the region reached $46 billion in 2015.

Trump and his economic advisors have expressed skepticism toward multilateral agreements, instead favoring bilateral deals. Regardless of the structure, the trade treaties that will be most scrutinized are those deals where the United States shows large deficits. When dissecting the numbers, it becomes evident that when separating Mexico from the equation, the United States shows an overall trade surplus with Latin America. This is, of course, a very simplistic approach to looking at trade, but given the nationalist undercurrent sweeping the U.S. domestic

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political scenario, trade with Mexico became an easy target on the campaign trail and into the presidency.

Revisions of NAFTA will surely top the trade agenda. Trump won on a strong discourse of defending jobs in the United States that have disappeared because of "bad trade deals," and he is not about to backtrack on one of his cornerstone positions. The question becomes then, to what degree will NAFTA be modified? In 2016, the U.S. trade deficit with Mexico was $63 billion, with U.S. exports at $231 billion and imports at $294 billion. Trump's election and the rhetoric surrounding it have already caused double-digit devaluation in the peso, significantly impacting Mexico's growth projections for 2017 and 2018. However, a revision of NAFTA could also have negative repercussions for U.S. companies doing business there, and is likely to be felt by U.S. consumers used to lower prices in a wide variety of products, such as cars assembled in Mexico, auto parts and even avocados, included under the current terms of the agreement. Mexico is also a close U.S. ally in matters of security, playing an important role in controlling narcotrafficking and immigration flows. These are sensitive high-priority matters to the United States, and cooperation with Mexico in these areas is crucial. Changes will undoubtedly be made to the NAFTA agreement, but we will have to read the fine print to assess the severity of its impact.

The other multilateral free trade agreement in the region, the Dominican Republic-Central America FTA (CAFTA-DR), between the United States, Central America and the Dominican Republic, which may also come under review, may not likely suffer many changes given the U.S. trade surplus of $5.5 billion in 2016.

In bilateral free trade agreements with Chile and Peru, the United States also boasts a trade surplus of $4.1 billion and $1.8 billion, respectively. In the case of Colombia, the Trump administration is likely to look beyond trade numbers and use the United States-Colombia Trade Promotion Agreement (TPA) as a tool for broader negotiations. The U.S. trade deficit with Colombia reached $696.3 million in 2016, but in this case the bilateral trade agreement

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might come into play in the overall negotiations with a key ally in efforts to curtail drug trafficking. This includes talks regarding Peace Colombia, which received a $450 million aid package in 2017 from the Obama administration to provide development, military and security assistance, as well as support for building institutions. The 2018 outlook for U.S. aid for Peace Colombia under Trump’s budget proposal decreases the amount by 21 percent when compared to FY 2016 funding. Additionally, Colombia’s cooperation with the United States regarding Venezuela’s unfolding political crisis, may also be a factor in new discussions impacting Colombia - U.S. relations.

Trade with the United States will continue to be important to other countries in Latin America. After Mexico, Brazil remains the most important trading partner in the region. In 2016, the U.S. trade surplus with Brazil was $4.1 billion, with U.S. exports at $30.3 billion and imports at $26.2 billion. With no free trade deals in place or expected, they are not likely to experience any major shake-up. In fact, having good relationships with Trump and his team, as is the case for Argentine President Mauricio Macri, can lead to positive results, especially when the issue is away from the media’s bright lights and does not cause the president political backlash. Following Macri’s visit to the White House, the U.S. Department of Agriculture announced it would lift the ban on Argentine lemon imports. This enabled the United States to import lemons from the South American country, one of the biggest producers in the world, despite opposition from California growers, notably a state where the president did not receive much support during the elections. President Macri has been working actively to establish a close relationship with Washington, positioning Argentina as a reliable partner in the region and leveraging his personal relationship with Trump from past real estate deals. In addition, the United States had a trade surplus of $3.9 billion with Argentina in 2016.

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The term "soft power" was defined by Harvard University Professor Joseph S. Nye as the "ability to affect others to obtain the outcomes one wants through attraction rather than coercion or payment." Over the last several decades, it has been a strong focus for U.S. foreign policy around the world and a cornerstone of U.S. relations with Latin America. The United States has made great use of this approach to build good relations with other countries and strengthen its position as a world leader. It propagates U.S. culture, language, traditions and values to the world, popularizing the “American Way” and influencing opinions and policies. This trend has increased exponentially due to the advancement of new technologies, the media, the information age and social media networks. Promoting democracy and governance has been at the center of this effort. Its main vehicle has been the United States Agency for International Development (USAID), founded in 1961 to promote economic development and social programs via international assistance. Since the 1990s, USAID's focus in Latin America has turned to promoting democracy and good governance, with notable programs in Mexico, Central America, the Caribbean and the Andean region. Colombia specifically has been a key country, given that the military assistance through Plan Colombia was closely accompanied by programs aimed to strengthen the rule-of-law and good governance in areas the government was recovering from guerilla forces during its decades of Civil War.

This area will probably experience the largest reversal regarding foreign policy in the region. The Trump administration has clearly signaled its disinterest in promoting democratic governance or imposing U.S. values of freedom and democracy. This became clear when Secretary of State Rex Tillerson addressed State Department staff and diplomats to outline Trump’s “America First” vision for the U.S.’s engagement with the...
“President Trump's 'America First' motto, with regard to foreign policy, translates into placing what he views as contributing to American economic prosperity and security back home above all else.”

The Trump administration’s 2018 budget calls for cutting the State Department and USAID budgets by 32 percent, including U.S. aid to Latin America by 36 percent. U.S. assistance to Mexico would be cut by 45 percent, while aid to Guatemala would be reduced by 38 percent, to Honduras by 31 percent and to Haiti by 18 percent. The proposed cuts would affect a number of assistance programs globally, with areas like educational and cultural exchanges being reduced by more than 50 percent.\(^3\) The budget will surely be modified by Congress, although to what extent is not known. Nevertheless, it signals shifting U.S. policy in this arena.

Despite these significant policy adjustments, key issues regarding democracy and human rights important to U.S. Republican legislators will still gain some traction, as President Trump will need support from these legislators to carry out his agenda. For example, the president will likely have to get involved, whether he wants to or not, on issues like Cuba and Venezuela—hot button regional cases where key senator such as Marco Rubio will play influential roles in formulating U.S. policy. In fact, this has already led to Trump rescinding parts of Obama’s executive orders related to travel and trade with Cuba, arguing that Havana has received too many concessions from Washington without reciprocating, especially in the area of human rights. This is something the president can implement quickly with few political consequences at home. While some U.S. politicians and companies would like greater access to the Cuban market, the reality is that few of them would incur losses if trade and travel regulations with the island were tightened once again.

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SECURITY

The security pillar has consistently been a top priority for U.S. administrations when it comes to Latin America. To be sure, the United States’ highest security matters will continue to come from the Middle East, occupying President Trump and his team’s security agenda. In comparison to the crises in Syria and Iraq, and threats stemming from terrorist groups in the Middle East, Africa and Asia, Latin America is a stable region. Yet, geographic proximity to Latin America means turmoil in the region can translate into potential security threats for the United States, making this pillar an important focus of the U.S. approach toward its southern neighbors.

High crime levels in Mexico have a direct impact on the fight against narcotrafficking and U.S. border control, with the challenge of transnational criminal organizations operating on both sides of it. This is compounded by mounting violence in Central America’s Northern Triangle –El Salvador, Honduras and Guatemala– where an expanded wave of gang violence is also facilitating drug trade routes into the United States. This in turn has spurred immigration as individuals flee violence in one of the most dangerous regions in the world, where in 2015 alone there were more than 17,000 violent deaths.\(^\text{15}\) Drug production is once again on the rise in Colombia. A long peace process that resulted in a landmark deal between the Colombian government and Revolutionary Armed Forces of Colombia (FARC) has been inadvertently accompanied by record-high coca cultivation and cocaine production, as well as expansion of criminal gangs. The narco-corridors found in Peru, Bolivia and Paraguay, extending to parts of Argentina and Brazil, continue to be a challenge in the region, as do the expanding drug flows in the Caribbean –particularly in Jamaica, the Dominican Republic and Haiti– which could also have consequences for Washington.

A focus on security will remain a top priority for the Trump administration, but the approach is likely to shift. The White House’s initial proposed budget, which is under review by Congress, includes reductions in security areas, but they pale in comparison to development aid cuts. The focus of security cooperation will likely be on “hard” initiatives, such as enforcement programs and interdiction. When it comes to stemming the flow of drugs, the United States recognizes it is part of the problem, given the high rate of consumption.

within its own borders. Yet, while openly acknowledging the U.S. demand problem in recent meetings with high-level officials from Colombia and Mexico, both Secretary Tillerson and Homeland Security Chief General John Kelly continued to press the importance of its Latin American neighbors increasing their anti-drug efforts.

Another factor receiving attention in the security area is identifying and neutralizing potential terror group cells in Latin America, with the aim of disrupting their relations with drug cartels and organized crime. Several U.S. officials have expressed concern over this issue, and the Trump administration has sent messages that it will be part of its security agenda. Recent news reports unveiled that between 100 and 130 citizens from Trinidad and Tobago have left to join ISIS in Syria and Iraq since 2013. This puts the island nation of 1.3 million as the country with the highest percentage of ISIS recruits in the Western Hemisphere. Meanwhile, Homeland Security Chief General John Kelly has voiced concerns regarding Iran’s establishment of more than 80 “cultural centers” in Latin America, a region with a small Muslim population. “Iran’s involvement in the region and these cultural centers are a matter for concern, and its diplomatic, economic and political engagement is closely monitored,” Kelly said. The homeland security chief has also warned that between 100 and 150 people from Latin America and the Caribbean travel to Syria to join ISIS every year. Others question the level of this threat, pointing to these potential sleeper cells being dormant since the issue came to light after the 9/11 attacks.

The issue of security is very intertwined with domestic issues, and this White House will heighten that link. Overall funding for security will increase, but will likely have a domestic feel. The White House budget requested $44.1 billion for the Department of Homeland Security, destined for border infrastructure and immigration enforcement. Of that amount, $1.6 billion is set

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aside for the construction of the physical wall along the U.S.-Mexico border Trump promised in his campaign, which continues to generate controversy between Washington and Latin America. This funding would also be utilized to increase the number of border patrol agents and immigration and customs enforcement personnel. The U.S. Congress will have the final say in appropriating the funds.

LOOKING AHEAD

While it is still too early to tell what U.S.-Latin America relations will look like under the Trump administration, historical cues—as well as a closer look at the initial actions and messages from key members of the new cabinet—give us some insight into what to expect for the next four years. Under the “America First” vision, free trade, democracy & governance, and security—the three pillars that have shaped U.S. engagement in Latin America since the late 1980’s— are likely to shift to a more pragmatic approach considered by this administration to favor U.S. economic and national security interests above all others, albeit with some exceptions. In the case of trade, the upcoming revision of NAFTA is likely to make waves and establish new parameters for the U.S.-Mexico relationship. Existing bilateral agreements with countries such as Peru, Chile and Colombia are unlikely to suffer major shake-ups, while new alliances focused on mutually beneficial economic terms with countries like Argentina could be on the rise. Meanwhile, American values such as democracy, governance and support for human rights, which have been intrinsic in U.S. engagement in the region over the last three decades, are likely to take a back seat to initiatives that promote economic prosperity and boost security at home. Yet, as American aid for development assistance, governance and education efforts is likely to suffer significant cuts, security programs focused on hard initiatives, such as enforcement and interdiction, will most likely experience fewer changes—a strong signal that security will remain a top priority under the Trump administration. A significant level of uncertainty remains regarding the future of U.S.-Latin America relations under Trump, but foreign policy toward the region is likely to reflect the overall pragmatic priorities set forth by this U.S. administration.

“Free trade, democracy & governance, and security (…) are likely to shift to a more pragmatic approach considered by this administration to favor U.S. economic and national security interests”

Author

**Erich de la Fuente** as partner & CEO for LLORENTE & CUENCA in the United States, Erich de la Fuente leads the U.S. based operations of the company (Miami, New York and Washington D.C.), directing a team of executives that manage a portfolio of U.S. based companies and multilateral organizations operating in Latin America & the Caribbean. The main focus of the business is to provide counsel in the area of strategic communications and public affairs to U.S. companies with an interest in Latin America, multilatina companies present in the U.S., M&A operations and business litigations with an impact on the region, as well as conducting communication workshops and capacity-building training sessions for high-level executives. He also heads LLORENTE & CUENCA’s regional new business efforts. Prior to joining the company, Erich founded EDF Communications, a strategic communications and public affairs firm that merged with LLORENTE & CUENCA in December 2015.

In his professional career, Erich has specialized in designing and implementing strategies in corporate communications, internal communications, public affairs and crisis management for a variety of global corporate and nonprofit clients. His work has included leading proactive international public awareness and public affairs campaigns for numerous companies including Delta Air Lines, Microsoft, Visa International, Astellas, Fortinet and Honeywell, as well as internal communication programs for Pfizer, DHL the World Bank, the Inter-American Development Bank, among others. Erich has also led the charge in developing crisis management plans for Global Crossing, Novartis and Smiths Detection. He has also designed comprehensive communications strategies for NGOs such as Operation Smile and the Pan American Development Foundation.

In the area of international development, Erich has been the lead strategic communications advisor for a variety of anticorruption, democracy and good governance programs supported by multilateral organizations and the United States Agency for International Development (USAID). In that capacity, he has counseled public and private entities, as well as civil society non-profit organizations in Latin America, Eastern Europe, Africa and the Middle East. He has also worked as a political analyst and served as a political commentator on various news television channels.

Erich is currently a Ph.D. Fellow at the United Nations University – Maastricht School of Governance. The focus of his Ph.D. research is the impact of media-related policies on digital news media freedom in Latin American & Caribbean democracies. Erich also holds an M.A. in Latin American Studies from the Georgetown University School of Foreign Service, and a B.A. in International Relations from Florida International University. Erich is fluent in English, Spanish and Portuguese, and proficient in Italian and Russian.

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