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LLORENTE & CUENCA

USA AND *LATIN AMERICA:* *relations in the Trump era*

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UNO is a magazine of Developing Ideas by LLORENTE & CUENCA addressed to clients, professionals, journalists and key opinion leaders, in which firms from Spain, Portugal and Latin America, along with Partners and Directors of LLORENTE & CUENCA, analyze issues related to the field of communication.

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SUMMARY

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USA AND *LATIN AMERICA:*
relations in the Trump era

“It is worth noting that 2017 and following year will be key for Latin America, with many governments facing general elections

José Antonio Llorente

Founding Partner and Chairman of LLORENTE & CUENCA-Spain / U.S.A.

From 1823, when President James Monroe declared before Congress that the American continents were out of the colonization scope of the European powers, and until Barack Obama announced the end of the U.S. intervention in Latin American affairs at the 2015 Summit of the Americas, the continent’s relationship with the successive U.S. presidents have gone through different phases that have proven key for the political, economic and social development of Latin America.

The uncertainty brought about by the victory of Donald Trump as president of the United States, impacted the whole world, but Latin America was no doubt the region where the political aftershock caused by Trump’s rise to power was most feared. The lack of specifics from the Trump administration regarding its foreign policy, has many parts of the world holding their breath waiting for what steps will be taken next. The other major powers are awaiting the strategic decisions of the new incumbent at the White House, so as to take advantage from new opportunities or power vacuums where the United States might have previously led the way.

In Europe, the nationalist aspirations of the United Kingdom weaken the international strength of the Union and sees London become a player with its own negotiating powers, free from the impositions of the member States. On the other hand, Spain and Portugal will play an increasingly important role as strategic allies for Latin America and as mediators, thanks to their geographic, historic and cultural links.

It is worth noting that 2017 and following year will be key for Latin America, with many governments facing general elections. Chile, Honduras, Costa Rica, Paraguay, Colombia, México, Brazil and Venezuela will elect their Heads of State. The paralysis affecting structural reforms in the region may be caused, as in the case of Brazil or Chile, by the upcoming elections while in other cases, there is simply no intention of implementing reforms, because there is no political belief in them, as in the case of Venezuela. There are also situations where weakened governments, such as Guatemala’s, do not have the option of boosting productivity and competitiveness. As one of our contributors states in this issue, Latin American countries may not see Trump as one of their main priorities, as they are focused on their own domestic affairs.

Will the U.S. recover its founding spirit of leadership on the world stage? Will the arrival of a populist in the U.S. Government influence elections in Europe and other parts of the world? How will the Trump administration change the balance of power in Latin America? Will social instability in Latin American countries end due to the threat of not extending NAFTA? Will Latin America find alternatives in order to boost its growth, transform its production structure, etc., without abandoning social challenges? Who will pay the price of the new “Make America Great Again” policy? Will this new situation cause the awakening of a passive society? These are some of the interesting questions we are exploring in this number of UNO.


GRÖNLAND
AMERIKA
ÉSZAK-
AMERIKA
DÉLI JEGES TENGER

THE IMPOSSIBLE *POLITICS* OF *walls*

José Antonio Zarzalejos

Journalist, Former Director of ABC and El Correo / Spain

On January 23rd this year, not long after he had taken his place as the president of the United States, Donald Trump signed an executive order instructing his country's immediate exit from the Trans-Pacific Partnership (TPP) and for the renegotiation of NAFTA, which after coming into effect in 1994, the United States has held with Canada and Mexico. In the first case, the new Republican mandate aborts, from its first stages, the agreement that his predecessor, Barack Obama, achieved with eleven countries (Japan, Australia, Canada, Malaysia, Mexico, Peru, Vietnam, Brunei, Chile, New Zealand and Singapore). This decision by the North American president was of huge importance. The TTP encompasses a market of 800 million people and close to 40 percent of the world's economy. The "why" of this immediate executive order (a determination which had already been advertised in his electoral campaign) was explained by Trump with blunt phrases: "We must protect our borders from the ravages of other countries making our products, stealing our companies, and destroying our jobs."

> *"China, a titan that has re-situated itself on the global stage, with its "capitalist authoritarianism" becoming an advocate for free trade, representing a sarcastic turn in the worldwide ideological coherence*

Similarly, although in a more explicative way, he justified the start of the NAFTA renegotiations which are going to go down a different line from that of the Trans-Pacific Partnership. Effectively, just last April when Trump was celebrating his first one hundred days in the White House (with the lowest popularity ratings of any inaugurated president in recent decades), and after having called the trade agreement with Canada and Mexico "the worst in history" the Republican rectified himself: "I was going to terminate NATFA [...] the president of Mexico [...] called me and, also the Prime Minister of Canada, [...] they asked me to renegotiate. I will." Trump's correction, inspired by his most realistic economical advisers, has a lot to do with the free fall of the Mexican peso and Canadian dollar which does not benefit the North American. Canada and Mexico are the second and third trading partners of the United States and the economic turbulence of the breaking of NAFTA was being formidable.

Likewise, the building of a wall along the Mexico/US border has been put off, despite resounding statements from the White House of the contrary. The Mexican authorities are putting up a hard resistance to Trump, which does not achieve the formula for the neighboring country to co-finance the physical barrier between the two countries. It was initially claimed that it would be paid for by Mexican taxpayers in the United States.

However, Peña Nieto has taken note and has rigorously adjusted border surveillance to avoid large migratory movements towards the north; something which deeply irritated the United States administration. But the Mexican society is putting up a serious resistance towards Trump's policies. In this sense, the analysis by Pamela K. Starr, director of US-Mexico Network is very illustrative, warning that

"Mexico has an importance to the United States that, apart from Canada, no other country has." It is essential in the management of the waters they share and in environmental policies, it is relevant for the energy markets and crucial for the creation of millions of jobs for US nationals. But, above all, Mexico is important for the United States in terms of national security: it is an essential ally against external threats to the U.S.A. that could enter via the southern border.

Starr, in her assessment, added that there are "three factors that play in Mexico's favor: its geography, its multi-party democracy and its national feeling." All of these remarks have proven very accurate due to the fact that if Trump was thinking of intimidating the Mexicans, he is getting a discrete but efficient response.

The corrections of the new president's protectionist policies are simultaneous with the adjustments in the international policy plans that he had outlined: he has authorized military intervention in Syria, upsetting his former friend Vladimir Putin, he has created tense relations with North Korea and calmed those with China, a titan that has re-situated itself on the global stage, with its "capitalist authoritarianism" becoming an advocate for free trade, representing a sarcastic turn in the worldwide ideological coherence. As Jacques Rogozinski, a respected Mexican analyst from El Financiero explained, the free trade agreements, in general, need some amendments because they unquestionably cause undesirable effects, but from there, to its cancellation is an unnavigable stretch. The Mexican economist confirms that the so-called "losers to globalization" have become ravages, electorally speaking, both in the United States and in the United Kingdom, encouraging "nationalist and isolationist" aims. Rogozinski lists up to twenty free trade agreements that the United States has signed and that would explain, at least partially, for the undesirable effects of these agreements on the world's economy.

"The serious problem that arises from isolationist and protectionist policies in the fields of economy and trade, are that they are a consequence of a populism that is a reaction to the excess globalization

According to this economist:

"One study from the Massachusetts Institute of Technology and another from the Economic Policy Institute highlight that ever since China was accepted into the World Trade Organization, around 2.4 million jobs have been eliminated in the United States and the trade deficit with China grew from 80 thousand million to nearly 370 thousand million dollars."

He also gives the following example that: "In 2011 the trade deficit of the United States was 13 thousand million dollars, but the following year the government signed a free trade agreement with Korea and in 2015 that gap increased to 28 thousand million." And when referring to NAFTA, the figures are equally expressive: "In 2015 the United States went from having a surplus of 1.350 million dollars to a deficit of more than 58 thousand million... in exchange," continues the Mexican analyst, "global and offshore companies have achieved record gains, benefiting their shareholders and those that live where they generally house their corporate accounts."

The serious problem that arises from isolationist and protectionist policies in the fields of economy and trade, are that they are a consequence of a populism that is a reaction to the excess globalization. This has led developed societies to create a type of working class due to the effects of off-shoring; the devious competitiveness of unregulated countries and, with the exploitation of labor, those others that handle an abusive tax dumping. Differently to the European populism, specifically the French and the Nordic, which feeds much more off the xenophobic perceptions and protectionism of cultural identity, the American version incorporates other variables of a socio-economic nature. Trump's slogan, "America first," introduces the idea that the imperialist hegemony has impoverished the country in the collective consciousness of North Americans. It is not a new speech in the United States: its isolation has been a constant, in its history, over the past two centuries and was formed within the political science of the Monroe Doctrine under the slogan "America for the Americans." We are not against a totally unknown collective behavior of the white, Anglo Saxon and protestant (WASP) North Americans. But what is new is its radicalism, and especially, the misleading analysis of Trump's populism that has not taken into account for the deep and irreversible changes that globalization has caused and those that need to be counterbalanced or rectified, but not to be beaten as intrinsically perverse phenomenon.

The policies of physical barriers, be that with Mexico or to the other extreme between Palestine and Israel, or trade barriers, do not work. Not only do they deteriorate co-existence, but they also erode the economies involved. The United States and the United Kingdom of Great Britain, "Trumpism" and Brexit, have adopted collective decisions based on emotively charged electoral speeches. When the mentors get into power, reality disproves their theoretical estimations. A correction of protectionism seems to prevail: Trump is not able to express his radical measures on practically any aspect, and the country's economy is presenting

serious malfunctions. Theresa May has had to call an election to deal with the United Kingdom's exit from the European Union whilst she observes how the British macro-economical data deteriorates. Surely free trade should impose homogeneous conditions of competitiveness, common regulations and outlaw abuse, the isolationist populism cannot go against the sign of the times.

"A correction of protectionism seems to prevail: Trump is not able to express his radical measures on practically any aspect, and the country's economy is presenting serious malfunctions. Theresa May has had to call an election to deal with the United Kingdom's exit from the European Union whilst she observes how the British macro-economical data deteriorates

NO *NEUTRAL GROUND*: PREPARING FOR "ACTIVISM EVERYWHERE" IN THE *Trump era*

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Since the election of President Donald Trump, businesses operating in the United States and throughout the Americas have had to rethink their communications strategies and corporate positioning in reaction to the president's unpredictable communications style, especially his avid use of Twitter to shine a public spotlight on people and companies. Trump can have a significant impact on a targeted company's stock price, reputation and ability to do business. His words also can impact foreign currencies, as demonstrated by the volatility of the Mexican peso since Trump took office.

> *"We have entered a new age of corporate activism, where activists targeting companies could be in the White House, or could be customers or employees, empowered by social media*

Even positive attention from the president can have unexpected consequences: a "thank you" tweet from Trump to L.L. Bean, for example, prompted some customers to boycott the brand, and companies operating on both sides of the Mexican-U.S. border have had to walk a tight rope to ensure they are not viewed as supportive of the president's views about NAFTA or border security by employees and customers in both countries who oppose the president's views.

Many companies are finding, however, that it is either impossible or undesirable to avoid publicly engaging the administration's actions. Some corporate leaders publicly denounced Trump's "immigration ban" earlier this year, while others were unwittingly pulled into the fray. For example: despite taking no immediate stance on the issue, car-service-giant Uber was perceived by some customers as trying to break a taxi strike being conducted in protest at New York's JFK airport. Although the company has since said it was not in support of Trump's executive order, it did not stop the hashtag #DeleteUber from quickly trending on Twitter, and eventually public pressure forced Uber CEO Travis Kalanick to resign from President Trump's business advisory council.

We have entered a new age of corporate activism, where activists targeting companies could be in the White House, or could be customers or employees, empowered by social media. In such a combustible environment, even non-involvement can be interpreted as picking a side, which means companies may not be able to avoid the spotlight, or expect it to pass over them quickly.

KYA–KNOW YOUR AUDIENCE

In this new age of "activism everywhere," businesses must identify their vulnerabilities to Trump-era activism: the tweets, comments and executive orders that would impact them and their relationships with key constituents. This starts with evaluating the make-up of the company's own customer and employee bases. Who are these people, where do they live, what issues may activate them, and how do they communicate?

Uber again provides an instructive example: its users are highly likely to be younger and more urban, therefore more likely to disagree with the president's policies, and to be active on social media. Most importantly, their relationship with the company is solely through a smartphone's app, and can easily be severed with the press of a button. Similarly, Uber drivers, some of whom are immigrants themselves, are part-time employees who can easily jump ship to competing companies with relatively little consequence.

By contrast, Airbnb promised to give free housing to refugees and started a #WeAccept campaign. This is the same company that within the past year was the subject of a New York Times article called, "Does Airbnb enable racism?" Clearly, Airbnb saw an opportunity to realign how it is perceived by its mobile, diverse and tech-savvy clientele, even at the risk of alienating those who support limiting immigration.

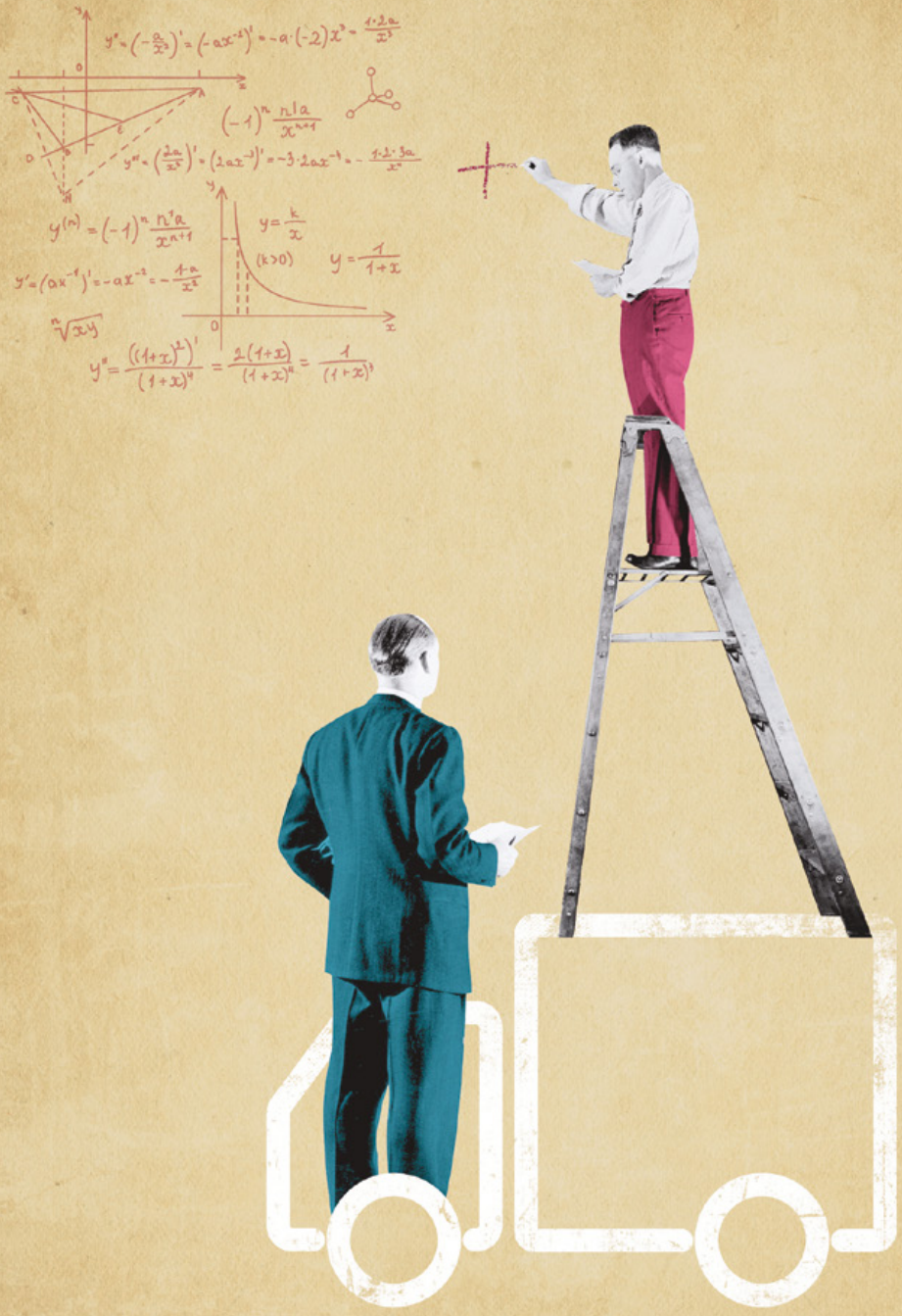
> *"The goal should be to identify the issues to which customers or employees might react negatively, and the measures they might take to communicate their discontent*

PLAN FOR THE UNLIKELY

In the new Trump-era of "activism everywhere," companies should be conducting scenario planning and tabletop simulations to a wide array of challenges, including some that might seem unlikely. In each possible case, the goal should be to identify the issues to which customers or employees might react negatively, and the measures they might take to communicate their discontent.

To develop, play out and maintain these scenarios will require some research, the assembly of a team of outside advisors with relevant insights and active traditional and social media, monitoring to flag potentially relevant issues and public sentiment about them. Such planning should also include consideration not just of how constituencies might react but also what channels companies should use to reach them. And companies should be armed with the facts about their presence in the United States–e.g., how many people does it employ, how many customers does it have, and what philanthropic endeavors does it support in the country.

Since there is no neutral ground these days, every company needs to be prepared for action, even if it intends to stay silent, and believes it would never be targeted or involved in a Trump-related public controversy. Not to be prepared would be, in the words of a certain someone in D.C., sad.


$y' = \left(-\frac{a}{x^2}\right)' = \left(-ax^{-2}\right)' = -a\cdot(-2)x^{-3} = \frac{1\cdot 2a}{x^3}$
$(-1)^n \frac{n!a}{x^{n+1}}$
$y'' = \left(\frac{2a}{x^3}\right)' = \left(2ax^{-3}\right)' = -3\cdot 2ax^{-4} = -\frac{1\cdot 2\cdot 3a}{x^4}$
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$y = \frac{k}{x}$
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$y = \frac{1}{1+x}$
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$\sqrt[n]{x\cdot y}$
$y'' = \frac{\left((1+x)^{-1}\right)'}{(1+x)^4} = \frac{2(1+x)}{(1+x)^4} = \frac{1}{(1+x)^3}$

U.S.A. AND *MEXICO*, TRADE ACROSS THE *border*

Miguel Elizalde

CEO of the Asociación Nacional de Productores de Autobuses, Camiones y Tractocamiones, A.C. (ANPACT) / Mexico

When we think of the Mexican automotive industry, we imagine a production line where cars are made. However, we rarely consider that the industry includes more than cars, but also cargo trucks, passenger buses and, of course, the entire supply chain which maintains the industry.

> *"As a heavy-duty vehicle industry, we should promote the region of North America against other regions of the world*

Most people know–or have some kind of idea– that Mexico is an important car manufacturer on a global scale. However, only few people know that in 2016 Mexico was the world's 6th biggest manufacturer of heavy vehicles and the biggest exporter of tractors.

Of the 3.8 million heavy-duty vehicles what were made in 2016, 50.5 percent were made in China, 13.4 percent in Japan, 9 percent in India, 8.2 percent in Germany, 7 percent in the U.S.A., 3.9 percent in Mexico, 2.5 percent in South Korea, 2.1 percent in Brazil, 1.8 percent in Indonesia and 1.6 percent in Russia. As a region, Asia increased its presence from 75.5 percent to 78.9 percent, whilst North American lowered its one from 13.9 percent to 10.9 percent. These figures show that the coordination on the Asian continent have allowed them to advance, but also that as a heavy-duty vehicle industry, we should promote the region of North America against other regions of the world.

The manufacturing of tractors is a complete example of the high commercial integration that exists between both countries. The world's most sold tractors are made in Mexico and they contain motors produced in the United States. In Mexico, the motors for heavy vehicles are not manufactured and, much like it happens with motors, there are many parts that cross the border various times throughout the manufacturing process and end up as a final product in the United States, with a large part of them having been made there. The much mentioned trade deficits should be deeply analyzed in light of examples like the ones mentioned above.

For heavy-duty vehicles, the North American Free Trade Agreement (NAFTA) currently makes up for around 60 percent of the regional content, with these being the highest percentages of any industry. It has been commented that Mexico would not allow the implementation of any kind of tariff or quota. Consequently, it is most likely that a great part of the discussion is based on the regional content, at least with manufactured products.

In this sense I feel that it is important to highlight two points taken from the five principles and objectives under which the NAFTA negations will take place, these were mentioned by President Peña Nieto a few weeks ago:

1. "To preserve free trade, to exempt products from any kind of tariff or quota, and to strengthen North American and its productivity and supply chains."

2. "To work for a border that unites, not divides us..., to invest more in border infrastructure and to reduce crossing waiting times."

Within this last one in particular, the speeding up of border crossing would have a win-win effect for both countries. It would considerably boost productivity for the industry, and would be centered on an important part of NAFTA, as services are, especially those of cross-border transportation which have not been developed since its integration was suggested 25 years ago.

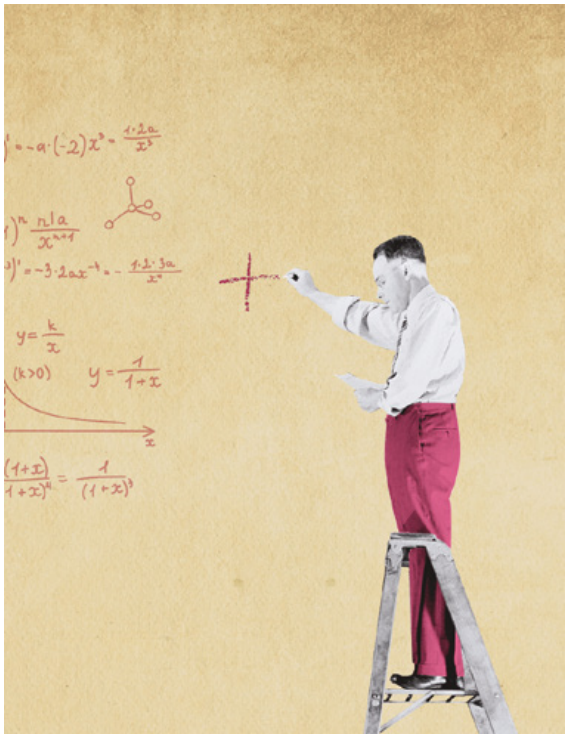
Should the negotiations not be fortuitous and either Mexico or the United States were to withdraw from the NAFTA, tariffs would come into force, registered in the United States in the World Trade Organization, with 4 percent for tractors, 25 percent for single trucks and 2.5 percent for buses. Other possibilities, such as the Border Adjustment Tax (BAT) are losing strength each day.

Ever since the renegotiation of NAFTA was announced, the speculations about its future have varied day by day, especially when listening to the declarations from the North American authorities. Gradually they have been moderating their discourse, quite probably thanks to their better understanding of the integration that we have as a region, which although it is not perfect, is beneficial for both nations.

The negotiation will take more than a year and the starting point will be the notification from the Executive to the U.S. Congress which, by the time this is published, will surely already be known.

"The greatest trade integration between the three countries that make up North America can only make us more competitive

For 25 years we have worked under this framework and the new NAFTA will define the future of foreign trade in the region. The greatest trade integration between the three countries that make up North America can only make us more competitive and make our economies stronger. A negotiation that steps further than the electoral circumstances that await the United States and Mexico, and that should be a priority for all involved.



LATIN AMERICAN SHOULD DARE TO ***change***

Rebeca Grynspan

Ibero-American Secretary General / Costa Rica

Latin America is faced today with a combination of internal and external challenges which require strategic thinking and coordinated action. The changes in the global environment push our countries to seek alternatives to invigorate their growth, transform their productive structure, diversify their markets and stimulate the domestic demand, without leaving the social challenges unattended. The region can convert this situation into opportunity, if it takes advantage of the moment to carry out the pending reforms, deepen the regional integration and tighten alliances with partners in the Atlantic and the Pacific.

> *"A lot of Latin American countries are very vulnerable to possible swerves in the United States trade policies: more than 40 percent of exports from all Central American countries and the Dominican Republic are destined for the United States*

A lot has been written about the effects that the new administration in the United States will have on Latin America. For the moment, what we have seen is an increase in uncertainty; as the international situation is already uncertain and volatile. With regards to the economy, the world has not yet recovered from the 2008-2009 crisis. This decade's levels of growth are the lowest they have been in the past seventy years. World trade is stagnant and has grown below the Gross Domestic Product (GDP) of the past five years, ploughing back to a historical trend and raising the question of what will be the best motor for development in the future. International influxes of Foreign Direct Investment (FDI) fell between 10 percent and 15 percent in 2016 and it is difficult to imagine them recovering in the short term.

A lot of Latin American countries are very vulnerable to possible swerves in the United States trade policies: more than 40 percent of exports from all Central American countries and the Dominican Republic are destined for the United States. More than 80 percent of Mexico's exports go there. Central American countries are also dependent on external shipments which represent 18 percent of the GDP of Honduras, 16.6 percent of the GDP of El Salvador and 10.3 percent of the GDP of Guatemala (compared to just 2.3 percent of Mexico's).

The threat of protectionism in the United States joins together with the impact of Brexit and the China's continuous transition towards the most modest ranges of growth, with an economic model most focused on its internal market. The prices of commodities saw a slight improvement this year, but a far shout off their pre-crisis levels.

This deterioration of the external conditions happened just when Latin America was coming out

"The return of nationalist and xenophobic rhetoric, with signs of fragmentation and polarization in different parts of the West, undermine the principles that the multilateral system upholds and that Latin America defends with one voice

of two years of economic contraction. It is envisaged that in 2017 the region will reach a total growth of around 1.1 percent thanks to the recovery of large economies such as Brazil and Argentina, although there are still question marks over the sustainability of Brazil's recovery.

The levels of debt in Latin America are around 38 percent of the GDP, which raises worries about the cost of exterior funding due to the strengthening of the dollar and the increase in interest taxes by the Federal Reserve of the United States. The situation could get worse in light of an increase in fiscal deficit in the United States as a result of cuts of anticipated taxes, deregulation and the expansion of investment in public infrastructure which the new administration has promised.

Further away from the economy, there are also worries about the values that underlie these changes on the international stage. The return of nationalist and xenophobic rhetoric, with signs of fragmentation and polarization in different parts of the West, undermine the principles that the multilateral system upholds and that Latin America defends with one voice.

Millions of Latin Americans can see themselves being directly affected by these excluding attitudes. More than 17 percent of the US population is considered Hispanic, with a large percentage of migrants, including around 8 million illegal migrants. Four of the five main origins of illegal immigration to the United States are Latin American countries (Mexico, Guatemala, El Salvador and Honduras).

It is noticeable that Latin America would be particularly vulnerable to the effects of the United States' exterior policies. This does not mean to say, however, that there are no options or tools. Far from coming to a halt, the region should make the most of this opportunity to carry out the reforms that it proposed in the past and to explore new alliances.

In the domestic sphere, we should elevate the competitiveness of our economies; betting on the digital society, on knowledge, research, science and technology, diversifying products and markets, investing in infrastructure and logistics and improving the quality of our education systems. We need a revolution in productivity that allows us to transform the way our companies work; making them more innovative and linked to value chains. The great advances that Latin America has been taking, in terms of digitalization of material, should help us to tie the small and medium companies to the global economy through technological platforms; this will contribute to the creation of employment and inclusive development.

This moment should also help us to deepen our regional integration. Inter-regional trade only represents 15 percent of Latin American exports, despite the fact that there are more than 60 trade agreements in force between the countries of the region. The time has come to make the most of these agreements and make them converge. The potential for a possible convergence between the Pacific Alliance and Mercosur, is one which particularly stands out. These two spaces together make up more than 80 percent of the regional population and more than 90 percent of its GDP and investment flows. Our region is bi-oceanic, it does not make sense to split it off between the Atlantic and the Pacific.

> *"Latin America can not limit itself to being a taker of circumstances: it must create them*

The global context is complex and challenging. The next few years will put our capabilities of acting strategically, establishing priorities and engaging in clear objectives, to the test. Latin America cannot limit itself to be taken by the circumstances: it should create them. It should trust itself and build on its strengths. Instead of passively waiting for the next signal from the United States, we should send our own signal: a united, daring region, open to change without abandoning our values.

At the same time, we should boost our relations with strategic partners. In recent meetings with European and Latin American leaders, they have all expressed to me their desires to strengthen links with the region. In the short term, the priority objective is the acceleration of negotiations between the European Union and Mercosur, the updating of the agreement between Mexico and Europe and the continuing of the standardization process of the relations between the European Union and Cuba, which as of December entered into a Political Dialogue and Cooperation Agreement. Spain can take an important, leading role in this, and that is what Prime Minister Rajoy has interpreted.

THE *PACIFIC ALLIANCE* AND THE *European Union*

Ximena Zavala

Latin America Advisor at LLORENTE & CUENCA / Peru

The Trump era has brought uncertainty to international trade relations, including, of course, Latin America.

Soon after taking office, the United States formally withdrew from the Trans-Pacific Partnership (TPP). This agreement, signed by various countries both sides of the Pacific, including Chile, Mexico and Peru, would become a binding part of the voluntary commitments that were taken on within the APEC framework. The United States' withdrawal makes it more difficult to come into effect as its participation was of particular attraction for some countries, like Japan.

> *"The European Union has always been a natural and historic partner of the region and one of its key foreign investors: it is on this base that both blocks could intensify their strategic links*

Also on a trade level, the United States has announced its renegotiation of the North American Free Trade Agreement signed with Canada and Mexico. These two decisions indicate the United States' disinterest with regards to multilateral agreements and, although it has not made a great reference to them yet, the future of existing bilateral agreements does not seem to be promising either.

This situation leads us to analyze and re-evaluate other economic and trade alliances amongst Latin American countries. The most important of those, at this moment in time, is perhaps the Pacific Alliance, incorporating Colombia, Chile, Mexico and Peru. This Alliance is an initiative for regional integration, with the aim of boosting larger growth and competitiveness of member country's economies in order to conjointly conquer other markets.

Even if China is making the most of this "Trump era" to position itself as a possible strategic ally for Latin America, the European Union has always been a natural and historic partner of the region and one of its key foreign investors: it is on this base that both blocks could intensify their strategic links in the social, political and economical fields.

The countries in the Pacific Alliance already have bilateral agreements with the European Union. In the year 2000, a Free Trade Agreement came into effect between Mexico and the E.U.; in 2002, Chile signed the Association Agreement; and finally in 2012, Peru and Colombia signed the Trade Agreement with the E.U. However, the synergies that could be obtained in a group are greater.

WHAT DOES THE PACIFIC ALLIANCE MEAN?

A market of 220 million people, 40 percent of Latin America and the Caribbean's GDP and 52 percent of the region's total trade. Adding up the production of these countries, they represent the world's eighth economy and they make up the top four places in Latin America in the World Bank's Doing Business 2016 index, which rates the ease of doing business.

Likewise, the only Latin American countries which are members of OCDE are Chile and Mexico, meanwhile, Peru and Colombia have formally submitted requests to join.

European Union member countries have not remained indifferent to what happens in this block, becoming observers of the Pacific Alliance.

It should be pointed out that there is still a long way to go in terms of the Alliance. Its aims include encouraging regional integration, progressively advancing to achieve the free movement of goods, services, capital and people. Import taxes have already been taken off 92 percent of products, in order to increase trade in the block. Other mechanisms still need to be created such as single certificates or windows.

When dealing with investments, the creation of the Latin American Integrated Market (MILA) was a great step forward, but it still has not finished its consolidation.

If we talk about the free transit of people, tourist visas have been discarded, but work still needs to be done in terms of recognizing qualifications and work permits.

Regarding the promoting of tourism, right now there are only direct flights between the capitals and a few other main cities, but direct routes to places of archaeological and tourist interest in each country have not been developed.

> *"This is the moment, not just to consolidate the internal integration of the Pacific Alliance, but also to consolidate and deepen its relation with the European Union*

There is now a new challenge and opportunity for the future of this alliance. Although the current president of Peru, Kuczynski, has a clear position regarding the importance of the role of economic agreements, the other three countries, which make up the alliance, will soon have presidential elections: Chile in November 2017 and Colombia and Mexico in the first semester of 2018. Further from the election results, the vocation and trajectory of trade and economic opening of these countries, lead to the thought that the Pacific Alliance will prevail, stay consistent and probably be accelerated.

This is the moment, not just to consolidate the internal integration of the Pacific Alliance, but also to consolidate and deepen its relation with the European Union. This means that Spain has the space, from a European environment, to continue the leadership that it currently has, and historically had over this new Latin America.

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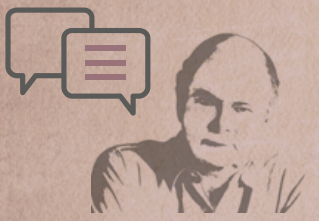
AN INTERVIEW TO **ENRIQUE KRAUZE**
BY JOSÉ ANTONIO ZARZALEJOS



Is a **historian and essayist, Founder and CEO of the magazine Letras Libres and the editorial Clío**. Krauze is an industrial engineer and holds a PhD in History from the Colegio de México. For over 35 years he has published books experimenting with different genres, such as biographies, history, essays and interviews. He has also directed documentaries and tv series about Mexican history. He joined the Academia Mexicana de la Historia in 1990 and was appointed as member of the Colegio Nacional in 2005. He has been awarded several prizes such as the Premio Comillas de Biografía in Spain in 1993 or the Premio Nacional de Historia by the Government of Mexico in 2010. [Mexico]

I do not think that Trump is Latin America's priority

He is nearly 70 with intellectual plenitude. "I'm a historian, an essayist and an editor," he tells me to justify his separation of "academic intellectuality." Enrique Krauze (Mexico City, 1947) is, without a doubt, a great icon of the historiography of the Mexican Revolution, one of the most recognized liberal essayists within the Spanish speaking world and an accomplished debater when it comes to defending democracy, rights and freedoms.

He was one of the signatories of the letter by Hispanic artists and intellectuals which, in the summer prior to Donald Trump's election (2016), showed their worry over his possible presidency of the United States, and was finally produced last November 8th. Krauze has clearly become one of the most constant dialectical evils against what the U.S. Head of State represents. The Mexican considers Trump an "irresponsible, narcissistic, megalomaniacal pyromaniac" and credits him with having perpetrated "an immense damage."

However, this meticulous and brilliant historian does not believe that Trump is Latin America's priority or that they are paying much attention to his policies, because a lot of the countries in the region do not depend that much on what happens in the United States, although we all do.

> *"A strong moral presence in Washington will have an effect over Venezuela and Cuba*

For Krauze, each country in Latin America is immersed in their own problems: "Brazil in corruption, Argentina in rebuilding the economy, Chile in keeping their democratic and economic progress, Venezuela in Venezuela in hell and Cuba waiting." But the analyst that the Mexican has inside narrows it down:

> Some governments, like the Argentinian and Peruvian ones, have discretely moved closer to Trump, seeking to minimize damage and introduce certain rationality to his character. Kuczynski and Macri have done the right thing. But Latin America is focused on its own problems and, likewise, it doesn't seem to be a region of utmost importance for Trump, this has its advantages.

He does, however, regret the current lack of ethics in the U.S. capital, because believes that the "strong moral presence in Washington that has been lost with Trump, would have a defining effect on the Venezuelan and Cuban situations." According to him, the "key to Cuba is in Venezuela, although at any given moment the Russians are there," the intellectual, that knows the New Continent like the back of his hand, seems to be sorry for himself, repeating that "the biggest problem in Latin America is Venezuela."

"The biggest problem in Latin America is Venezuela; the Castro's regime is also dependent on this country

I ask him about his country, about Mexico.

> "Peña Nieto's invitation for Trump on 31st August 2016 was a historical mistake. He won everything and didn't give anything in return. I don't know how many votes he provided the North American with, but it was definitely some. The opportunity to make a public claim for the wrongdoings towards Mexico was lost."

Krauze believes that there is a channel of communication between the Mexican Foreign Minister and Trump's formal and informal representatives, in regards to the Free Trade Agreement (NAFTA). "It would

"There is a favorable atmosphere to maintain the validity of NAFTA

appear that the atmosphere between the negotiators is moderately favorable towards an arrangement that doesn't destroy the agreement," Krauze cautiously continues: "I think that is where the negotiations are going, although I would never rule out, in an early riser burst, that on the eve of the confirmation of the agreement, Trump orders to cancel it."

With the Free Trade Agreement (FTA) being important for Krauze, there are:

> Other highly worrying issues in the relationship between the two countries, such as the hate speech of nativism, although that has decreased because the U.S. president has opened up too many fronts, even some that concern his own survival in the White House, to such an extent that he seems convinced that Mexico is one of his lesser problems.

And the border wall promised at the expense of the Mexicans? : "The truth is he has been convinced that it is unfeasible, unnecessary and uneconomical, and that he would be faced with all kinds of conflicts and claims in the United States" And so, "the bleak panorama that was seen between the countries just a few months ago seems to have cleared a little, but I would never claim a victory, because Trump is a tyrant."

And if it is like that, are we facing up to this reality? Krauze's answer is negative and invokes bravery.

> On the stage of politics, Merkel is the one that has understood who Trump truly is, she made the statements she had to make with solidity and sincerity, and I particularly liked the theatrical gesture from the great reader of Moliere that is Macron, when he intelligently uprooted Trump

by walking up to him and then twisting to greet the German chancellor first. It is important that Europe has these types of gestures, and it is just as important that it gains time, as it is for Mexico. Playing with times is necessary for my country, especially if NAFTA doesn't thrive, because new allies, new political actors and new companies will have to be found.

> ***"Kuczynski and Macri have done the right thing by approaching Trump to minimize the damage***

Enrique Krauze holds a firm position–that is the failure of the G7 last May, a disappointing meeting in Taorima (Sicily)–: "Trump represents an emergency system in all senses: political, diplomatic, economic and even in terms of the military and the environment." The formula is "political and diplomatic strength and imagination so that this character trips up and shows off his incapability." Although he does not expect, or believe it to be probable, he does not rule out the chance of an impeachment, albeit a "remote" chance. This is due to the:

> ***"Mexico is now one of the minor problems of the President of the United States***

Polarization of the United States' society, because the xenophobic, fascist nucleus that supports him is not a minority, but widely spread, far larger than we thought, because there is a racist layer that we didn't want to see, that's to say that Trump has support away from the Senate and Congress. Luckily, we can always count on Trump to work against himself.

We say our goodbyes making references to Spain, a country that Krauze frequently visits– "it feels like home, like Mexico"–, as he considers himself an intellectual grandson of the many political exiles of the Spanish Second Republic who set up their intellectual home there, much like León Felipe. He remembers the Spanish distinctions that have passed: the Order of Isabel the Catholic, and of Alfonso X the Wise, and he praises the country:

Spain is an area of coexistence–further away from its political debates–and of a civility that, I'm afraid, the Spanish themselves don't know how to value very well. Spain has defied the laws of historical determinism and the Spanish have not realized this. I will try to persuade them that it's not just their immense literature, and their art, but also their conquests in civil life. Let's hope the call of populism never convinces them.

> ***"The border wall between the two countries is unfeasible, unnecessary and uneconomical***

He glances at the three most recent editions of UNO that I have brought for him to get to know the magazine, he promises to read them and praises, after a closer look, its design and format. A small advance: he is preparing an anthology of his essays and he has a few new books in the pipeline. We will meet for another conversation when they are published.

TRUMP, A ***doubtful*** PROSPERITY?

Juan Carlos Ureta

Chairman of Renta 4 Bank / Spain

Trump's electoral triumph last November 8th woke up, against all the odds, big expectations in the U.S. economical and business sectors and was celebrated with big stock market rises.

In amidst the generalized optimism and the favorable climate for the new president's economical proposals, the investors acknowledged the "reflaction" promoted by Trump as the beginning of a "new era" of prosperity, similar to that at the beginning of the 80s with Reagan's policies. In particular, the banking sector was one of the main beneficiaries of these rises, encouraged by the expectation of higher interest and a great economic dynamism.

Now that more than one hundred days have passed since Trump took to power, this initial euphoria has vanished somewhat after seeing, once again, that electoral promises are one thing, but carrying them out is another. However, the problem with the economic measures that form a hard nucleus around Trump's program is not that they are going to be fulfilled, but that by fulfilling them there may be very negative effects on the economy, through them not being able to adapt to the global world of the 21st century. For that reason, what could happen is that start blurring away until they are completely forgotten.

> *"This is not a "global" reflation, but a reflation exclusively for the United States and only for the United States, meaning it is protectionist*

To be fair, it has to be said that there is a lot to be thankful for in the new American president's pro-business language and his liberalizing initiatives which aim to eliminate the suffocating bureaucracy and regulation that companies suffer from today. We should wish Trump luck in this effort, which will run into a wall of interest created by the numerous regulatory agencies and organizations, and by the thousands of functionaries whose one raison d'être is not public utility, but the protection of their own personal interests, paralyzing the initiative with an useless formality which, on occasions, borders ridiculous.

Having said that, the reality is that the ensemble of Trump's economic proposal is simply not going in the right direction. The axis of these proposals is the fiscal reflaction, in other others, stimulating economic growth though the aggressive lowering of taxes and the program of infrastructural investment. However, this is not a "global" reflation, but a reflation exclusively for the United States and only for the United States, meaning it is protectionist.

This generates three problems. The first is that pumping more fuel into an economy like the North American's which is in full employment (4.5 percent unemployment rate) and whose level of production capacity utilization is very high, this could result in more inflation than growth,

tensioning the types of interest upwards to a large extent than foreseen. After eight years of massive monetary intervention, the most active markets have become addicted to the "easy money" and a further raise of kinds will provoke, without a doubt, strong turbulence in the markets, impacting the real economy.

The second problem is the dollar. The Trump program, if it were to be fulfilled, would have a powerful upward impact on the dollar, in a world that is indebted in dollars. There are eight and a half trillion dollars of debt from non-American residents and a strong rise in the dollar would create problems, not just for the North American economy, but also for the various banking entities, especially Asian ones, and some emerging economies with elevated liabilities in dollars.

The third problem is the emerging countries. Trump has outlined his reflation not just on the margin of, but actually against emerging countries. His "America first" and his face off with economies such as China and Mexico may have been valid in the Reagan era, when the GDP of the emerging countries was less than 40 percent of the world's GDP and the United States' was 25 percent. But nowadays, the emerging countries make up more than 60 percent of the global economy, and this figure is growing, whilst the United States' figure barely passes 16 percent. Two or three decades ago there was the saying "if America is going well, the world is going well," but the reality these days is that if the world is not going well, America cannot either. That is the global economy of the 21st century.

Because of all of this, it is highly doubtful that Trump's program will be completed, but it is even more doubtful that, if it is completed, it will bring about an age of prosperity.

Since April, the American stock market has moderated the euphoria with which Trump was received and a few indicators, such as the futures of petrol or the types of long term interest, and

"It is highly doubtful that Trump's program will be completed, but it is even more doubtful that, if it is completed, it will bring about an age of prosperity

it does not seem to anticipate strong economic growth. The so-called "Trump trade" has lost strength and in a certain extent there is a feeling of returning to a "pre-Trump" world. A world of positive economic growth, but low (the North American GDP grew just 0.7 percent in the first trimester) in the way inflation and the types of interest can bounce back, but not too much.

In this new scenario, the European stock markets, which had been left behind, are behaving better than the American one after noting a greater growth in the euro-zone and after having cleared up the political uncertainty in France. The fear of deflation, which was a dominant topic at the beginning of last year, has given way to the anticipation of growth of the, until recently a little depressing, euro-zone economy.

Once more, as has frequently happened over recent years, the economy and financial markets are facing up to a dilemma of if we are at the edge of a stage of strong growth (the famous "escape velocity") as the stock markets are anticipating, or, on the contrary, if the bonds and raw material markets are right to discount, as the International Monetary Fund would say, a mediocre growth.

Time will tell which of these two visions is the correct one, but looking back, history teaches us that, in general, the bond markets have been better predictors than the equity markets.

DOES EVERY *TRUMP* HAVE A *silver lining*?

Cecilia Soto

Federal Deputy for the Partido de la Revolución Democrática / Mexico

I am not particularly into believing the popular wisdom that phrases such as "every cloud has a silver lining" allegedly conjure up. But in the case of Donald Trump's triumph, maybe it is possible to affirm that thanks to his threats and grotesque hand slapping, he has shaken the Mexican conscious, especially in terms of the more than six million undocumented Mexicans that live in the United States, as well as in terms of the unresolved issues of the North American Free Trade Agreement (NAFTA).

> *"In the comfortable agreement with the Obama administration, the Mexican government took on the sad role of "Chief Deporter" of Central American migrants and proceeded to militarize the southern border*

This effect can be clearly seen when compared to the high number of deportations that were carried out during the eight years of Barak Obama's government. Despite the record amount of deportations, the activism and initiatives in defense of the Mexican migrants happened little by little. In Obama's smooth way, his discourse was always in favor of human rights, and his pretext to proceed with the deportations as a demonstration of political will towards the Republicans in order to get approval for the integral migratory reform and the Deferred Action for Childhood Arrivals (DACA) initiative, numbed the reflexes to defend our communities abroad. Nearly three million deportations during these eight years and there was not an important budgetary change for the Ministry of Foreign Affairs to strengthen the labor of the protection of the consulates.

Likewise there were no budgetary improvements along the lines of the Ministry of the Interior or of the National Institute of Migration, destined to the protection of migrants. On the contrary, in the comfortable agreement with the Obama administration, the Mexican government took on the sad role of "Chief Deporter" of Central American migrants and proceeded to militarize the southern border; that is the meaning of the Southern border Plan.

Donald Trump's unexpected triumph was a shock of thousands of volts, and one of those was healthy. The illusion that Trump would assume a presidential role was soon shattered: every appointment, every Executive Order, every memorandum... they proved that the anti-Mexican verbosity employed throughout the campaign would continue to be present in the public policies of the new administration.

In the civil society, two noticeable initiatives emerged: the Agenda Migrante, driven by Eunice Rendón, Jorge Castañeda and Héctor Aguilar Camín; and Operation Monarch in the Republican Senate. In the United States, the years of work and experience

"Ironies from history, but perhaps we have to thank the worst president in the recent history of the United States for waking Mexico up

gathered in the most active Mexican consulates–which immediately provided a great wealth of information about the possible modus operandi of the coming deportations–allowed for the activating of contact networks with well-organized Mexican and Central American communities settled "on the other side."

In the Mexican Congress, where we have not managed to move a millimeter of the budget received in tax to foreign affairs, what has been achieved is the administration's commitment to dedicate the thousand million pesos that the National Electoral Institute had renounced for the construction of a new building for consulates. Members of the Commissions for Foreign Affairs, from both Chambers, go over the consulates and interview with local police, U.S. authorities, Immigration and Customs Enforcement (ICE) and owners of detention centers, to make them aware that we are of the violations of rights of Mexicans and Central Americans, and we are entering into dialogue with the local and federal legislators, we unite our strengths against anti-Mexican initiatives, like in Arizona, and we support Sanguinary City initiatives such as in California.

In particular, the Agenda Migrante became a forum in which Mexican governmental authorities from both sides of the border, migrant organizations (also from both sides of the border), legislators, journalists and lawyers specializing in migration came together. This initiative gained the trust of migrants who were at risk of being deported. We listened to their testimonies, their experiences and frustrations when trying to go back and live in Mexico, their stays in detention centers, their specific petitions: legal defense to lengthen their stay in the United States, legal orientation to protect their children and property in the case of deportation, obtaining appropriate identity papers that work in Mexico, opportunities for reintegration.

The reality soon hit that this was a far cry away from adequately serving the migrants. The initiatives and good intentions take time to be implemented, bureaucratic habits are difficult to break and there is an ever increasing number of deportees with a different profile to those deported in the previous administration, who have been living in the United States for longer, being well integrated in their communities and not having committed any relevant crimes, this proves what the Mexican authorities and initiatives need to do and the challenges they face.

In terms of the North American Free Trade Agreement (NAFTA), I would only add that the arrival of president Trump has also been useful to put pressure on the abysmal salary gap between the United States and Mexico. Many of us have reported the precariousness of the minimum wage and we have campaigned for it to be improved, but this has only been taken seriously when this indefensible injustice threatens the continuity of NAFTA. Ironies from history, but perhaps we have to thank the worst president in the recent history of the United States for waking Mexico up.

U.S.-DOMINICAN RELATIONS IN THE TIME OF *Trump*

William Malamud

Executive Vice-president American Chamber of Commerce
of the Dominican Republic / USA

We live in tumultuous times. It is a period not unlike that between WWI and WWII. Antonio Gramsci, an Italian intellectual imprisoned by Mussolini in 1929, put it quite succinctly in *Prison Notebooks*[1]: "The old world is dying and the new world struggles to be born. Now is the time of monsters."

> *"What remains to be seen is what specific policies he will bring forward and what he will be able to get through in an increasingly polarized Congress*

The old world was that of the collapsing empires of Europe and the new world was a chaotic struggle between contending visions for the ascendant types of nation state: fascism, communism or liberal democratic capitalism. That struggle between competing forms played out: in WWII, in which fascism was defeated; through the Cold War and the collapse of the communist Soviet Union in 1991; and culminated in the accession of the People's Republic of China to the World Trade Organization in 2001. Liberal democratic nation states, led by the United States and powered by market economies, won the day and presided over a rules-based system of international institutions. A happy ending, or so we thought…

Since the financial crisis of 2008, a growing sense of economic vulnerability and the fear that one's cultural identity is under siege, have given rise to populist and nationalist movements–particularly in the more developed countries of Europe and the United States, where globalization and liberal immigration regimes are most advanced.

Donald Trump effectively tapped into this growing sense of economic and cultural anxiety. His rhetoric was frequently extreme and often self-contradictory, but he was able to win a historic victory. What remains to be seen is what specific policies he will bring forward and what he will be able to get through in an increasingly polarized Congress.

Trump's national security team is competent and experienced. The board they inherited includes a Eurasian landmass convulsed from one end to the other. Indeed, some of the few places of relative stability and growth are Latin America and the Caribbean. The Trump national security team will have its hands full managing crises on the far side of the globe for the foreseeable future, and they understand that the United States' ability to project force globally is predicated on a stable western hemisphere. The most significant threat to the US national interest in the region comes from a near-shore collapsed state that could generate a massive refugee crisis. Beyond that contingency, for better or worse, the administration will likely be focused elsewhere.

[1] Gramsci Antonio. (1975). *Prison Notebooks*. New York: Columbia University Press.

On the trade front, the gap between campaign rhetoric and actual policy is wide. While President Trump pulled the United States out of the Trans-Pacific Partnership (TPP) as one of his first executive actions; the reality is that TPP would have been very difficult to ratify in the Congress. The big campaign trade theme was "tearing up" the North American Free Trade Agreement (NAFTA) and renegotiating a better deal bilaterally with Mexico and Canada.

On May 18th, the recently confirmed U.S. Trade Representative, Robert Lighthizer, formally notified Congress of the administration's intent to renegotiate NAFTA, initiating a 90-day congressional consultation period. Lighthizer expressed the hope that the negotiations could be conducted trilaterally, albeit with some specific issues being addressed bilaterally. He also said that NAFTA had been successful for many US sectors, including agriculture, investment and energy. The main concern has been the loss of manufacturing jobs.

The administration has yet to articulate specific objectives for a re-negotiated NAFTA, but they have indicated they will: "Seek new provisions to address intellectual property rights, regulatory practices, state-owned enterprises, services, customs procedures, sanitary and phytosanitary measures, labor, environment and small and medium enterprises." This language is much cooler than that of the campaign rhetoric.

The administration intends to review all Federal Transit Administrations (FTA), but it is not clear what metrics will be used. Most likely, the primary metric will be the trade balance, and by that measure the Dominican Republic and Central America will most likely pass scrutiny as the US has a trade surplus with these countries. We can probably expect a review and strengthening of intellectual property rights, labor and environmental chapters–to get them more in-line with more current FTAs–and the addition of a chapter on digital and e-commerce.

Overall, we do not expect significant changes to the core elements of Dominican Republic-Central America Free Trade Agreement (DR-AFTA).

For the Dominican Republic, the biggest downside risk on the trade front has nothing to do with the trade agreement but rather with the tax reform. As part of the tax reform proposal being considered in the House, Speaker Ryan has put forward the concept of a border adjustment tax (BAT) to help pay for reductions in marginal tax rates on corporations and individuals. A BAT would be extremely disruptive for U.S.-Dominican supply chains, and manufactured exports. While the prospects of a BAT are diminishing as it becomes better understood, it should be closely monitored.

The U.S. tax reform of marginal corporate rates, as well as taxes on repatriated profits, will inevitably impact investment flows. In this regard, it is important for the Dominican Republic to review its fiscal policies to insure it remains competitive to ensure continued foreign direct investment. If the Dominican Republic can do that, while maintaining the core elements of DR-CAFTA, it will be well positioned to attract investment in near-shore manufacturing and logistics operations.

TRUMP CHOOSES HIS *ENEMIES*: THE CASE OF *Mexico*

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“But the United States has two very different souls that are products of two very different philosophies

But the United States has two very different souls that are products of two very different philosophies. The main one is directly inherited from the European way of seeing the world and human existence, inspiration for the Founding Fathers’ Declaration of Independence in 1776, the Constitution in 1787, Woodrow Wilson’s fourteen point plan in 1918, or the liberal order, devised in 1945, and still in force today. But the other one has stayed dormant since the founding of the first colonies, imposing their world view in the imperial outbreak at the end of the 19th century, during the rounding up of the Indian tribes and in the treatment of some ethnic minorities. This second focus arrived in America on-board the Mayflower and, despite it including many constructive values that still survive in the American society, it also provided a puritan and predestined Calvinistic concept, with all of the implications that they entail.

But the United States has two very different souls that are products of two very different philosophies. The main one is directly inherited from the European way of seeing the world and human existence, inspiration for the Founding Fathers’ Declaration of Independence in 1776, the Constitution in 1787, Woodrow Wilson’s fourteen point plan in 1918, or the liberal order, devised in 1945, and still in force today. But the other one has stayed dormant since the founding of the first colonies, imposing their world view in the imperial outbreak at the end of the 19th century, during the rounding up of the Indian tribes and in the treatment of some ethnic minorities. This second focus arrived in America on-board the Mayflower and, despite it including many constructive values that still survive in the American society, it also provided a puritan and predestined Calvinistic concept, with all of the implications that they entail.

This focus of the settlers in New England had its origin in duality, and it ended up separating concepts of interdependent nature in the answers that it gave to essential questions of human existence. The puritans saw the world in the most simplistic way, where the idea of bad changed from being the mere lacking of good and being present in the world in distinct degrees; to having a self-entity and identify with realities such as the human body of the material world. This pessimistic, black and white vision, to some extent legitimized for the group of predestined to impose their power in a violent way, in a hostile and ruthless world. This was a vision that was more inclined towards nationalism, unilateralism and commercialism;

“It seems like he has checked a list of the nations with which the United States has the largest trade deficits and he has been able to check that after China, Japan and Germany, Mexico is very close behind

and it helps to understand how it is possible for a nation that promoted the San Francisco Charter in 1945, to betray the principles that it upholds, even after having proposed it as a world project through the United Nations Organization.

Because, as it can be derived from the study of trade relations between the United States and many of the nations that have been attacked by its army or by CIA agents after 1945, it is indisputable that the drastic and immediate increase in exports was one of the direct benefits that each armed intervention reported to the superpower. The cases of Guatemala in 1954, Chile in 1973 and Panama in 1989 and just a few examples where the elite North Americans have let the puritan soul, that bids for the control of the great nation, take over and betray their founding ideals.

The current president Trump received a Calvanist education during his childhood and that is reflected in his permanent obsession to win at all costs and in all aspects of his life. And international trade is an area of maximum relevance. Currently it is like going back to 1929 with Hoover, or even further back. For Trump, a negative trade balance with any country purely and simply represents not winning. In his Darwinian, dismal vision of the world, trade is a zero-sum game in which one country exports the most of what another country imports, and so one country wins and one loses. He resists understanding the complexity of the vision of the global market and the diversity of reasons that can cause deficits in the United States. It seems like he has checked a list of the nations with which the United States has the largest trade deficits and he has been able to check that after China, Japan and Germany, Mexico is very close behind and that there are no other Latin American countries on that list, apart from Venezuela in twelfth place. Maybe it is for this reason that Trump has chosen Mexico as the object of his fury. And given that they are so close, obstructing his way towards the “manifest destiny,” Mexico’s best hope lies in the moderate advisers in Washington being able to finally redirect the president’s stance. Or, better still, for the United States to recover its founding soul.

CENTRAL AMERICA AND THE *UNITED STATES*: NOT ***pessimistic***, NOT ***optimistic***

Pablo Duncan-Linch

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After Donald Trump's election, Central America has gone from an exacerbated pessimism to an optimism that must be based on relevant facts. We propose caution. The French Nobel prize winner Romain Rolland's phrase is attributed to Gramsci which, paraphrased would be: that I am a pessimist because of intelligence, but an optimist because of will. In this regard, it makes sense to think of "intelligence" as the current situation and "will" as the responsibility to find opportunities within this and in any other situation. To understand Central America, it is important to specify different levels and blocks. For this reason, it is opportune to identify political, economical and social interests, according to which of the following regional sub-blocks they belong to:

> *"It makes sense to think of "intelligence" as the current situation and "will" as the responsibility to find opportunities within this and in any other situation*

1. **The Northern Triangle**: Understood as Guatemala, El Salvador and Honduras. These countries share a deeper integration to the extent that they share a flexible migratory policy. They also share a fundamental worry for the high levels of violence, as well as emigration towards the United States due to their[1] high poverty levels. In this area, the Alliance for Prosperity is a direct cooperation link with the United States to create better conditions for life in the region.
2. **Costa Rica-Panama block**: Both countries are located to the south of the isthmus and share a border. They are the region's states that have advanced the quickest in the development of a more competitive economy and a more solid public institutionalism[2].
3. **Nicaragua**: Due to its particular internal situation, it is not possible to classify it in one of the previous sub-blocks. The economy and the institutionalism in Nicaragua are straggling in comparison to those of Costa Rica and Panama. However, it has far lower levels of violence than those of the Northern Triangle, which helps tourism and investment.

In addition to the above, the Central American Integration System (SICA) also counts Belize (the only English-speaking country on the isthmus) and the Dominican Republic (the only member of SICA not

[1] The rate of murders per 100 inhabitants is the best indicator to measure the insecurity and violence in a comparative way. A value above 10 reveals a worrying situation. According to the United Nations Office on Drugs and Crime, in 2014 the rates in Guatemala, Honduras and El Salvador were 31.2, 84.6 and 64.2 respectively.

[2] According to the World Economic Forum's Global Competitiveness Report, Panama and Costa Rica respectively occupy the second and fourth best places in Latin America.

on the isthmus) within its members. These countries do not share as many characteristics and common interests with the other countries, and at the same time, they are very influenced by the Caribbean.

THE TRUMP ADMINISTRATION AND CENTRAL AMERICA

The arrival of Donald Trump's administration worries the region due to their closeness and the influence that the United States has. That is all due to the rhetoric used in Trump's campaign which was based on the notion that the interests of the United States must be placed before all others. On the other hand, during the Obama administration, the relations were friendly and stable. This allowed for the consolidation of new investments and a larger number of tourists' visits, despite the varying trade flows.[3]

However, during his first few months in office, president Trump has not given any signs of trying to change the U.S. foreign policy in general terms, regarding Central America, and likewise there does not appear to be any signs of change from the region either. The United States did advertise that it planned on cutting resources aimed at international cooperation in the region to prioritize security.

ECONOMIC CONSIDERATIONS

Countries in the region of Central America highly depend on the economic situation of the United States, due to the fact that it is their main trading partner, both in terms of investment and tourism, but also regarding goods and services exports. A more protectionist trade policy by the United States would translate as a complicated situation for Central American countries, and would further deepen the violence and migration crises that many of those countries are experiencing.

Even so, the trade authorities in the Central American countries which are members of the Free Trade Agreement (CAFTA-DR) between the United States, the Dominican Republic and various Central American countries–Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica–have not received reports of any intentions coming from the United States, to modify this instrument and they even bet on reinforcing its legal security. The same is expected in the case of the trade agreement which the United States holds separately with Panama. Belize does not have any kind of instrument of this nature and is thus more exposed to the consequences of any unilateral decisions.

It should be noted that both CAFTA-DR and the trade agreement with Panama, represent low figures in relation to the total trade flow of the United States. This is different to the North American Free Trade Agreement (NAFTA) in which the United States has a trade surplus, which for the protectionist politicians of Trump's administration should not represent a risk.

Further from the CAFTA-DR, other **widespread measures of economical policy consist of the imposing of taxes** on imported merchandise, the taxing of companies which outsource and the repatriation of companies that work in tax free areas outside the United States. This, together with the claim to lower corporation tax from 35 percent to 15 percent, could motivate local investment and the withdrawal from the Trans-Pacific Partnership (TPP), which could have an impact on Central America.

[3] This can be demonstrated via the import and export statistics from Central American countries to and from the United States.

REGIONAL SECURITY. MIGRATORY INFLUXES AND HUMAN RIGHTS

The geographic position of the Central American isthmus favors the flow of people and drugs towards the north and weapons and money towards the south. In this sense, the interior decisions that the United States takes in terms of security and migration policies imply that the Central American region must adapt to deal with them.

Social exclusion and poverty generate a migratory phenomenon, in which people decide to move towards areas where there are better opportunities. This creates an important tension in immigrant receptor countries, due to the culture shock and supposed facts that foreign people "take work away from the natives" or "they come to commit crimes." The countries in the Northern Triangle are most affected by this reality.[4]

In this regard, a more active policy of deportations would lead to a reduction of the remittances which give currencies to these countries. Likewise, the reinforcement of the United States' southern border could create a revival of people trafficking organizations, generating more serious human rights violations than those happening right now.

COOPERATION

In terms of cooperation, the Trump administration has just laid out significant cuts to Central America, regarding the development aid and institutional strengthening that had been boosted under the previous government of Barack Obama. Comparing this period with 2016, Guatemala would receive 80.7 million dollars, compared to the 131.2 million dollars that it did receive; Honduras would be left with 67.8 million dollars, rather than the 98.2 it received; El Salvador with 46.3 million dollars instead of 67.9; Nicaragua with 200,000 dollars instead of 10 million; Costa Rica 400,000 dollars instead of 1.8 million; and Panama with 1.2 million compared to the previous 3.3 million. These reductions may receive opposition and not be settled on, but they demonstrate a clear positioning of the new government regarding these issues.

> *"We are obliged to look for existing opportunities in the relations with the United States, amidst the uncertainty that the Trump administration still represents for our region*

LINES OF ACTION FOR COMPANIES

Amidst this complex situation, it is vital for companies to be prudent, endeavoring to count on precise and opportune information and avoiding taking business decisions based on rumors or journalistic news. It is appropriate to attend to the advice of an advisor who is specialized in public and international matters to thus have an informed light to lead the way.

In Central America, following Barbara Ward: "We have the duty to hope." We are obliged to look for existing opportunities in the relations with the United States, amidst the uncertainty that the Trump administration still represents for our region.

[4] According to tabulations from the Migration Policy Institute based on data from the census, in 2015, 85 percent of Central American immi grants in the United States had come from Guatemala, Honduras and El Salvador.

THREE DIFFERENT *EVALUATIONS* OF *Trump*

Rosendo Fraga

Manager of the Centro de Estudios Nueva Mayoria / Argentina

Trump celebrates one hundred days in power with three different visions in the balance: the critical, the moderate and the positive. Starting with the most conflicting, he is a president that has failed. Starting with the economy, it has grown by just 0.7 percent in the first trimester, far lower than needed so that growth would be around 3 or 4 percent by the end of his first year in the power. He has failed in Congress by not getting the approval of his key reform, that of ObamaCare. At the same time, in the draft budget he has been forced to accept not to allocate funds for the building of the wall with Mexico, one of his immediate and most proclaimed objectives. Since the start of systematic measurements, with President Eisenhower, he is the president with the lowest approval rate (43 percent) after one hundred days in office. The movements against him continue, like those which took place in the country's capital on May 1st. The first and second instances of Justice have put the brakes on his decrees to limit immigration from Muslim countries. The claims about links between his administration and Putin have weakened and threaten his credibility. Foreign policy has had comings and goings, and has revealed that he does not have a defined strategy. He was going to become allies with Putin, but that ended in confrontation over the bombing of Syria; he was going to confront China and he ended up trying to get closer to them because of the North Korea crisis. With the Free Trade Agreement (NAFTA) he announced the United States' retraction and then he renegotiated this. The "familial" practice of power implies the installation of a "populist culture" in the White House.

> *"The fact that he has a 43 percent approval rate means that the support of his voters remains intact, despite fierce critics in the media*

In the favorable vision about the balance of Trump's first hundred days, the opinion is completely the opposite. The fact that he has a 43 percent approval rate means that the support of his voters remains intact, despite fierce critics in the media. The record values achieved on Wall Street, the Nasdaq and the JP Morgan Bond Index during Trump's first hundred days are telling proof that the economic prospects are in his favor. Before celebrating one hundred days in office he had launched an ambitious fiscal reform, reducing taxes for companies and the middle class, therefore fulfilling his most important promise in the economic field. Jobs are being created, unemployment is lowering and investments are returning. In Congress, the only problem is to solve the 33 representatives of "House Freedom Caucus," the extreme right wing of his party–approximately 12 percent of the Republican bench in the Lower Chamber–which coincides with the strategic line of the president, but they request tougher measures. Nearly all of

his executive appointments have been approved by the Senate. With the approval of his candidate for the Supreme Court, he has gone to have a 5-4 majority, which could help in his favor in coming months; with this, first and second instance legal decisions could be reversed. Although it is true that the budget did not set out any allocations to build the wall with Mexico, Congress did approve a 10 percent increase in the defense budget, which is a far more important objective and a far larger sum. Trump has demonstrated, with the use of Twitter and social media that he can face up to the chiefly critical media. He has shown firmness in foreign policy with the bombing of Syria and the use of the "mother of all bombs" in Afghanistan, and, for better or for worse, he is heading towards solving the risk that North Korea presents.

In between both interpretations, there are those that maintain that Trump has started to face up to the limits of the system and that one way or another, Trump is adapting to it. By rejecting the decrees about immigration from Muslim countries, the first and second instance justice has limited his use of decrees, and he has accepted this. The same happened with Congress, with the rejection of his ObamaCare project and the Mexico border wall; the president had to accept another limit to his power. In other words, the division of powers is working and limiting Trump's arbitrariness. The fact that Congress could object the tax reform can lower economic expectations, but at the same time it would confirm that the limitation of power is real and concrete. In foreign policy, the u-turns in terms of Russia and China show that realism ends up being imposed and the use of military power occurs within reasonable limits. The protectionist measures have, in the end, been fewer than those announced. In short, Trump's unpredictability has been less than anticipated due to the effectiveness of the systems that have limited his decisions.

Meanwhile the European elections show a relative slowing down of populism, but at the same time a deepening of the crisis of party structures. The round of the French presidential elections, which Macron won, show, amongst other things, that the two traditional parties were left out of the ballot–it is a crisis within the political system which has not been seen in more than half a century. It raised doubts about the governability emerging from the elections that took place on June 11th and 18th (second round). This crisis of political systems was revealed in the Italian referendum, the Austrian presidential elections and the Dutch general election, although in these last two, populism did not win in the end. On the other hand, in the United Kingdom, the prime minister (Theresa May) may historically triumph in the general election on June 8th, if she achieves for her party close to 50 percent of the votes and close to two thirds of parliament, this would reinforce her decision in favor of a "hard" Brexit. Away from the east, the Turkish referendum has strengthened Erdogan, who will visit Putin, Xi and Trump in May, reinforcing his role as a regional power in the Middle East. On May 9th there were early presidential elections in South Korea between two candidates, under the threat of a nuclear conflict. One candidate takes, with no limitations, a military alliance with United States, whilst the other leans towards a more pacifist position.

In conclusion, in the critical vision of Trump, one hundred days have passed with the lowest approval rate in 60 years, the economy is barely growing and he has not achieved his goals in terms of foreign policy. In the favorable vision, he has not lost voters, he has managed to take control of the Supreme Court and he has been firm and effective with foreign policy. In the intermediary vision, the president has accepted the limits that Congress and Justice have put in place and he has adopted a pragmatic line in terms of foreign policy, that is to say that the system is working. At the same time, in France the worst situation was avoided and, away from the west, Erdogan grew stronger by winning the referendum. And the early election in South Korea will be carried out under the threat of a nuclear attack.


AMERIKA
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TRUMP, *CLIMATE CHANGE* AND *Latin America*

Gonzalo Ortiz

Director of Gestión Magazine / Ecuador

Before being a presidential candidate, Donald Trump was famous for having said that climate change was a Chinese conspiracy to damage the economy of the United States During the campaign he insisted that was all false; he promised to bring down the environmental regulations established by the ex-president Barack Obama, calling them "stupid" and announcing United States' withdrawal from the Paris Agreement for climate change.

> *"When children study Trump's presidency they will ask: 'how could someone have done this?,' because right now, the U.S.A. is a country without an environmental policy*

Said and done: a week after taking office Trump authorized the building of two oil pipelines which Obama had prohibited for environmental reasons: Keystone XL and Dakota Access. And on March 28th he signed an executive order annulling all of the measures Obama had taken to protect the environment. Amongst those, he eliminated the rules of the Clean Energy Plan which put limits in place for the country's carbon emissions.

As a Washington Post editorial said: "When children study Trump's presidency they will ask: 'how could someone have done this?,' because right now, the United States is a country without an environmental policy."

However, the decision to leave the Paris Agreement has been delayed. At the beginning of May a new postponement was announced until Trump's return from the G7 summit. The mandate holder seems to be indecisive regarding the arguments amongst his advisers. On the one hand there are those who are pressuring Trump to leave the Paris Agreement: his vice-president, Mike Pence; his strategic advisor, Steven Bannon; and Scott Pruitt, a known enemy of the Environment Protection Agency (EPA), and who, to everyone's amazement, Trump made administrator of said body. Bannon is radical: he denies that climate change is happening and although Pence and Pruitt do not deny it, they uphold that human activities do not contribute to it and they promote the use of fossil fuels.

On the other side of the dispute is the president's daughter and adviser Ivanka Trump, and the Secretary of State, Rex Tillerson, both of whom are worried about the negative effects the withdrawal would have on U.S international relations.

As is known, the scientific community, including NASA, considers that carbon dioxide (a sub-product of the burning of fossil fuels in automotives and factories) is the principal contributor to climate change. The scientists warn that, although the Paris Agreement looks to limit increase in the earth's temperature to no more than two degrees

centigrade above the levels of the pre-industrial era, to have a 66 percent chance of reaching this level, every new project with fossil fuel would have to be stopped right now, the decline in the use of this type of energy needs to start and clean energy systems need to be adopted around the world. An increase of more than three degrees, something that is not impossible, would produce irreversible changes on the planet and catastrophic consequences for humanity before the end of the century.

And the bad news does not stop: 2016 was the hottest year since records began, there were much more flooding, storms and droughts in different parts of the world. This April 2017, for the first time in millions of years, the concentration of CO2 in the atmosphere reached 410 ppm (parts per million) at the observatory of Mauna Loa in Hawaii. Its levels were 280 ppm in 1958 and they exceeded 400 ppm in 2013. If they reach 450 ppm, the possibilities of keeping global warming to no more than two degrees centigrade will reduce to 50 percent.

The current government of United States so decisively opposing to the scientific conclusions–a scandalous situation that reminds us of the dark times of humanity–is not something that was conceived because Trump and his functionaries are ignorant and suffer from myopia or they are crazy, but actually because it is a plutocratic cabinet, full of millionaires and tycoons that have close ties to the fossil industries and support them, prompting an egoistic and irresponsible policy.

Considering that United States is the biggest polluter after China, Trump's measures put worldwide advances against climate change at risk. Leaving the Paris Agreement will isolate them in a global context, and will have a waterfall effect since petrol and mining companies and countries that have fossil reserves will have the perfect excuse to also not acknowledge the agreement.

"Leaving the Paris Agreement will isolate them in a global context, and will have a waterfall effect since petrol and mining companies and countries that have fossil reserves will have the perfect excuse to also not acknowledge the agreement

Refusing to control emissions and launching onto the fossil industry an accelerated extraction of petrol, carbon and minerals will directly affect Latin America, whose resources are in line to be exploited by the large companies that Trump favors and that, after the crisis of prices of prime materials, due to China's deceleration, are desperate for new investments. This means going back to a dried-out model. Furthermore, international cooperation will be broken down in order to finance the adaptation to climate change and its mitigation in the region. But even being up against this situation, Latin America should not give up defending the planet in front of the biggest challenge of its history: allowing the Earth to be habitable for future generations.

U.S. FOREIGN POLICY TOWARD LATIN AMERICA... IN THE *Trump era*

Erich de la Fuente

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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. The disorientation in the region following Trump's victory has resulted in negative projections about what his administration means. However, 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. 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.

"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

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 intentions of strengthening ties with the region, but the terrorist attacks on American 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. 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. While the president has not yet nominated the person who will permanently fill the top diplomatic position for the region, 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.

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 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 trade treaties that will be most scrutinized are those deals where the United States shows large deficits. (…)When separating Mexico from the equation, the United States shows an overall trade surplus with Latin America*

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.[1] Meanwhile, U.S foreign direct investment in the region, reached $46 billion in 2015.[2]

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.

[1] U.S. Census Bureau (2016). U.S. Trade in Goods by Country. Retrieved June 1, 2017, from https://census.gov/foreign-trade/balance/index.html

[2] United Nations Economic Commission for Latin America and the Caribbean (ECLAC) (June 2016). Foreign Direct Investment in Latin America and the Caribbean 2016. Retrieved June 2, 2017, from http://caribbean.cepal.org/content/foreign-direct-investment-latin-america-and-caribbean-2016

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

Revisions of NAFTA will surely head 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.[3] 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. 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.[4]

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.[5] In the case 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,[6] but in this case, the bilateral trade agreement 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.[7] The 2018 outlook for U.S. aid for *Peace Colombia* under Trump's budget, decreases the aid amount by 21 percent when compared to FY 2016 funding.[8] Additionally,

[3] U.S. Census Bureau (2016). U.S. Trade in Goods by Country. Retrieved June 1, 2017, from https://census.gov/foreign-trade/balance/index.html

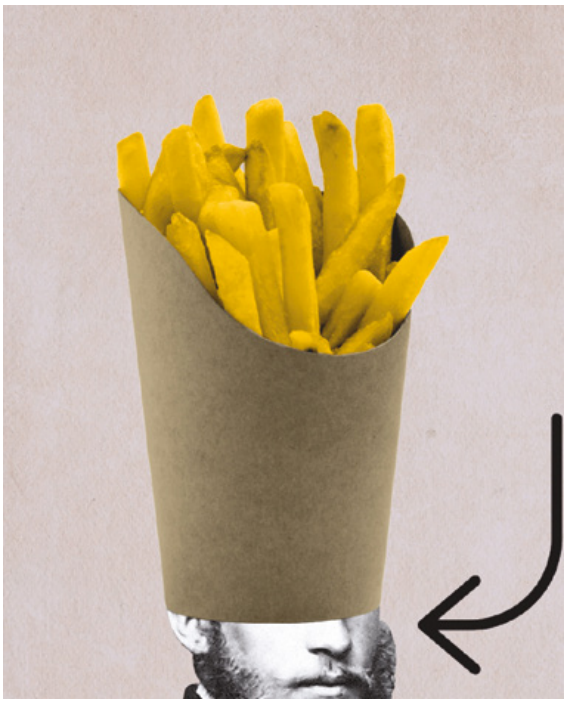
[4] U.S. Census Bureau (2016). U.S. Trade in Goods by Country. Retrieved June 1, 2017, from https://census.gov/foreign-trade/balance/index.html

[5] U.S. Census Bureau (2016). U.S. Trade in Goods by Country. Retrieved June 1, 2017, from https://census.gov/foreign-trade/balance/index.html

[6] U.S. Census Bureau (2016). U.S. Trade in Goods by Country. Retrieved June 1, 2017, from https://census.gov/foreign-trade/balance/index.html

[7] Wade, J. (May 7, 2017). Colombia to Receive $450 Million USD in Aid from United States but Longer-Term Peace Funding Remains Uncertain. Finance Colombia. Retrieved June 1, 2017, from http://www.finance-colombia.com/colombia-to-receive-450-million-usd-in-aid-from-united-states-in-2017-but-longer-term-peace-funding-remains-uncertain/

[8] Latin America Goes Global (May 3, 2017). Development assistance to Latin America and the Caribbean in Trump's "skinny budget." Retrieved June 2, 2017, from http://latinamericagoesglobal.org/2017/05/just-facts-development-assistance-latin-american-caribbean-trumps-state-skinny-budget/#.WQzb6Pa4_UI.twitter



Colombia's cooperation with the United States regarding its neighbor Venezuela's unfolding political crisis, may also be a factor in new discussions impacting Colombia-U.S. relations.[9]

Trade with the United States will continue to be important to other countries in Latin America. After Mexico, Brazil remains the most important trading single 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 first by a Latin American president since Trump's election, 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. President Macri has been actively working 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 2016, the United States had a trade surplus of $3.9 billion with Argentina.

DEMOCRACY & GOVERNANCE (SOFT POWER)

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."[10] 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

[9] U.S. Census Bureau (2016). U.S. Trade in Goods by Country. Retrieved June 1, 2017, from https://census.gov/foreign-trade/balance/index.html

[10] Nye Jr, Joseph S. "Public diplomacy and soft power." *The annals of the American academy of political and social science* 616.1 (2008): 94-109. Retrieved June 2, 2017, from http://journals.sagepub.com/doi/abs/10.1177/0002716207311699

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 1990's, 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 that 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.

The Trump administration's 2018 budget calls for cutting the State Department and USAID foreign aid budgets by 32 percent, including U.S. aid to Latin America by 36 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.[11] The budget will surely be modified by Congress, although to what extent is not known. Nevertheless, it signals shifting U.S. policy in this area.

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 domestic 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 senators such as Marco Rubio and John McCain will play influential roles in formulating

[11] Oppenheimer, A. (May 19, 2017). Trump's budget proposal shows disinterest and disdain for Latin America. *Miami Herald*. Retrieved June 2, 2017, from http://www.miamiherald.com/news/local/news-columns-blogs/andres-oppenheimer/article152709879.html

"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

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 pursue 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.

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. Yet, geographic proximity to Latin America means turmoil in the region can translate into potential security threats for the United States.

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. 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 parts of the Caribbean, which could also have consequences for Washington.

A focus on security will remain a top priority for the Trump administration, but the focus 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, administration officials will continue to press its Latin American counterparts to increase 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. 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.[12] 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 a year.[13] 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.[14]

The issue of security is very intertwined with domestic issues, and this administration will heighten that link. 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 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, as well as 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 that favors U.S. economic and national security interests above all others. In the case of trade, the upcoming revision of

[12] Robles, F. (February 21, 2017). Trying to Stanch Trinidad's Flow of Young Recruits to ISIS. *The New York Times*. Retrieved June 2, 2017, from https://www.nytimes.com/2017/02/21/world/americas/trying-to-stanch-trinidads-flow-of-young-recruits-to-isis.html?_r=0

[13] Grandin, G. (March 6, 2017). About Those Islamist Sleeper Cells in South America. *The Nation*. Retrieved June 2, 2017, from https://www.thenation.com/article/about-those-islamist-sleeper-cells-in-south-america/

[14] Grandin, G. (March 6, 2017). About Those Islamist Sleeper Cells in South America. *The Nation*. Retrieved June 2, 2017, from https://www.thenation.com/article/about-those-islamist-sleeper-cells-in-south-america/

"Under the "America First" vision, free trade, democracy & governance and security are likely to shift to a more pragmatic approach that favors U.S. economic and national security interests above all others

NAFTA is likely to make waves and establish new parameters for the U.S. relationship with Mexico. Treaties like CAFTA-DR, as well as existing bilateral agreements with countries such as Peru, Chile and Colombia are unlikely to suffer major shake-ups, while new alliances with countries like Argentina could be on the rise. Meanwhile, American values such as democracy, governance and support for human rights, 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 compared to the previous fiscal year, 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.

*This text is an extract of "**U.S. Foreign Policy Toward Latin America Under Trump: Beyond Business as Usual**" by the same author, which is to be published on the LLORENTE & CUENCA's Developing Ideas platform*

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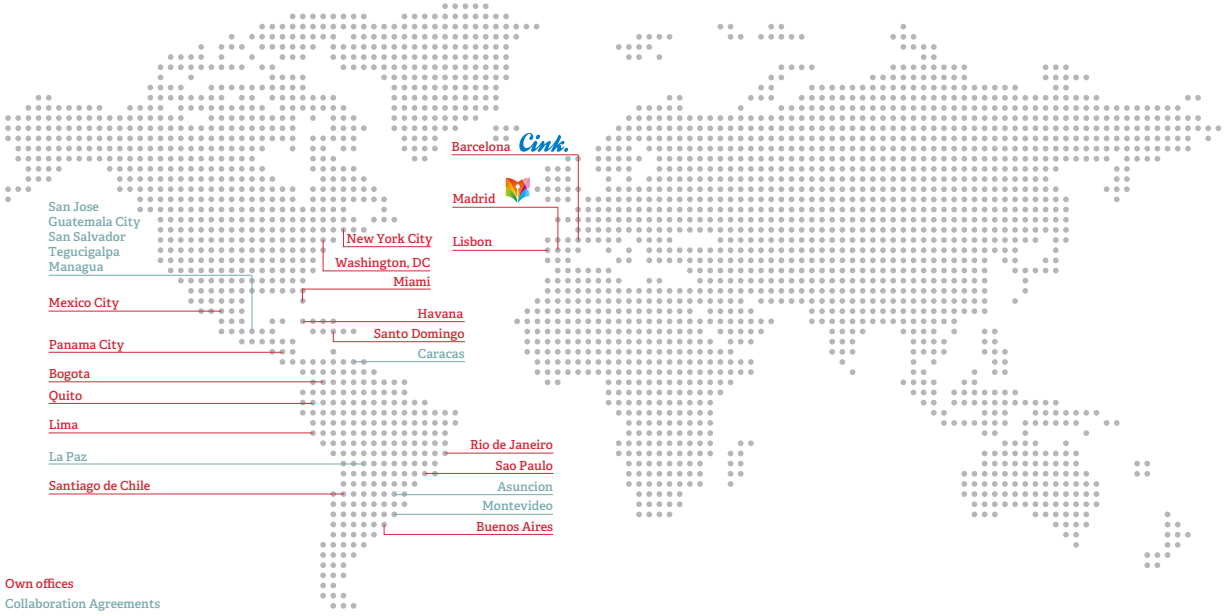

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