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LATIN AMERICA AND THE END OF THE COLD WAR

Jorge G. Castañeda

In early October of 1962, Adlai Stevenson triumphantly brandished photographs taken by American U-2s over Cuba. Andrei Gromyko's denials notwithstanding, the United States' ambassador to the United Nations was conclusively proving to the Security Council and the rest of the world that his government's naval quarantine of the Caribbean island was justified on grounds of American national security. There were Soviet missiles in Cuba, and these represented a threat to the United States. It was one of the most effective justifications ever for United States intervention in Latin America. The Kennedy administration had the goods on Nikita Khrushchev and Fidel Castro, and knew how to use them.

Nearly thirty years later, on December 22, 1989, General Maxwell Thurman, head of the Panama-based U.S. Army Southern Command, just as triumphantly brandished what he presented as the proof, justification, and prize of the American invasion of Panama: 50 kilos of cocaine wrapped in banana leaves found in General Manuel Antonio Noriega's freezer. Even taken at face value, the rationale for the invasion was arguable; it was an expensive, bloody, and somewhat disproportionate drug bust. But the tragicomic *denouement* of the Panama affair read like a marvelous parable of the evolution of U.S. policy in Latin America over the last three decades. The U-2 pictures of the Cienfuegos missile silos convinced the world in 1962 because they were true; in 1989, Noriega's banana-leaf cocaine stash held only Panamanian *tamales* and didn't persuade anybody who wasn't already convinced. The Carmen Miranda syndrome —the U.S.– Latin American interface as a theater of the absurd—was at work again. More seriously, the reverberations of the end of the Cold War were reaching Latin America where they counted most—in U.S. policy toward the countries and peoples south of the Rio Grande, and in a typically and simultaneously baroque and surreal fashion.

It was no small coincidence that the most recent instance of U.S. intervention in Latin America, the Panama invasion, coincided almost to the day with the disappearance of the last vestiges of the Soviet bloc in Eastern Europe. The strike against Manuel Antonio Noriega was, on the surface of things, a repeat performance of previous acts of American interference; superficially, it was indistinguishable from the invasions of Grenada in 1983 and of the Dominican Republic in 1965. Yet appearances notwithstanding, the Panama intervention in fact contrasted sharply with former examples of U.S. involvement in Latin America. The difference lay precisely in that it was devoid of the cold war, superpower confrontational syndrome. Panama was the first instance of overt, direct U.S. intervention in Latin America since the Second World War that did not possess, in one way or another, a geopolitical, East-West origin, cause, or connotation.

The Panama invasion marked the end of the traditional anti-Soviet packaging or ideological justification for U.S. interference in Latin America. It also signaled the resumption, on a different footing, of a longstanding debate on the nature, origins, and consequences of U.S. involvement in Latin American affairs. If the sole motivation for what came to be known over the years as U.S. intervention had always been purely geopolitical—that is, countering a Soviet threat—then the era of American intromission was clearly coming to an end. But if the level of U.S. interference in the hemisphere's politics was predetermined never to stray, beyond minor variations, from a previously established level, then the ensuing elimination of the Soviet "alibi" by the end of the cold war was a virtual nonevent. Both views can be found in the literature that blossomed around the issue, and also among the multifaceted and diversely positioned political actors forced or anxious to take a stance on the topic of the day.

The truth did not lie in between these two views, but elsewhere. As long as the United States, the only remaining superpower, could exercise power and influence in myriad fashions throughout the continent to defend and further its national interests—ideological, strategic, economic, political, domestic—the epoch of interference was far from over. Invasions, covert operations, aid and boycotts, destabilization for those perceived as hostile and unwavering support for those perceived as constructive ("justice for my friends, the full weight of the law for my enemies"), military action when necessary, political measures when sufficient—all were to remain fixtures of hemispheric relations.

But to the extent that the end of the cold war *had* brought about the disappearance of a Soviet danger to the United States, and that its persistence for nearly half a century *had* determined the type of intervention, its reasons, and its timing, nothing could endure unchanged. Those instances of American involvement in Latin American affairs that did stem from geopolitical considerations were relegated to the past, and those that possessed different motivations were now cast in a different light. More importantly, perhaps, the coincidence in time of the cold war's conclusion and the advent of far more rigid international economic constraints—both as a result of economic globalization and ideological homogeneity—made certain types of U.S. intromission in Latin America simply redundant. There continued to be specific American interests in the southern half of the hemisphere that could only be defended through intervention of one sort or another; others no longer demanded the diplomacy of the past, as new methods allowed the pursuance and achievement of traditional goals.

Thus the effects of the cold war's conclusion were inevitably mixed for Latin America. The most evidently favorable "Gorbachev effect" for Latin America involved U.S. policy toward the region. By eliminating the reality and perception of a Soviet threat to American security in the hemisphere, the superpowers' new relationship redefined the constraints and margins of U.S. policy in Latin America. One of the main past sources of friction between Latin America and the United States dried up.

The perception of a Soviet security threat, either to the United States through Latin America, or directly to the nations of the hemisphere, was always a bone of contention in Inter-American relations. The importance of the Soviet menace—its nature, relevance, and explanatory value in understanding Latin American social and political trends—never truly constituted an area of agreement or understanding between the northern and southern halves of the continent. Throughout the 1980s, for example, much of the public debate between the Reagan administration and those Latin American states involved in Central American peace initiatives centered on the definition of the causes of conflict in the isthmus. At the United Nations or the Organization of American States, or through public statements by U.S. officials, Washington always sought to present the Central American crisis as essentially brought on by Soviet involvement. Conversely, the Latin mediators would stress the home-grown, so-called autochthonous economic and social roots of the upheaval in the region.

The anti-Soviet, anti-Communist approach to Latin America was never as important abroad as domestically in the United States. Even at the height of the cold war, the United States rarely obtained support from the rest of the hemisphere—let alone the world—when it intervened in Latin American affairs. Its anti-Soviet vision of the subcontinent's affairs was fully backed only once by the entire hemisphere—during the Cuban missile crisis, when the Soviet threat to American security appeared undisputable. Most Latin nations' suspension of diplomatic and, in many cases, economic ties with Cuba was noteworthy above all because of the exceptionality of their responding to powerful, local, anti-Communist impulses. Virtually no Latin American government encouraged analogous U.S. attempts against Peru in the late 1960s or against Chile in the early seventies. Only the so-called Organization of Eastern Caribbean States supported the invasion of Grenada, and possibly under less than honorable circumstances. The proxy war on Nicaragua after 1981 was backed, at least ostensibly, by several of the Sandinistas' neighbors, but again the true motivation for that support was less than crystalline. It was far more deeply rooted in the desire to accommodate the United States than in authentic, local fear of the Nicaraguan "threat." As far as the rest of the world was concerned, Washington's anti-Soviet rhetoric and strategy in Latin America was perceived more as a way of defending other interests than as a true basis for policy. But domestically, to the extent that there was backing for involvement in the region, it was mainly due to support emanating from those sectors of American society—the Right and Center-Right—that believed in the reality of a Soviet threat to the United States "in its own backyard."

As with all ideological foundations for any foreign policy, the American hostility to a Soviet presence or menace in Latin America was grounded in reality. But it also represented a way of rallying a domestic constituency fora policy often seeking other objectives. Anti-Sovietism was neither entirely cynical and dishonest, nor a completely altruistic and valid basis for intervention in the area. But it was an indispensable ingredient of U.S. policy toward Latin America. Without it, the Bay of Pigs, the Alliance for Progress, U.S. support for the national-security doctrine dictatorships in Brazil, Uruguay, Bolivia, Argentina, and Chile during the 1960s and early 1970s, the successive multibillion-dollar Mexican debt rescues, and the Contra adventure in Nicaragua in the 1980s are incomprehensible.

The end of the Soviet factor in hemispheric relations possessed other more abstract implications. The traditional debate over which came first—U.S. opposition to Latin American revolutionary or even progressive, nationalistic change, or Soviet involvement in it—became increasingly academic. The endless, often simplistic, discussions over the true motives for American intervention—strategic and anti-Soviet (the mainstream American point of view), or linked essentially to U.S. economic interests (generally the Latin American, nationalistic, and left-leaning stance)—appeared obsolescent. Did Castro become a pro-Soviet, convinced Communist as a result of American hostility and ostracism? Or was he always a fervent Marxist, who knew from the very moment he installed his guerrilla army in the Sierra Maestra that his ultimate goal lay in bringing socialism to Cuba and incorporating it into the socialist bloc? Did Salvador Allende incur U.S. wrath because he expropriated Chilean copper owned by American companies, as well as other U.S. holdings in his country? Or was the United States bent on his overthrow even before he took office, because of his left-leaning, Cuban-sympathizing alliance with the Chilean Communist Party? Were the Nicaraguan Sandinistas hard-core Marxist-Leninists from the outset of their revolution? Or did they end up being pro-Soviet hard-liners because the United States, particularly during the Reagan years, ostracized and antagonized them, eventually transforming them into exactly what Washington stated it did not want them to become? To a large extent, these questions will remain without definitive answers, but their past urgency or relevance is ceding its place to historical interest and academic curiosity.

In addition to the American security constraint, there has always been an American and, indeed, international economic constraint. Many Latin American elites frequently perceived this restriction as an equally, if not more important motive for showing sensitivity to U.S. concerns. For any Latin American government, there are direct, often immediate and frequently dire economic consequences of pursuing a policy contrary to Washington's desires or interests. The ferocity of the retaliation depends on the extent and nature of the American opposition to or dislike for the policy in question. The reprisals can range from losing a sugar quota, as Cuba did in 1960, to suffering a tuna embargo, as Mexico did in 1980, to an across-the-board economic and financial embargo, as happened to Nicaragua from 1985 onward, or the application of so–called Super 301 sanctions, as happened to Brazil for establishing market reserves on its computer industry. Even this short list indicates clearly that the economic constraint applies equally to countries and governments that are considered friends of the United States as to those that are deemed enemies.

This constraint has possibly been strengthened by the end of the cold war, as even the false hope of an economic alternative to participation in the Western financial and economic community has vanished. In an age when everyone follows the same musical score, the penalty for singing out of tune quickly rises. As the margin of maneuver for Latin America broadens from a geopolitical standpoint, it is narrowing from an ideological, economic policy perspective. In the "new world order" characterized by economic globalization, free-market homogeneity, and cutthroat competition for scarce capital and frequently protected markets, the real economic check placed on Latin American autonomy is not the fear of the existence of conscious, active, explicit retaliation by the United States. Rather, it consists in the economic, financial, and political impossibility of straying far beyond the bounds of economic orthodoxy and ideological conformism. The true constraint Latin American elites, as well as popular movements and oppositions, must cope with today is the possibility of seeing sources of credit, investment, and aid dry up, and markets for exports and sympathy contract, if they follow policies deemed hostile, different, or frankly unwise. Nationalizing natural resources, emphasizing social policies, or placing restrictions on foreign trade or investment no longer necessarily, or are even likely to, invite invasion or destabilization. They simply entice financial scarcity and economic ostracism.

And yet the penalty for refusing to toe the economic party line has still not sufficed to banish totally and definitely other forms of U.S. involvement in Latin American affairs. In the immediate aftermath of the cold war's conclusion, a substitute for anti-Sovietism in the United States' policy toward Latin America rapidly emerged: drug enforcement. After the evil (Soviet-Communist) empire to the East came the evil (drug-producing) slum to the South.

The emergence of drugs as an important facet of U.S. policy toward the region did not start with the thaw in East-West relations. Drug enforcement had played a significant role in U.S. policy toward Mexico, the Andean countries or Colombia, and Cuba for a number of years. And that role had already been sharply "interventionist," providing alibis and motivations for U.S. involvement in the domestic affairs of many Latin American nations. This was the case in the Drug Enforcement Administration (DEA) agents' traditional presence in Mexico. But it increasingly also became the case in newer forms of highly intrusive cooperation, including counterinsurgency.

The most disquieting trend in this respect may well have been the case whereby Washington affirmed the unilateral right to prosecute individuals beyond American national jurisdiction. The United States would use whatever means necessary to bring to justice whoever it considered a criminal, no matter where the suspect was found or what his or her political or diplomatic status. It followed that international conventions, principles of common law, and foreign legislations and judicial systems lacked precedence over American rights. Moreover, this interpretation implied that American constitutional rights were only applicable to U.S. citizens and could not be invoked by foreigners if by doing so they limited Washington's ability to protect its national interests.

The February 28, 1990, decision by the Supreme Court in the *United States v. Urquidez Verdugo* case established a legal precedent in this regard, opening the door to virtually unlimited forms of U.S. intervention in Latin American affairs. Chief Justice William H. Rehnquist and five other justices ruled that search and seizure operations conducted abroad by U.S. law enforcement agents, military personnel, or other government agencies against foreigners should not be restricted by the provisions of the Fourth Amendment of the Constitution. Thus, the Court determined that constitutional rights meant to protect Americans from abuses of power by their government were not applicable to foreigners abroad. Simultaneously, the Justice Department issued an internal legal opinion authorizing its agents acting abroad to abduct foreigners in order to bring them to trial in the United States. According to the *Washington Post,* the document, drafted by Attorney General William Barr, stated that the president and the attorney general of the United States had the "inherent constitutional power" to order the capture of fugitives abroad. It affirmed that "the extraterritorial enforcement of United States laws is becoming increasingly important in order to protect vital national interests."

This policy was first applied in two nearly simultaneous cases: the Panama invasion and the subsequent arrest of Manuel Antonio Noriega in January 1990, and the kidnapping of Dr. Humberto Alvarez Machaín in Mexico in February of that same year. Alvarez Machaín was abducted from his home in Guadalajara by bounty hunters contracted by the DEA, which wanted him brought to trial for his presumed involvement in the 1985 torture and murder of DEA agent Enrique Camarena in Mexico. Although the U.S. government's explicit participation in the Alvarez Machaín case was initially less evident than in Noriega's, Attorney General Richard Thornburgh's statements and actions clarified the Justice Department's stand on the issue. When a federal judge in Los Angeles ruled that Alvarez Machaín's kidnapping violated the U.S.-Mexican Extradition Treaty, and ordered him set free, Thornburgh vowed to take the case to the Supreme Court, and succeeded in keeping him in prison. Behind the Noriega affair and the Alvarez Machaín case lay the same reasoning; limitations on other nations' sovereignty, as well as the extraterritorial extension of U.S. law enforcement capability and justice, were deemed valid practices in the war on drugs.

Many in Latin America believed that American insistence on drug enforcement was simply a disguise for further U.S. domination of the nations of the hemisphere. A *Washington Post*–ABC News poll taken in February 1990 in Colombia showed that 65 percent of those interviewed "suspect the drug war is a U.S. attempt to control their government." But only with the coming of the drug age in American domestic politics and the elimination of other ideological justifications for U.S. policy in Latin America did drugs acquire their full importance in hemispheric relations. Although the Bush administration paid lip service to the principle of parity between supply and demand as the root cause of the drug crisis, supply-directed policies were easier, cheaper, and more popular, though undeniably less effective.

It was no accident that the Panama invasion was at least subliminally presented as a drug-motivated action and that its popularity in the United States was due largely to the perception of Noriega as a drug dealer. The first American intervention in Latin America without cold war packaging was also the first attempt by the United States to justify the use of force abroad on the grounds of drug enforcement. There were sufficient other examples to prove conclusively that drugs had become far more than simply another item on the inter-American agenda. These instances ranged from sending U.S. military detachments to Bolivia in 1987, to the escalation of the DEA presence in the upper Huallaga valley through the construction of a second base and the signing of U.S.-Peruvian military agreements with a joint drug-enforcement, counterinsurgency focus, to the growing militarization of the southwest U.S.–Mexican border. They included the failed attempt to send an aircraft-carrier task force to international waters off the coast of Colombia in 1989, the enhanced U.S. Armed Forces' role in patrolling the Caribbean drug routes, and the attempt to impose an "intrusive" joint statement on the three Andean, drug–producing countries at the Cartagena Drug Summit in February 1990. Drugs were quickly becoming a hemispheric issue with dangerous implications for Latin American sovereignty, as increasingly intrusive forms of cooperation were proposed by the United States.

Immigration has not yet achieved the same urgency or implications, and the absence of a domestic consensus on it in the United States leaves open the possibility that it may never attain it. But immigration is likely to acquire significant foreign policy implications as the effects of two significant trends of the 1980s begin to bite. The unintended effects of the 1986 Immigration Reform and Control Act will only become apparent with time, and the fully foreseeable consequences of ten years of Latin American economic stagnation—widespread unemployment, falling wages, and the ensuing mass exodus to the north—have barely begun to make themselves felt in the 1990s.

Widespread and continuing documentation of previously undocumented aliens rapidly emerged as one of the most important and immediate impacts of the

Simpson-Rodino immigration reform. As a result of the law's amnesty provisions and family reunification procedures, together with the Special Agricultural Worker clauses that permitted the legal entry of individuals previously employed in the harvest of perishable agricultural produce, up to three million formerly undocumented Mexicans regularized their migratory status in the United States. More importantly, in the future the number of documented immigrants could be multiplied severalfold if widespread naturalization takes place, leading to further family reunification.

Similarly, the effect of ten years of economic stagnation in Latin America, coupled with the "new" fashionable free-market policies that included low real wages as a major competitive advantage, contributed to maintaining or increasing the magnitude of the population flow north, not only from Mexico but from many other countries. For years, Mexican and American researchers had been compiling data showing that the single most important contributing factor to immigration—illegal or not—was the wage differential. The unemployed do not emigrate; they lack the money to pay the cost of doing so. Those who leave tend to be individuals who already have jobs, either in rural areas or, more frequently today, in large cities, and who choose to leave those jobs in search of higher wages elsewhere. As long as the wage differential between the United States and Mexico, for example, averaged nearly eight to one, young enterprising Mexicans of all social strata were going to continue their trek north. In 1990, the Mexican minimum wage was 55 cents an hour; its counterpart in California—where fully half of all undocumented Mexican immigrants make their home—was about $4.50 an hour. Similarly, a tenured university professor in Mexico, Brazil, or Argentina, with a Ph.D. and recognized publications, received between $250 and $800 a month in the early nineties, yet could often make three to four thousand dollars per month, after taxes, at a major American university.

As the consequences of these trends took hold, reasons became stronger for fearing that immigration would occupy a growing role in U.S. foreign policy toward migration-generating countries, as opposed to being a domestic issue with sporadic, secondary foreign implications. If immigration began to be perceived as a significant threat to U.S. welfare, national security (defined, inevitably, in a new sense), and even national identity, the same causes could well produce the same effects. The problem's roots would again be found abroad—in this case perhaps more justifiably than with regard to drugs—and hypothetical solutions would increasingly be localized in countries of origin. The United States had already pressured Mexico with regard to so-called third country immigration, that is, the transit of undocumented emigrants from Central America, South America, and Asia through Mexico to the United States. It also demanded that several Central American nations be more forthcoming in deterring migratory flow north. If Latin authorities prove unwilling or unable to do what was desired or required, intrusive American cooperation could follow.

This unfortunate trend could be aggravated if the "Fortress America" thesis or United States retrenchment were to be confirmed. Many scholars in Latin

America and elsewhere suggest that as regional trading blocs in Europe and Asia emerge, and as the United States continues to lose its relative strength in the world economy, it will "fall back" on its traditional, Latin American sphere of influence, in a sort of "hemispheric isolationism." Drugs and immigration would thus not only be justifications for intervention and the curtailment of Latin sovereignty, but also an ideological coating for a new, purely economic expression of the Monroe Doctrine. George Bush's Initiative of the Americas, announced in mid-1990 and proposing the creation of a free-trade zone from "Alaska to Patagonia," could be viewed from this perspective. As the United States' trade deficit remains stubbornly high and further devaluations of the dollar become increasingly difficult, or, in any case, ineffective in the "dollar-zone," bringing down trade barriers to U.S. exports in Latin America represents a cheap and quick, albeit partial, contribution to stabilizing American external accounts. Free trade within the hemisphere, coupled with common tariffs on the rest of the world, would enhance American competitiveness without any immediate domestic sacrifice. It was highly symptomatic that American exports to Mexico, Brazil, and Argentina jumped from 12.6 billion dollars in 1983 to 30.8 billion dollars in 1989, when the trade liberalization policies encouraged by Washington and multilateral financial agencies began to take hold. Similarly, the U.S. trade deficit with Mexico alone, the country that had gone furthest in opening its economy, shrank from 7.9 billion dollars in 1983 to 2.6 billion dollars in 1989, and by 1990 had become a trade surplus.

From this perspective, Latin America did not only not acquire greater leeway in its relations with the United States, as a consequence of the end of the cold war, but less. As the United States retrenched to the Western Hemisphere, it would encroach further on Latin sovereignty, and its relations with Latin America, though no longer a function of the East-West dispute, would remain strained. They would become a function of a "North-North" economic rivalry, although still not be intrinsically important to the United States. While this view may have been exaggerated, reflecting perhaps an excessive degree of Latin American self-importance, it was widely held and not quickly disproved.

Latin America suffered an additional effect from the ending of the cold war, perhaps of a more intangible nature, but which had immediate consequences: the elimination of a counterweight in international affairs that had proved useful in the past to many nations, particularly those governed by center-left regimes. It was much more difficult to be non-aligned in a one superpower world. Granted, few of the continents' governments had ever truly dared to play one superpower against another, as regimes in different latitudes had often done. The Indian, Chinese, Egyptian, or even French tactic of flirting with one superpower in order to win the graces of the other was never entirely credible in Latin America, and was executed only in exceptional or extreme cases. The purchase of Soviet MIGs in the 1970s by the Peruvian military, and, more generally, the way in which during the 1970s, as Ruben Berríos has noted, "the Soviet Union achieved a broader and closer relationship with Peru than with any other Latin

American country except Cuba"—both were instances of this diplomatic gamesmanship. Another was the long-standing economic relationship between Argentina and the Soviet Union, dating back to 1953, and Juan Domingo Perón's overtures. It led to the sale of Argentinean grain to the Soviet Union during the 1980 U.S.-imposed embargo; in 1981, noted Aldo C. Vacs, "the Soviet Union [was] becoming Argentina's most important commercial partner, absorbing 80 percent of its grain exports and 33 percent of its total exports. A few other, even less significant examples, rapidly filled this short list of precedents.

But the broader idea of a functioning deterrent to U.S. ambitions and free rein was ever present in many Latin American statesmen's minds. It seemed self-evident that the existence of "another side"—of another superpower, militarily and perhaps even politically the equal of the United States—was an adequate, even effective brake on U.S. policy. The United States could not do anything it wanted in Latin America, despite the tacit Soviet acceptance of an American sphere of influence. The rule of worldwide symmetries, precedents, implicit understandings, and reactions to every action was in play. Whatever the United States did in its sphere of influence could produce similar Soviet behavior in its "backyard." If Washington brazenly intervened in Latin America or disregarded basic rules of international law or behavior, the theory went, the Soviet Union would use these breaches of conduct, perhaps not in Latin America, but certainly elsewhere.

Ronald Reagan's policies in Central America showed this view of superpower rivalry to be naive at best. But U.S. actions in Panama—from the invasion itself to measures implemented against the Nicaraguan and Cuban embassies, not to mention the "heavy metal" harassment of the Vatican legation during Noriega's temporary asylum there—demonstrated that things had changed. There was no longer any reason for the United States to fear reprisals elsewhere for blatantly violating diplomatic protocol, immunity, or asylum in Latin America. The explanation was to be found above all in the virtual disappearance of the Soviet sphere of influence, and in the end of symmetry in U.S.-Soviet relations, except at the level of thermonuclear confrontation.

The dissolution of any significant counterweight to American conduct in international affairs was inevitably perceived as a contributing factor to the United States' newly found flaunting of "might over right." The most moderate sectors of the Latin American political spectrum, chiefly those in government or with government experience and expectations, were evidently more sensitive to the elimination of the counterweight than others. But even the radical Left was affected, as it had traditionally maintained that, thanks to superpower rivalry, submission to the United States was not an unshakable fact of Latin American life. Many, including some of the Sandinistas' fiercest critics, like Mexican poet Octavio Paz, were persuaded that the Nicaraguan revolutionaries' acceptance of elections, and subsequent electoral defeat, was directly linked to the termination of Soviet support, which in turn was a consequence of the elimination of the Soviet Union as a superpower with worldwide interests, policies, and strategies. The war in the

Persian Gulf and the need many Latin American leaders felt to support the United States either as a result of direct pressure, as in the case of U.N. Security Council member Colombia, or to ingratiate themselves with George Bush, as Carlos Menem sought to do by sending two Argentine warships to the Gulf, accentuated this sentiment.

The more lucid revolutionary leaders of the Latin American Left also perceived this problem from the outset. Marco Payeras is the founder of the Guatemalan *Ejército guerillero de los probres* (EGP, or Guerrilla Army of the Poor), together with its leader, Rolando Morán, and is arguably the best writer to emerge from the ranks of the Latin American revolutionary Left. Payeras's vision of the post–cold war world reproduces the ambivalence of his political positions, his people, and his literature. It reflects a fear and hope with regard to a "one superpower" world that extends throughout Latin America:

> *The situation in the world today tends toward a relaxation of tensions. Even if the* gringos *proceed with their incredible aberrations like in Panama, this does not correspond to the general trend. If the United States interprets events in Eastern Europe as giving it a "free hand" in Latin America, then we will have to defend our sovereignty or reforms with domestic consensus and arms. . . . In the postwar, Cold War world, as we knew it, every victory or defeat of one of the two competing systems (socialism and capitalism) has meant a victory or defeat of the other system.*

Reaching across the Latin American political spectrum, even the hemispheric Right-of-Center is affected by this fear of the new world arising from the embers of the end of the cold war. As pro-American a regime as that of Mexican president Carlos Salinas de Gortari reacted with concern and fright to the fading away of the bipolar world. Mexican Foreign Secretary Fernando Solana remarked:

> *The world is not going to become a one-sided, uniform world built around a single system of ideas and social and political formulas. The world has been and will continue to be richer and more varied than that. A world of one influence would be uniform and flat, inert, without options, without any possibility of a true exercise of freedom.*

Despite these political trends' serious, potentially negative consequences, the greatest concern that the end of the cold war generated in Latin America was fundamentally economic. As Jose Aricó of Argentina, one of the continent's most distinguished students of the history of the Left in Latin America, put it: "What role can Latin America play on the global stage as the bipolar world comes to an end and as the Eastern bloc emerges as a fabulous opportunity for investment, as the United States looks east and Europe looks east?" Latin governments and elites (as well as their counterparts in Africa and Asia), particularly those who gambled on external funding for domestic restructuring along so-called free-market lines, worried that events in Europe would reduce the possibilities of obtaining the resources they needed. The problem had three separate aspects, but they all boiled down to one: the perception in Latin America that there were more countries competing for the same pie, and that consequently there was less pie to go around. The "limited pie" argument was false, but it was useful as a justification for various domestic and international economic policies.

The larger countries feared that private credit and investment flows would be diverted from their region to the new capitalisms of Eastern Europe. This was clearly the backdrop for the European and Asian trips in early and mid-1990 by Presidents Salinas de Gortari of Mexico and Fernando Collor de Mello of Brazil. The leaders of the continent's largest economies stressed their hope that, in Salinas's words, "the splendid signs of change not cloud Europe's global vision nor distract its attention from our continent—particularly Mexico—nor from other regions of the world." Yet the motivation for the trips, and the insistence on the issue, stemmed largely from the fear that these events would have precisely those implications. Salinas, for example, justified the decision to change his stance on a free-trade agreement with the United States and to seek such an agreement precisely because funding from Europe was no longer available as a result of the transformation of the Eastern European economies.

In the short run and in aggregate terms, the concern was not well founded. While undoubtedly some investments and credits originally destined for Mexico and Brazil may have ended up in Hungary, Poland, or Czechoslovakia, this diverted trickle did not turn into a flood tide overnight. Only for the former East Germany could the case be made that substantial real flows of foreign investment immediately materialized. The diversion may indeed have been most significant in the case of those resource-generating countries that never invested in or lent massively to Latin America to begin with—Western Europe and particularly Germany—and have been least important in the case of the larger, traditional providers of funds—Japan and the United States. The former socialist economies were in no condition to absorb quickly large amounts of money from abroad, large corporations and banks did not impetuously plunge into romantic adventures, and there never was much money available for Latin America in the first place.

The Latin American fear of being left out in the cold was more well founded with regard to official and multilateral financial resources. The U.S. Congress, the government of Japan, the European Economic Community, and above all Germany were far more willing to directly or indirectly channel taxpayers' funds into Eastern Europe than into Latin America. U.S. aid was reoriented to Europe. Even the Bush administration's attempt to earmark 500 million dollars for Panama and Nicaragua, in the wake of the Chamorro victory in the latter country's elections in February of 1990, was partly redirected by Congress to the "new democracies" of Eastern Europe. Other immediate and conclusive examples of this trend were the American congressional aid packages for Poland and Hungary, the reduction from 10 to 4 billion dollars of Japanese support for Latin America through 1995 (the other six billion were retargeted for Eastern Europe), and the creation of the European Bank for Reconstruction and Development originally proposed by French president François Mitterrand.

This diversion affected mainly aid-receiving Latin nations, excluding the larger economies such as Brazil, Mexico, and Argentina, which obtain only marginal official development assistance from the United States and Europe, and somewhat more from Japan. The concern was thus greatest for the smaller Latin nations that traditionally counted on U.S. support. In some cases, such as Nicaragua and Panama, they needed it dearly, if only to make up for previous U.S.-wrought destruction. But the other facet of this problem, World Bank and International Monetary Fund resources, did directly affect the entire hemisphere, and may have a more devastating, long-term impact on the larger economies than elsewhere.

The World Bank and the IMF had always played an important part in Latin America's funding, but never as decisively as in the 1980s and 90s. The major debt restructuring packages of the last few years, including the 1990 Mexican and Venezuelan agreements, were all based on a substitution of traditional, commercial bank, balance-of-payments lending with multilateral loans. Moreover, since this process had been underway for some time, principal payments from previous debt deals began to come due as grace periods reached their end. Given that the World Bank does not roll over capital payments, but, in theory, grants new loans to maintain positive flows with its recipients, major new lending to most Latin countries became a necessity just to stay in place, let alone to make up for foregone commercial bank credits. The growing importance of multilateral lending was underlined in 1990, when the International Monetary Fund, and to a lesser extent the World Bank, continued lending to countries like Brazil and Costa Rica, despite the fact that they were in significant arrears on interest payments to their commercial bank creditors.

But new entries to these organizations, such as Czechoslovakia and Bulgaria, or recent ones like Poland, together with more applications and enhanced eligibility for loans by previous members (Yugoslavia, Romania, and Hungary) from Eastern Europe, inevitably placed far greater strains on these agencies' lending capabilities. Capital increases for the IMF and World Bank facilitated matters, but even then the competition for larger funding stimulated by these very increases partly nullified their effect for Latin America. Moreover, events following the collapse of the socialist world indicated that the traditional policy-based conditionality applied by the World Bank and the IMF to Latin American nations was being implemented in a much less stringent fashion in the case of Eastern Europe. In the words of one former World Bank official: "Policy conditionality and, more importantly, evidence of the ability to pursue and implement reforms, appear to be of secondary importance when lenders and donors look to Eastern Europe. A double standard is being applied that falls heavier on the democracies of Latin America than on the would-be democracies of Eastern Europe." The condoning of half of Poland's official debt, and the derived reduction in its commercial bank liabilities, was perhaps the best illustration of this trend.

Beyond the immediate financial constraint that arose as a result of developments in what was once known as the "socialist bloc," an additional, intangible negative consequence of the cold war's conclusion gradually surfaced for Latin America. The region suffered from a clear diversion of attention: Latin America was less than ever in the spotlight of world affairs. And attention was decisive, given the nature of the economic programs put in place by Salinas in Mexico, Collor in Brazil, Carlos Menem in Argentina, and Carlos Andrés Pérez in Venezuela. Attention was crucial given the nature and magnitude of foreign funding that these programs required. The resources that the abovementioned governments were hoping to attract was private, diverse, and at least partially small and medium scale. Gigantic multinational corporations or megabanks would not make momentous decisions on the basis of headlines, or even of more broadly defined "atmospherics." But small- and medium-sized firms, or large companies without experience abroad, do act to a certain extent on the basis of a general sentiment or awareness and at least a superficially positive business climate. Disinterest in this context was almost as damaging as scandal, a tarnished reputation, or skepticism. The enormous sensitivity that many of these governments showed with regard to criticism or indifference abroad was highly symptomatic of this fact.

The real problem behind the diversion issue lay in the capital crunch and ensuing rise in the competition for and cost of capital in the 1990s. The conversion to a market economy throughout Eastern Europe and the free-market reforms promoted and put in place in Latin America placed a severe strain on world capital markets. The forecast amounts of capital needed to finance the reforms, according to David C. Roche, were staggering:

> *By 1995 Eastern Europe and Latin America are likely to require about 170 billion dollars per year of external financing; about 110 billion of this is for Eastern Europe, and the rest is for Latin America. . . . The conclusions regarding the balance between investment and savings as the potential transfer of resources from the Western countries to the restructuring areas . . . are downright alarming. Japanese capital outflows are likely to continue to contract over time. Instead of exporting capital, Germany is likely to import capital. . . . In order to satisfy the world's need for extra savings, gross U.S. national savings rates would have to rise from 14 percent of GDP to 18 percent, without GDP growth falling below 2 percent per year.*

In terms of the cost of capital, Roche predicted, "the world is short of capital and therefore real interest rates will remain high, and there will be piles of new equity issues (particularly privatizations) and less liquidity to buy them with." The indirect economic effect of restructuring in Eastern Europe and the Soviet Union was thus much more important than the immediate diversion of funds, even with regard to the multilateral agencies. The latter were perhaps less pessimistic about the prospects for growth and capital availability in the 1990s. The World Bank agreed that "the pattern of savings-investment balances across broad country groups is not likely to depart over the medium term from the broad trend established in the past few years." It did emphasize that significant variations would occur country-by-country, and, more importantly, that domestic-policy reform would make a dramatic difference between receiving capital and not doing so. But again, if every nation in Latin America carries out the same policy reforms, then the competition among them, and between the hemisphere and other areas, remains the same. Finally, it is important to note the World Bank's own acknowledgment of how well its predictions fared in the past, particularly with regard to Latin America: "The projections for the 1980s made . . . between 1979 and 1982—even the low-case projections—were too optimistic for Latin America. . . . The assumptions about capital flows to the developed countries in the 1980s were based on an optimistic projection of global saving for 1970."

Only time will provide answers to three long-term, still-unanswered questions regarding the economic impact of the end of the Cold War for Latin America. One is an upside risk: will the hypothetical and indirect economic effects of a superpower thaw in the Northern Hemisphere benefit the nations of the Southern? In theory, a scenario could be easily imagined whereby the conjunction of a substantial peace dividend in the United States and a major reduction in arms spending throughout the world created a healthier world economic environment. This in turn would lead to higher industrialized-country growth, eventually trickling down to the poorer nations, compensating for any possible, initial diversion of resources. The U.S. recession brought on by higher oil prices, the Persian Gulf War, and the American economy's intrinsic weaknesses seem initially to belie this optimistic scenario, but it remains conceivable in the long term.

Secondly, and conversely, Eastern Europe's diversion impact could be spectacularly magnified by a true opening of the jewel in the crown: the former Soviet economy. As a trade market as well as a niche for mega-investments in natural resources and infrastructure, the former Soviet Union dwarfs Eastern Europe and Latin America together. The degree of diversion was reduced because of the size of the Eastern European economies. But this would change if the former Soviet Union follows a similar path to its Eastern European neighbors in economic policy and structural reform, and achieves even relative success in this endeavor. The obstacles in that country are obviously more daunting, but the payoff is also higher.

Finally, there is the issue of the Mexican exception. While many throughout Latin America and the United States agree that the region as a whole will be negatively affected in the long run by the economic implications of the end of the cold war, they are also convinced that Mexico will be spared. The logic behind this reasoning is geo-simplistic: Mexico is no longer really part of Latin America, but ever more a portion of an ill-defined but evidently existent entity known as North America. To that extent, and for reasons deriving directly from American national security considerations applicable only to a border nation, many believe that Mexico will obtain the funding it requires. Private flows, it is thought, will head southward because of Mexico's natural, comparative advantages. Multilateral and official flows depend largely on U.S. votes, vetoes, and jaw-boning; attention depends on the U.S. media, which will always devote significantly more time and space to whatever happens along the border than elsewhere.

The argument is not absurd. But if the Mexican debt package of 1990, the relative scarcity of new foreign investment, and even Mexican capital reflows during the first years of the Salinas administration are any indication, U.S.-induced funding for Mexico is evidently finite. Mexico is once again able to borrow money on world markets, albeit at a high price and with substantial American help; but it is experiencing difficulties in meeting foreign investment targets. Insofar as the previously existent underfunding of Latin America has been made more acute by events in Eastern Europe, Mexico's underfunding has been aggravated on a lesser scale. Mexico may have been spared utter destitution, but it will certainly not remain indefinitely awash in U.S. funds earmarked for "national security."

The underlying, long-term problem lies in the fact that Latin America, together with Africa and significant parts of Asia, is being increasingly marginalized from the world economy. Most of the factors governing long- and mid-term international investment and credit flows have been moving away from Latin America for years. Latin America, with a few very minor exceptions, has been excluded, for example, from voluntary commercial bank lending since 1982. In 1990 a reduced group of private or publicly owned companies from selected Latin American nations were able to float small bond offerings in the Eurodollar market, but only at exorbitant interest rates that nearly made them the equivalent of newly floated junk bonds. The point has been made that Latin America's exclusion from world capital markets would have occurred regardless of the debt crisis; but the debt crisis worsened the situation. Similarly, the continent's participation in world trade is diminishing as trade flows continue to be increasingly concentrated within large blocs, that is, Europe, U.S.-Canada, or in the Pacific Rim. Throughout the 1970s and early 80s, the region's share of world exports remained stable, at approximately 5.5 percent; but by 1987, it dropped to 3.8 percent. On the import side, the decline was more precipitous, from over 6 percent between 1975 and 1980, to 3.1 percent in 1987.

From a broader economic viewpoint, Latin America in particular and the non-industrialized world in general—with the exception of the Asian city-states and China—are less relevant to world production. In 1982, Latin America generated 7.1 percent of the world's gross "domestic" product; by 1986, the figure had fallen to 4.3 percent, and it continued to drop as the decade came to a close. Latin America's shares of world manufacturing production and of investment and credit were also shrinking. According to the Madrid-based Instituto de Relaciones entre Latinoamérica y Europa, "The most optimistic calculations estimate that Latin America's participation in worldwide direct foreign investment shrank from 13 percent in 1981–83 to 8 percent by 1987." The commodities it traditionally exported were less and less crucial to the modern economy. Whatever advantages beyond cheap labor that

Latin America could offer were either available elsewhere—now in Eastern Europe and China, tomorrow in the former Soviet Union—or no longer essential (raw materials, cheap energy). The trend was so dramatic that some claimed that, in the same manner that the Great Depression and the Second World War provided considerable impetus to import, the contemporary marginalization or "unlinking" could constitute a significant incentive for Latin American economic integration. Turning inward would be foolhardy for each country individually, but the creation of a South American free-trade zone or common market is a realistic, distinct possibility, making a virtue out of necessity. The agreement signed in the mid-1980s by Brazil, Argentina, and Uruguay to move in the direction of free trade received a powerful impetus in 1990 from newly elected Brazilian and Argentine presidents Collor de Mello and Menem. Together they persuaded Uruguay and Paraguay to agree to the creation of the South American Common Market by 1994. While Mexico, Central America, and the Caribbean looked north, hoping to escape the hemisphere's isolation, a Brazilian-led trading bloc in the Southern Cone, including most of the region's economies, paradoxically emerged as one of the more positive results of the broader marginalization process.

But the issue was not purely economic. Politically, Latin America's chief instrument for drawing attention had become obsolete. And attention was indispensable in order to receive the official credits and aid that in turn created the conditions that attracted private capital flows. Instability, political extremism, and social chaos remained distinct possibilities in Latin America, but the end of the cold war meant they were no longer tantamount to a Soviet-inspired geopolitical risk for the United States.

Moreover, most American and industrial-world policy options have unfortunate trade-offs, or "perverse," negative, undesired, and unintended effects. Thus, if economic stagnation is perceived as the chief cause of immigration and drugs, then economic growth provides the solution to those problems. If traditional models of growth are no longer viable, then new free-market, export-led, private and foreign investment-fueled policies are recommended. The basic premise for these policies, in the short run at least, is a low wage level that attracts foreign investment, which in turn creates jobs and transfers technology. But, of course, the low wage level also stimulates emigration like no other factor. Similarly, as became clear with the (relative) success of the South Florida Task Force against drugs, closing down one drug route (the Caribbean) automatically enhances the attractiveness of others (Mexico). This is also true for coca leaf cultivation: eradication in the upper Huallaga leads to new fields in Peru; success in reducing Peruvian acreage inspires new coca leaf production in Brazil.

Furthermore, the type of preoccupation that drugs and immigration activate in the American consciousness does not necessarily guarantee a domestic U.S. constituency for aid, involvement, or other attention in Latin America. Drugs and immigration can generate exactly the opposite reaction: introspection, exclusion, barriers on the borders, and rejection of everything emanating from the south. Instead of stimulating interest and concern, it can lead to indifference or hostility. Finally, whereas geopolitical risk was applicable to every nation of the hemisphere, albeit in varying degrees, immigration and drugs are not. Indeed, immigration and drugs as a basis for U.S. policy may end up working only in the case of the country for which it is least necessary, given its powerful interest and attention-grabbing potential through other channels—Mexico.

Paradoxically, after so many years of worrying about excessive American involvement in the region, Latin America may soon suffer from U.S. indifference, compounded by the rest of the world's traditional relative disinterest. Italy still worries about Argentina and Uruguay, as memories of previous emigration linger; the European Left in general expressed outrage or concern over human rights violations in the Southern Cone, but democratization led to boredom; the Nisei community in Sao Paulo—the largest in the world outside Japan—can still generate some Japanese interest in Brazil, but not enough. This "benign" neglect may eventually do the region a substantial bit of good; in the short term, it frightens elites accustomed to attention and the masses avid for aid.

The rise of what several authors called a "North-North" circuit of investment, credit, and trade that incorporates the former socialist economies—including, perhaps, the former Soviet Union and China, excluding the Third World and specifically Latin America, though including a few "buffer states" like Mexico, Morocco, and perhaps Iran—is far from impossible. Trade, investment, and credit could all become concentrated—not entirely, but in a higher proportion than ever before—in the Northern Hemisphere. Contemporary Latin leaders or intellectuals' ever-present, oft-repeated fear of being "left out" is a reflection of this possibility. The plummeting interest in Latin America on the part of the developed world's universities, presses, businesses, and politicians equally derives from this prospect.

And yet, superficial trends and sentiments notwithstanding, the transformation of the modern world—and with it, the Western Hemisphere—into separate, watertight compartments, devoid of any significant influence of one upon the other, is obviously not a viable scenario for the future. In the same way that the Europeans, for example, are rapidly and sometimes fearfully grasping how interwoven their societies have become with those of North and sub-Saharan Africa, the United States will have to acknowledge its bonds with Latin America. The rise of Islamic fundamentalism in North Africa and the Middle East became a European issue only when it turned out that the millions of actual and potential Algerian, Tunisian, and Moroccan immigrants were deeply immersed in the ideological trends that were sweeping their former or present-day homelands. Racism in Europe, and civil strife and poverty in the Maghreb or sub-Saharan Africa, suddenly appeared as clearly linked phenomena that could no longer be viewed, much less understood, separately. Whatever illusions Western European elites could have harbored regarding their nations' hypothetical insulation from trends across the Mediterranean were quickly dispelled by the realization that the European Community was also becoming a Mediterranean community. Events in Algeria were turning out to be as important for Paris or Marseilles as developments in Brussels or Berlin. The globalization of the world economy, of financial and trade flows, is not limited to the types of crosscurrents the industrialized nations would prefer to idealize and limit them to: capital, high-tech, competitive goods and efficiently provided, high-quality services. The new worldwide flows include drugs and immigration, poverty and cultural habits, from loud music late at night to spicy food to disconcerting (to the West) sexual mores.

This is all the more true for the United States and Latin America. The trends themselves stretch back further in time: emigration from south to north dates back, in some cases, to the end of the 19th century. The United States is a more open society than most European nations; it is a country of immigrants, whereas many European nations are exactly the opposite. Moreover, the modernization process in Latin America, which displaces and frees people from their traditional roots, is much more advanced in Latin America than in Africa or most parts of Asia. The United States can far less successfully isolate itself from the welfare of the Peruvian and Bolivian highlands peasants, from civil wars in Central America, from wage levels in Mexico, Ecuador, and the Dominican Republic, or from the spread of AIDS in Brazil or Haiti, or cholera in Peru and Ecuador than Europeans can feign indifference to Algerian election results or Tanzanian environmental problems. The direct U.S. economic stake in Latin America today may be less important than ever before, although even this is arguable, given the enduring nature of U.S. energy dependence and the precarious Middle East sources. But the noneconomic or "para-economic" effect of Latin American affairs on the United States—the emergence of so-called intermestic issues—seems greater than ever, and likely to increase. The North-North syndrome may be valid in strictly economic terms; from a social, political, and cultural standpoint it is illusory. The fact that the United States has always proved far less capable of dealing with and being sensitive to economic trends than to other types of transformations will render the process of managing this new American interdependence more complicated. But it will not eliminate it. Nor will the process itself enhance Latin America's leverage: although in the past its nations, statesmen, and thinkers have proven more skillful at playing their noneconomic cards, today many Latin American leaders seem to believe that the "business of Latin America is business." From that perspective, it is certainly not in good shape.

Tragically, this occurred precisely at a time when Latin elites were more than ever willing to pay any price to become part of the modern world economy, be it as "the poorest [country] of the rich [group]," as Salinas de Gortari was reputed to have said, or as "a modern First World country leaving Brazil's barbarian capitalism behind," according to Collor de Mello. As the geopolitical rationale for U.S. policy toward Latin America faded and the European humanitarian motivation dwindled, while rich trading blocs consolidated and Japan looked to

China and the former Soviet Union, the economic component of the United States' and the rest of the world's Latin American policy is shrinking. In 1980, 17.9 percent of U.S. worldwide direct foreign investment was located in Latin America; by 1987, the proportion had fallen to 13.7 percent. In 1980, Latin America received 16.3 percent of U.S. exports; by 1987, the percentage had dropped to 12.4 percent. The hemisphere might well face the prospect of "Africanization"—condemned to the margins of world financial and trade flows, and, inevitably, to neglect and irrelevance. Or it could leverage this marginalization and benign neglect into a distinct and truly Latin American development paradigm, at long last emanating from the only possible source of success: the self-grown contradictions and intrinsic strengths and weaknesses of a region that has suffered endlessly from its penchant for doing what it's told.