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POLICY PAPER

Revising the Trumpian Legacy in the US Foreign Policy towards Latin America*

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Abstract

This paper revisits the legacy of former US President Donald Trump's foreign policy towards Latin America and the Caribbean (LAC), with a particular focus on economic policies and their long-term impact. It argues that Trump's policies eroded US soft power in the region and failed to adequately address China's expanding influence. Although the Joe Biden administration sought to reset US relations with LAC, it retained the bulk of Trump's protectionist policies, perpetuating ongoing trade volatility and regional instability. This paper emphasizes the need for a revised US economic strategy in Latin America that both counters China's influence and fosters deeper economic integration across the region. The authors propose three policy scenarios for the future: a more aggressive protectionist stance under a second Trump administration, a continuation of Biden-era policies under potential future Democratic leadership, or a more integrative approach that enhances regional cooperation and infrastructure development.

Introduction

Although the US influence in Latin America and the Caribbean (LAC) has been undermined by a lack of targeted engagement following the Cold War (McKinley, 2023), at the beginning of Donald Trump's presidency, US policy choices in LAC rapidly eroded American soft power and compromised the US's regional interests by inadequately addressing China's growing regional influence. The paper intends to outline the features of a revised American foreign policy towards LAC by focusing on the economic policies enacted by Trump. The aim of this brief is to provide recommendations on how to develop a strategy to rebuild trust with Latin American countries and prevent China from further increasing its influence on the continent. While the focus is on Trump's policies, this paper remains highly relevant, as much of the former president's foreign policy has been maintained by President Joe Biden. Many protectionist policies remain in place - and some tariff barriers and subsidies to national companies have even increased. The paper argues that any responsible economic policy launched in the region should be integrated into a comprehensive strategy which acknowledges that the main obstacle to unlocking the region's potential as a partner remains the trade volatility between North and Global South economies, in this case, between the US and the LAC.

The paper's focus on economic policies is warranted by three considerations. The first is that trade constitutes the foundation for future, deeper cooperation and the conditions for developing political and strategic partnerships (Kehonane & Nye, 2011; Haas, 1964). Second, economic agreements are more palatable to foreign allies. Against the backdrop of Trump's rhetorical resort to the Monroe Doctrine (PBS NewsHour, 2018), economic policy is perceived as less damaging to state sovereignty than agreements of a political, military or strategic nature. The third reason has to do with the nature of the regimes of some countries in Latin America, which display some socialist tendencies and may offer reduced margins for cooperation in the political or military fields. This paper also emphasizes the connection between the economic policies enacted in the region under Trump and the populist character of the broader strategy from which they emerged, which approaches foreign policy issues as opportunities to appeal to the domestic base (Cadier, 2024; Hall, 2021).

Revising Trump's Economic Policy

Although outspoken about how the US would 'reject the interference of foreign nations in this hemisphere' during his 2018 address to the United Nations General Assembly (UNGA), the Trump administration's general approach to Central and Latin America was marked by a blend of strategic disinterest in the region and isolationist closure, as exemplified by the barriers established at the border with Mexico in 2018 or by Trump's stated intention of withdrawing from the NAFTA (PBS NewsHour, 2018). The US's relative indifference to the LAC region is to be contextualized within a progressive loss of appeal following the collapse of the Soviet Union (Campos & Prevost, 2019: 22; Gurtov, 2021), which originally comprised three components: free trade and economic liberalization, democracy and governance, and security. Trump's rise to power meant the restructuring of such a triad and a weakening of the first two pillars. The economic policy choices made by Trump's administration were mainly motivated by the desire to correct the terms of trade relations that were considered detrimental to US interests and American workers and to curb the expansion of China's influence on the continent.

This paper proposes to revise and mitigate some populist elements of Trump's foreign policy in the region, which are considered counterproductive and weakening the US influence.

The first amendable element is the transactional and short-term approach to dealing with trade agreements and, more broadly, the economic issues of the continent. The promise to withdraw from NAFTA and the imposition of tariffs on items like steel and aluminum resulted in negative consequences, as the volatility of Latin American countries' markets increased due to the uncertainty of access to the US market or aid assistance, Latin American countries became more vulnerable to the Chinese debt trap and, finally, during Trump's tenure China became Latin America's largest trading partner, with the exception of Mexico. (Stuenkel, 2020; Roy, 2023).

The second element worthy of scrutiny is the Trump presidency's anti-globalist rhetoric and adoption of old-style protectionist policies. Trump's economic policies were guided by the objective of reducing US dependency on other productive economies, such as China and South Korea, without fully taking into account that reducing dependency does not necessarily translate into autonomy because value chains still have an important global dimension. The result of this approach was a substantial blow to US credibility in the eyes of Latin American countries, even those considered more aligned, such as Brazil. In fact, despite former Brazilian President Jair Bolsonaro's anti-Chinese stance and ideological affinities with Trump, the US president still imposed barriers on products and metals from Brazil, such as steel and aluminum (Gilardi, 2019).

Assessing Three Policy Options

At the moment of the writing, three policy scenarios can be envisaged:

The first policy option, likely to be implemented if Trump is elected in the 2024 US presidential elections on November 5, will consist of putting pressure on Mexico to review the United States-Mexico-Canada Agreement (USMCA) in view of its renegotiation scheduled for 2026. In this case, further restrictions on rules of origin would be included with the intention both to bar China from accessing the Mexican market and to continue to shrink trade deflection, which would otherwise allow some imported goods from non-USMCA countries to enter the US market via Mexico without paying tariffs.

Furthermore, Trump may engage in a trade war with some other countries in the region. He may suspend the Free Trade Agreement (FTA) with Nicaragua if its policies towards illegal migration do not change, while relations with Colombia, the US's closest partner in the region, which in 2022 saw the first leftist government of the country's modern history, may cool due to ideological divergences. Likely, the result of the will to impose tariff barriers, introduce reinforced rules of origin and subsidize the American national industry would damage US interests by precipitating higher domestic inflation, reallocation of market shares towards less efficient domestic producers, lower capital investment, the decline of the demand for domestic goods, and a loss of jobs in the USMCA area.

The second option would be to multiply the number of economic agreements and partnerships in the region while maintaining or doubling down on protectionist policies. This scenario would be most likely in the case of Democratic nominee Kamala Harris' victory in the presidential elections. As Biden's vice president with limited previous experience in foreign policy (Ashford & Kroenig, 2024) and with not a dominating character (Jenkins, 2024), Harris may seek to preserve some of Biden's economic policies in the region, founded on subsidies to national industry, tariffs and "Buy American" rules (White House, 2021). For instance, the new partnerships negotiated by the Democratic presidency, such as the "Americas Partnership for Economic Prosperity" (APEP), did not foresee provisions of preferential access to the US market, thus denying the eleven Latin American countries who signed the pact to benefit from a reduction of tariffs or a significant increase in trade flow (Hufbauer & Hoogan, 2021). If, on the one hand, Biden rejected the populist character of his predecessor's strategy, on the other hand, he did not substantially change the US's economic approach, including towards Latin America. Closer economic cooperation between the US and Latin America ties into supranationalist and intergovernmentalist theories of integration, reinforcing regional ties whilst maintaining peace and stability (Leuffen et al., 2022).

The third option, recommended by the writers of this paper, is to implement a set of measures which would aim

to offset the disparity of trade relations between Northern and Global South economies. Indeed, in 2023, the relations between the US and Latin American countries were characterized by low levels of trade in comparison with those between the US and other advanced economies, such as European countries or Japan. In other words, Northern American countries record a higher level of economic integration (EI) than Latin American countries. This third scenario would entail a mitigation process of the dragging effect of the protectionist policies enacted by the last two presidencies with the aim of gaining the trust of Latin American countries. One step in this direction would be the enlargement of the USCM, an FTA to which the US, Mexico, and Canada are already signatories, to other Latin American countries (de la Calle, 2023). The USMCA could be extended to Chile, which has a solid market-oriented economy and stable democratic institutions; Panama, which constitutes a major distribution center for goods moving between North and South America; and Costa Rica, given its economic stability, strong regulatory alignment, and existing close ties with the US and Canada. The enlargement of the market would allow Mexico to offset the economic loss derived from the imports coming from extra-USMCA countries, especially the EU and China, by exporting to the FTA products with a higher level of foreign backward participation originating from Costa Rica and Panama.

Secondly, the US should support a modification of the economic agreement, which will discipline the expansion of the free trade area in order to reduce the instability of preferential market access. The targets of the amendments should concern three provisions of the current agreement. The first is the sunset clause, which foresees the agreement's expiration after sixteen years since its entry into force and a review period after six years, weakening the investors' trust for long-term investments. Regarding this point, the US should introduce automatic renewal mechanisms and extend review periods to create stability in the markets and members of the USMCA. The second provision concerns the limitation of Investor-State Dispute Settlement (ISDS) to only certain sectors with high upfront costs, including oil and gas. In future negotiations, the US should consider extending the protection to a higher number of economic sectors to provide more guarantees to investors.

Finally, the third provision established three new rules concerning automotive rules of origin: the extension of the Regional Value Contents (RVCs) to core parts of vehicles, the requirement that 70% of a vehicle's steel be sourced from North America and, finally, the requirement that the production of 40/45% of a vehicle or a truck occur in factory plants where the Mexican workers' wage is five to eight times higher than average (Ludovic, 2023: 365). These measures contributed to a decline in investments and a 0.971% reduction in Mexico's annual real GDP in 2020, other than an estimated loss of US GDP of 0.12% compared to NAFTA (Manak, 2020). There is evidence to suggest the objective of strengthening the North American value chains was not achieved, as, between 2019 and 2022, imports from the USMCA area (29%) rose less than imports from the rest of the world (32%) (Sarukhán et al., 2023). To counter the negative impact of the tightening of the rules of origin, the US should negotiate an enlargement of the USMCA with Chile, Costa Rica, and Panama, as already mentioned above, and provide incentives to small and medium-sized companies of the members of the expanded USMCA.

Thirdly, the US should launch a long-term program of targeted investments in the construction and improvement of infrastructure in Latin American countries. The construction of ports, airports, canals and highways is an essential condition for reaching the objective of offsetting the structural volatility of trade relations between the US and Latin American countries, but also within Latin America. Investments in the infrastructure field would equip Latin American countries with the appropriate platforms, hubs and roads to increase the trade flows within the continent.

Conclusion

The paper tackled not only the economic policy choices towards Latin America undertaken during Trump's presidency but, by embracing a broader timeline, analyzed the more problematic subject of the legacy of Trump's foreign policy in Latin America. Despite Biden's entry into office and the current president's stated intention to reset relations with Latin American countries and increase cooperation, relatively scarce attention has been given to the Latin American strategic quadrant in the past four years.

The fact that after the first six months of the Democratic administration, the position of Assistant Secretary for Western Hemisphere Affairs was still vacant indicates what little priority Latin America has for current US policymakers. As the Western Hemisphere can be considered the US's "backyard," it is a region in which the

emergence of a hegemonic country - like China- cannot be tolerated, and current US foreign policy does not seem suited to address this challenge.

This paper emphasized the cruciality of the Latin American strategic quadrant for the US' interests by recommending a set of economic policy measures which should respond to an organic and coherent economic-strategic logic, aimed at increasing trade flows and boosting regional economic integration. Since the 1950s, scholars have tried to find a solution for the trade volatility between LAC countries and industrialized countries, such as the US or EU. They proposed implementing measures aimed at privileging intra-regional trade and building a regional integration process (Goodman & Schneider, 2023).

Nonetheless, the failure of economic integration from the inside should make the US consider how it can foster both trade flows with LAC countries and favorable conditions for building a regional integration process. Such a strategy would also counter China's growing influence, derived from their FTAs already negotiated with four countries and the Belt & Road Initiative (BRI) (Duckworth, 2023). Chinese funding for infrastructure projects leveraged LAC countries' structural need to build a regional integration space to face the low levels of trade with more advanced economies such as the US and EU and the uncertainty of access to their markets.

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Authors' Biographies

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Christo Pretorius graduated with an MSc in International Public Policy and Diplomacy from University College Cork and was the first student to receive a postgraduate "Student of the Year" award from the Department of Government. His dissertation was published and acquired by the Bar of Ireland's Law Library and has gone on to support Irish policymakers. Stemming from his undergraduate degree in Ancient and Medieval History and Culture from Trinity College Dublin, his research interests include the mechanisms for authoritarian power and control, as well as democratic backsliding, particularly when viewed from a historical lens.

Angelica Lisa Rossi-Hawkins is a second-year Ph.D. researcher at the University of Oxford. Her research primarily concerns studies of masculinity and elite culture in post-WWII Italy. By examining a number of clusters of upper-middle-class male networks of solidarity from 1945 to the mid-1970s, she hopes to understand the fabric of the post-war democratic 'classe dirigente.' While working on her thesis, she also continues to research the development of Christian Democratic politics in the 20th century and remains broadly interested in the history of gender, the history of friendship, and – when time allows – 19th and 20th-century art history.

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