

Why the Latin American Region Matters to the U.S.

Latin America is a source of cultural, economic, and environmental opportunity for the U.S. Its proximity to the U.S. makes it a natural tourist destination, trade partner, and source of investment. Foreign direct investment to the region averaged \$23.5 billion annually in 2010 and 2011. The U.S. accounts for approximately 18% of the FDI flows to the Latin American region. Total trade (imports and exports) between the U.S. and Latin America amounted to over \$600 billion in 2010 and has grown consistently since at least 2005. Aside from being a destination for U.S. products Latin America is a source of prized raw materials for the U.S., especially oil. The total number of U.S. citizens that traveled to Latin America and the Caribbean in 2010 and 2011 reached 30 million, which means that the region accounted for half of all citizens travelling abroad.

More importantly, the region shares the same foundational values that are important to the U.S.: political liberty, economic freedom and democratic government. These can be traced back to the independence period when a majority of the emerging nations modeled their constitutions on that of the U.S., and more recently to the return to democracy and free markets of all Latin American countries (save one) during the 1980s. The cultural linkages between the region and the U.S. have deepened in the aftermath of the Cold War as the stream of Hispanic migrants seeking opportunities in the U.S. has skyrocketed. As a consequence, Spanish has become a dominant secondary language in the U.S. and Hispanics are now the largest ethnic minority in the country. Also as a consequence, money remittances from migrants to their relatives in the region have grown to exceed the flows of foreign aid and in many countries have become the primary source of foreign currency. These migrants, which tend to be younger on average than the U.S. population, have become an important source of labor that has helped maintain the dynamism of the U.S. economy. Their economic consolidation has also turned them into a substantial consumption force, and a source of entrepreneurship and employment through ownership of medium and small businesses. Their high birth rates and their concentration in urban centers are also transforming these communities into a significant political force.

But the relevance of the region is not only highlighted by positive factors. Latin America and the U.S. face common threats. In the globalized world in which we are living challenges to national security are eminently transnational and consequently cannot be addressed by single countries acting in isolation. Here are a few examples:

- **Drug trafficking:** the Andean region in Latin America is a main source of drug production and multiple countries throughout the hemisphere have become important trafficking and distribution centers. But the main source of demand driving this industry is in the U.S.. The drug trade, estimated to be over \$300 billion globally, is a source of domestic corruption and is linked to violence and other forms of criminality at its source and final destination.
- **Gangs:** these highly complex and violent groups encompass multiple facets of criminal activity and through their highly effective networking span regionally and even globally. Their origins are traced to the deportation of illegal migrants who were schooled in the rituals and practices of violent U.S. street gangs through their mutual incarceration, particularly in the city of Los Angeles.
- **International crime:** clearly related to the drug trade and gang activity but not limited to them, international crime involves human trafficking, arms smuggling, money laundering and other insidious threats that put human lives at risk and are terribly costly to control. It is estimated that the fight against crime can absorb up to 15% of a poor country's GDP, resources that could otherwise be devoted to more productive purposes.
- **Migration:** people migrate primarily in search of opportunities they cannot find in their home countries. For this reason, the underlying poverty and inequality that still characterize most of Latin America are a permanent incentive for migration. But so is the lure of employment opportunities in the prosperous communities to the north of the Rio Grande. If there is a growing population of undocumented migrants in the U.S. it is at least partly due to the chasm between the actual demand for Latin American laborers and the ability of the existent regulatory framework to accommodate them. Among other implications, this situation raises delicate issues in the areas of human rights and the criminal justice systems.
- **Environment:** the effects of environmental degradation do not respect international boundaries. Largely because of this, polluters can impose part of their costs on others. Those in a position to provide solutions have little incentive to do so as long as they bear all of the costs without capturing the benefits. Latin America is in a position to improve carbon sequestration and storage through reforestation and the preservation of tropical forests, but it needs the support of the U.S. and other developed countries to do so.

Historically, Latin America has been within the U.S. sphere of interest, not always in the most felicitous of ways, but always at a high level of relevance. Most recently, however, particularly in the aftermath of 9/11 and the global financial crisis, the U.S. has shifted its attention to other world regions. In the meantime, Latin America has undergone a transformation of its own. No longer seen merely as a testing ground for American policies, it has gained recognition for innovation in the areas of social policy, political participation, biofuels, and others. While poverty and inequality remain high they have fallen significantly. Together with sound economic management and growing investment this is swelling the ranks of the middle class across the region. To enhance its regional and even global standing, the U.S. must rediscover the relevance of Latin America and embrace it as a full partner.