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**THE CHAVEZ PHENOMENON:
IMPLICATIONS FOR THE HEMISPHERE**

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I would like to explain to you, in particular because of the kind of audience that you are in the Trilateral Commission, the Chavez phenomenon as a relationship to what has happened to the United States and the region. You cannot understand Chavez if you do not understand what has happened to the United States. If you understand why what has happened has taken place, you will understand not only the Chavez phenomenon, but you will understand the implications of what lies ahead, and that's what I would like to lay out for you.

Let me begin by talking about a moment that many of us had a role to play here. It's the Summit of the Americas in 1994, December, Miami. It was a very good moment. It was an optimistic moment, a moment in which many here and many then and there felt that integration was in the making. It was a moment in which three things were being celebrated at the Summit of the Americas. First, democracy had returned to the region. Human rights were once again being respected throughout the region. Three, everyone there understood that the way to get out of poverty was, in essence, to get economies to be responsive to the forces of the market. It was known as the Washington Consensus then, and that celebration had led to a process which a Mexican who studied with me at the Kennedy School had put together in his mind with two people in this audience to integrate the Americas by starting to integrate the country of Mexico with the United States through a free trade agreement.

President Clinton, who had inherited the work of President Bush and Carla Hills and was able to sell NAFTA in Congress because he is a free trader, was also celebrating that, and that's why he put forth the idea of a party in Miami, the Summit of the Americas, celebrating those three things. President Clinton put forth something that President Bush had articulated in his speech called "The Enterprise of the Americas" in which he said what we want is to create a free trade area of the Americas from Alaska to Patagonia.

President Clinton in the second day of the Summit of the Americas said, "What do you guys think about it?" There were 33 presidents minus Fidel Castro. Everyone discussed it, and everyone felt that it was a very good idea. In the closing speech of the Summit, President Clinton said, "What we wish to create here, and there's a consensus by all present, is to create a free trade area of the Americas from Canada to Argentina, basically extend NAFTA all the way down to Argentina, by January 1, 2005." He gave it a date. The idea was to create a regional trading block of 800 million people from Canada to Argentina including Cuba, 34 nations, because everyone, including President Clinton and the prime minister of Canada, felt that with the loss of the Soviet subsidy, Fidel would not last by January 1, 2005, and that therefore even Cuba would be part of the regional block called FTAA, ALCA in Spanish.

On the way to the FTAA, like in Greek mythology on the way to the Senate, something happened in this place called Cancun. It was August 2003. In August of 2003, Brazil and others raised the issue of agriculture subsidies, and the end result of that was the killing of FTAA. The United States answered what happened in this city, in Cancun, when in September the USTR negotiator, Ambassador Bob

Zoelleck, wrote, "From now on because of what has happened, we will work with the can-do countries and leave aside the won't-do countries."

In December of 1994, we were heading for one America. We were heading for an integrated Americas. As of September of 2003, we are heading for two Americas. Let me describe what these two Americas are. America One is the three countries of NAFTA, Canada, Mexico and the United States, plus the five countries of CAFTA, the Central American countries, and the Dominican Republic plus Chile and, some hope, Peru, Colombia, and Panama. It remains to be seen. America Two is Argentina, Venezuela, Cuba, Brazil, Paraguay, Ecuador, Bolivia and most of CARICOM.

There are eight characteristics that divide these two Americas. The first one, all of the countries of America One have an FTA with the United States in place—NAFTA, CAFTA, Chile about to go in place, maybe Costa Rica, or in the process of negotiation, Panama, Peru, Columbia. None of the countries of America Two have that, and this is very important. Just look at the trade figures for trade between Mexico and the United States and Brazil and the United States. Huge difference.

Second characteristic, many of the countries of America One have a significant population presence inside U.S. territory. It's very important. A significant number of Mexicans are inside U.S. territory. A significant number of Central Americans are in U.S. territory. A significant number of Dominicans are in U.S. territory. On the other hand, there's an insignificant number of Brazilians inside U.S. territory and an insignificant number of Argentines, an insignificant number of Uruguayans. It's important, very important. To show you how important that second characteristic is, if I called Senator Hillary Clinton right now and said, "Can we talk about U.S./Latin American relations?" she would say, "Ambassador Rocha, I have no time for that." If I tell her, "Senator, can we talk about U.S./Brazilian relations?" she would say, "I have no time for that." I would say, "Can we talk about U.S./Dominican relations?" she would say, "I'll give you an hour."

U.S./Latin American relations is 500 million people. U.S./Brazilian relations is 186 million people. U.S./Dominican relations is 8 million people. She has time to talk about relations between the United States and 8 million people. Why? Because there are one million people of Dominican descent that live in New York. She is a senator because of those people that voted for her who are of Dominican descent. Like Tip O'Neill used to say, "All politics is local."

Number three, the third characteristic, most of the countries that have the first two characteristics are also the major recipients of the remittances that are born of the first two. This is very important. Let me give you a concrete example. A mother, a peasant, indigenous mother, in Oaxaca who has a son in Chicago, who has put down the first down payment for a house she never thought that she could have, and who continues to pay the mortgage through monthly remittances, is very different than a mother, an indigenous mother, in the Alti Plano of Bolivia who doesn't have a son in Chicago who has put down a down payment, who pays the mortgage, but every weekend she listens to Evo Morales talk about the Satan of the United States—same class, same gender, same indigenous background, different perception of the United States.

Number four, most of the countries of America One are still the places where you find that which Joe Nye always talks about, and so many of you talked about, that we have lost—goodwill towards the United States. You find goodwill in Mexico towards the United States. You find goodwill in Guatemala towards the United States. You find goodwill in El Salvador towards them. You find goodwill, national public opinions that are favorable to the United States, in the Dominion Republic. Without exception, all of the countries of America Two, when you measure their public opinion and perception of the United States, are fundamentally anti-American. Brazil, if you haven't seen, they danced the samba when we were attacked on 9/11.

Number five, most of the countries of America One tend to have governments whose economic policies tend to be friendly to the market forces, be it Mexico, be it the Dominican Republic, be it Columbia, be it Chile, be it El Salvador. On the other hand, many of the countries of America Two tend to have governments whose economic policies are antagonistic to the market forces—Venezuela, Cuba, Bolivia, Argentina. They don't pay their debt.

Number six, Fidel Castro no longer travels to the countries of America One or Carlos Lage. He is no longer desirous of coming to Mexico, to Panama, to Guatemala, to El Salvador. Fidel Castro and/or Carlos Lage are absolutely welcome in every single country of America Two.

Number seven, and this one is not as important, where you still have a presence of Taiwan, you tend to find it in the countries of America One. Taiwan is in Guatemala. Taiwan has a special relationship with El Salvador, with Panama, with the Dominican Republic. Without exception, it is in the countries of America Two that China either has a major investment or major trading relationship, be it Venezuela, be it Cuba, be it Argentina, or be it Brazil.

And number eight, and let me tell you, look who's talking to you. The U.S. ambassadors and the U.S. embassies in the countries of America One play a protagonist role. In the countries of America Two, the U.S. ambassador and the U.S. embassy play a secondary or tertiary role.

Let me give you a concrete example to illustrate what I just said. If I take any of you to Reforma in Mexico City, and we ask a Mexican passerby, "Who is the U.S. ambassador to Mexico?" the man or the woman will say, "Of course. Tony Garza, the close friend of President Bush." The close friend of George W. Bush. If we do the same exercise in Sao Paulo, in Rio, and we ask a Brazilian passerby, "Who is the U.S. ambassador to Brazil?" the Brazilian will answer, "Who knows and who cares." These are the two largest countries in Latin America. In the first one that I mentioned, Mexico, Mexicans know who Tony Garza is. They knew who Jeff Davidow was. No one in the general population knows who the ambassador is in Brazil, because it doesn't matter.

Having described the two Americas, let me move on. In short, in 1994 we were aiming to integrate all of the countries of the Americas, including Cuba, by January 1, 2005, under the unquestionable leadership of the United States. Yet today in 2007, we have a region divided into one block in which the United States still exercises significant influence, America One, and another block, America Two, in which the United States is less of a factor while it witnesses the growing influence of Hugo Chavez and his Bolivarian revolution. It behooves us then to ask what happened to the U.S. influence and interest in the greater Latin American region. More importantly, let me ask the tough question, and let me try to answer it. Does Latin America matter anymore for the United States?

In order for me to answer this question, you need to understand three very significant developments. The first one, in October of 1962, Fidel Castro convinced Khrushchev to bring nuclear armed missiles to Latin American territory, Havana, Cuba. On that day, something very important happened for those of you that understand Wall Street. On that day, what used to be nonstrategic territory shot up and became strategic territory. For the first time, Latin America could play a role in lending its territory to the Soviet Union to basically question the viability of the United States.

The ruling class, to use a word Latin Americans like to use, *clase dirigente*, of the United States, Democrats and Republicans, made a commitment to itself never again after the missiles were removed will we allow Latin America to be used against us. That explains absolutely everything that happened from October 1962 to December 26, 1991. It explains why Lyndon Johnson sent 40,000 troops including Canadians to Santo Domingo to make sure that the Dominican Republic will not become a second Cuba to threaten the viability of Miami. It explains why in '67 we sent the best CIA people to capture Che

Guevara, give him to Barrientos so he could kill him. It explains Nixon and Kissinger in Chile. It explains Granada. It explains Panama. It explains Haiti.

But on December 26, 1991, when I was the political counselor to Ambassador Negroponte in Mexico City, Gorbachev lowered the Soviet flag and raised the Russian flag, and on that day, something very important happened. We all know what happened, what everyone understood. The Cold War ended. The bipolar world that we lived with all of our lives ceased to exist, and only one super power emerged.

But that was the easy part to understand. What people did not understand in Latin America is that on that day the market dropped, and on that day Latin American territory ceased to be strategically important to the United States. No longer was there a power on this earth willing to use Latin American territory to threaten the viability of the United States. That is called the strategic demise of Latin America. It's the first thing you have to understand.

The second thing you have to understand is that in August 1949 the Soviet Union exploded the atomic bomb. On that day, the national security priority of the United States was fighting the Communists that were being led by the Soviet Union. I went to Yale and Harvard with Graham Allison and Joe Nye and went onto Georgetown and joined the Foreign Service to fight the Communists.

But while I was here with John Negroponte, that world ended. On December 26, 1991, the national security priority in the United States became fighting the narco-traffickers. While I was U.S. ambassador in Bolivia, we were attacked in New York and in Washington. On that day, September 11, the national security priority became fighting the terrorists of Islamic origin.

If you understood what I just said, then you will understand that from 1949 to 1991, Latin America mattered in the fight against the Communists because it was a territory in which we were both fighting, the Soviets and the United States. From '91 to 2001, Latin America also mattered to us in the national security realm because they produced in the Andean countries and sent through Mexico and Guatemala what we consume. But what happened in 2001, it moved out of Latin America strictly to Afghanistan and Iraq, the Middle East. So that's the second thing you have to understand, that in the national security priorities of the United States, Latin America no longer appears on the national security screen.

The third thing you have to understand is that in a hundred-year period of 1880 to 1980, for those of you who are admirers of Schumpeter and economic history, something very important developed. We came from an agricultural economy into the industrial economy, the number one industrial economy, the number one manufacturing power. In that 100-year period we would take the copper of Latin America, bring it to companies called RCA Victor, make transistor radios and television sets, and through the Wal-Marts of those days called Sears we would sell them to Latin America. We would take the metals of Latin America, bring them to a city that in 20 years would be a museum called Detroit, make something we called vehicles, and sell them to the four distributorships in Latin America. In that picture, Latin America mattered terribly.

In 2007, as the economist here can tell you, only 12 to 16 percent of the GDP of the United States is manufacturing. We are an 80 percent primarily service- or knowledge-based economy. In that picture, Latin America is no longer important, so the third thing one has to understand is the changed relationship between the Latin American economy and the U.S. economy.

To answer the question I pose to you, does Latin America matter?, all you have to do is add the three—strategic demise plus the change in the national security priorities that Latin America is no longer there, the changed relationship between the Latin America economy, and the U.S. economy equals it doesn't matter.

To further illustrate this point, the United States spend \$4.5 billion over five years in Plan Colombia. Yet we spent \$12 billion a month to finance our operations in Afghanistan and Iraq. In other words, in two weeks alone we spent in Iraq what we spent in five years in Colombia.

U.S. assistance to Latin America in 2006 totaled \$700 million. Yet, in this same period of the past couple of years, Chavez purchased \$4 billion of Argentine bonds, \$500 million of Ecuadorian bonds, is providing an equivalent amount of aid to Bolivia, and our intelligence community estimates he supplied somewhere between \$2 billion to \$3 billion in overall assistance to Cuba alone. In short, Mr. Chavez has displaced the combined funding of the United States, the InterAmerican Bank, the World Bank and the IMF in many of the countries of America Two. Here one has to remember that when he assumed power in Venezuela, the price of oil was at \$13 a barrel, and today it stands at \$82, which is more than a six-fold increase.

Already we talked about some of the effects in Ecuador, in Bolivia, and I cited some of the figures of the Chavez phenomenon, but let me project a little bit into the future. One of the closest allies we have had in South America has been Colombia. When Uribe came to power, he had two things going for him. He had Plan Colombia behind him for \$4.5 billion, almost \$5 billion, for five years, and he had the promise of an FTA. Today he has no Plan Colombia. Plan Columbia is not being renewed, only extended which is different, and there is no FTA in sight right now. I forecast that it is very likely that the next president of Colombia will be someone that Mr. Chavez is going to like very much. I forecast that what is already beginning to take place is a realignment of Colombia even under our staunch ally, President Uribe, becoming closer to Caracas than he has been traditionally to Washington.

The second and final example that I want to give is Cuba. Everyone in the United States, in Canada, in Europe, has been working towards a transition in Cuba, something what like has happened in Eastern Europe. That was fine. We were going along well. However, since Chavez has come onto the scene, I think what Chavez is going to do and is doing is guaranteeing the survival of the same people that have been running Cuba since 1959. I think what we are seeing in place is a succession government very much a Cuban version of what happened in China and Vietnam, which this time is being bankrolled not by the Soviet Union but by Hugo Chavez.

Today there exists only one super power, and that is the United States. The economic and military power of the United States is enormous in relation to all our new adversaries. The gap between the United States and the majority of the countries of the developed world is huge. That is the today's reality. But having said this, the ability of the U.S. to politically influence events in Latin America is at its lowest point ever. From being the protagonist and the decisive actor, it has now been relegated to being an observer or victim to events led by others such as Hugo Chavez.

The effects of 9/11 and the invasion of Iraq have altered many things for the United States, including its vital relationship with Latin America. This will not change for many years to come. Will the United States do something significant about Hugo Chavez? Don't hold your breath. Please understand that in the current context Hugo Chavez is not a threat to the United States. He is simply a nuisance. Historically, the United States has always dealt with real threats while it reluctantly has put up with nuisances. In short, brace yourselves, for Chavez is here to stay, and the Chavez phenomenon will, notwithstanding some setbacks, continue to grow.

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