

U.S. ECONOMIC AND MILITARY AID TO LATIN AMERICA

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The United States and multinational aid organizations currently provide large amounts of economic and military aid to Latin American countries to promote their development. Economic aid can consist of loans or direct transfers of money and while military aid can be in the form of cash as well, it may also take the form of advisors, supplies and equipment. Most U.S. aid to Latin America comes with some strings attached; very rarely does any money flow directly to a Latin American country without qualification. The way in which aid is given to Latin countries has changed greatly over time; unlike in the past when it was common to see American soldiers playing prominent roles in Latin American conflicts, direct military intervention is much less obvious today. American soldiers can still be found in Latin America, but they are supposedly only there to train and advise Latin American soldiers. This paper will discuss general issues regarding U.S. aid to Latin America, with a focus on three specific countries: El Salvador, Bolivia and Colombia.

U.S. aid policies today generally focus on promoting the formation of democratic, representative governments in the U.S. model, strengthening Latin American economies, combating the flow of drugs to the U.S and fighting terrorism. In many Latin American countries, military aid for antidrug and antiterrorism operations far outweighs economic aid; in Mexico for example, the U.S. gives eighty percent more military aid than economic aid.¹

According to an article in the *Miami Herald*, the Bush administration is trying to reduce the amount of aid sent to Latin America, with the eventual goal of cutting aid altogether.² To achieve this goal, U.S. aid packages generally have many conditions which push Latin American countries to fight corruption and encourage investment, two goals which are important to attaining independence from outside support and to promoting the U.S. standard

for democracy and freedom.³ One of the most important programs the U.S. is using to promote Latin American independence is called the Millennium Challenge Account (MCA). The MCA is set up so that countries in need are given aid as long as they work toward the goals of reducing corruption and increasing investment. El Salvador is a country which has the potential to benefit greatly from signing an MCA agreement. With the restructuring of aid by the Bush administration, total economic aid provided to El Salvador will fall by fifteen million dollars in the 2006 fiscal year; but, according to Secretary of State Condoleezza Rice, by signing an MCA El Salvador could receive a "substantial increase" in aid from the U.S.⁴ At the same time that El Salvador's economic aid is being cut, its military aid has been increasing steadily in the last five or six years, a trend which seems to be common across Latin America in recent years. The increase in military aid has been credited to El Salvador's strong support for the Bush administration's war on terror.⁵

Another type of aid mechanism used by the U.S. is called the Economic Support Fund (ESF). The ESF provides direct cash payments to Latin American countries which have balance of payments deficits, meaning that there is more money flowing out of the country than there is coming in. There is one major stipulation attached to the ESF however: in order to receive the payments, the recipient nation must sign an Article 98 agreement with the U.S.⁶ Signing an Article 98 agreement means that any U.S. citizens in the signing country are exempt from prosecution by the International Criminal Court, which the Bush administration does not recognize.⁷ Even though about 100 nations around the world have signed Article 98 agreements with the U.S.,

¹ Latin American Weekly Report, "MEXICO-US: Facing Consequences of ICC ratification," November 1, 2005, http://web.lexis-nexis.com/universe/document?_m=06a79182e0afadfb6edb2623373ca218&wchp=dGLbVzb-zSkVb&_md5=de6d3617d341a84f8e1b52cd1c453d7d (accessed April 23, 2006).
² Pablo Bachelet, "Rice: Not Slighting Americas," *Miami Herald*, February 16, 2006.
<http://www.miami.com/mlm/miamiherald/news/world/americas/13883709.htm> (accessed April 23, 2006).

³ Ibid.

⁴ Ibid.

⁵ Frida Berrigan and Jonathan Wingo, "The Bush Effect: U.S. Military Involvement in Latin America Rises Development and Humanitarian Aid Fall," *World Policy Institute*, Arms Trade Resource Center, <http://www.worldpolicy.org/projects/arms/reports/MilitaryAidLA110405.html> (accessed April 23, 2006).

⁶ Bachelet, "Not Slighting Americas."

⁷ Joel Brinkley, "Bush Budget Would Slash Bolivia Military Aid," *New York Times*, February 9, 2006, http://web.lexis-nexis.com/universe/document?_m=66d8e956607df56af62f05d6a7678dec&wchp=dGLbVzb-zSkVb&_md5=1f126c6f99f44aa1fa66c633af4bbaad (accessed April 23, 2006).

quite a few Latin American countries, including Mexico, Brazil and Ecuador have refused so far.⁸

Bolivia's situation is similar to El Salvador's in that its aid has been cut significantly by the Bush administration, because of its reluctance to sign an agreement with so many conditions. In Bolivia's case it is military aid which is taking the hit, with the cut being attributed to the country's reluctance to enter into an Article 98 agreement with the U.S. Bolivia actually *has* signed one of these agreements, but it has not been ratified in its legislature which means that it is not yet valid as far as the U.S. is concerned.⁹ Interestingly, there are five other nations, similar to Bolivia, around the world which have signed, but not ratified Article 98 agreements and they have not seen any significant changes in military aid from the U.S.¹⁰ One is forced to wonder if the reason for the cuts to Bolivia's military aid have more to do with the election of Evo Morales as president rather than its reluctance to ratify the Article 98 agreement. Morales is cut from the same mold as Venezuelan president Hugo Chavez in that he is openly anti-American and refuses to blindly follow the U.S. administration's plan for his country.

Around the world, since the Bush administration began its war on terror in 2001, the U.S. has greatly increased its spending on military aid to Latin America, including a program called International Military Education and Training (IMET), which is responsible for training foreign militaries.¹¹ Latin American countries are among the largest beneficiaries of this increased funding and Colombia is the largest beneficiary in Latin America, having received over nine million dollars from IMET in the last six years.¹² Colombia not only receives the greatest amount of IMET funding, it also happens to get three quarters of the total money provided to Latin America by a program called the International Narcotics Control (INC) program.¹³ In fact, total military aid to Colombia in 2003 was 605 million dollars, while comparatively, all other aid totaled only 137 million dollars.¹⁴ Clearly, trying to reduce the flow of drugs into the U.S. has pushed Colombia to the top of the list as far as antidrug money goes.

At the same time that spending has increased for military support programs, U.S.

economic aid has decreased significantly. According to one source, the U.S. Agency for International Development has cut forty percent of its budget for Latin America in the past four years, going from 225 million dollars in 2002, to 125 million dollars in 2006.¹⁵ Overall, the U.S. seems to be moving in the direction of sending less economic aid and more military aid. In the Bachelet article, Condoleezza Rice talked about trying to reduce Latin American dependence on U.S. aid, but the evidence seems to show that it is only economic aid which the U.S. is trying to reduce while military aid appears to be in a separate, untouchable category.

Latin American countries have little bargaining power in the whole aid process; most desperately need the aid and cannot afford to argue with the United States over the details of how it is provided. This is what gives the U.S. its ability to dictate the conditions which come with aid packages. Countries like Venezuela and Bolivia, whose governments are clearly anti-American and who, at least in the case of Venezuela, have some bargaining power, are the only ones which have any ability to negotiate their aid packages. The current U.S. administration however, is not very willing to deal with these countries and will simply cut their aid rather than have its power challenged. This shows the true nature of U.S. aid to Latin America and many other regions around the world: the U.S. probably does have some interest in helping poorer nations, but of equal or greater importance is the goal of increasing U.S. wealth and promoting U.S. interests abroad.

The United States is not the only source of aid for Latin America; there are also multinational organizations which contribute money to the region. The two major multinational institutions which give economic aid to Latin America are the World Bank and the International Monetary fund (IMF). In 2004 the World Bank gave a total of 5.3 billion dollars to Latin America.¹⁶ This money is dispersed in approximately 400 currently active projects through out the region. These projects cover a wide range of topics, some of which include economic growth, natural disaster mitigation, and rural educational improvements.¹⁷ The aid is most often given in the form of loans that are expected to be paid back.

⁸ Bachelet, "Not Slighting Americas" and Brinkley, "Bush Budget Would Slash Bolivia Military Aid."

⁹ Ibid.

¹⁰ Ibid.

¹¹ Berrigan and Wingo, "The Bush Effect."

¹² Ibid.

¹³ Ibid.

¹⁴ Jim Lobe, "Sharp Increase in Military Aid to Latin America," *Common Dreams News Center*, <http://www.commondreams.org/headlines03/0923-02.htm> (accessed April 23, 2006).

¹⁵ Berrigan and Wingo, "The Bush Effect."

¹⁶ World Bank, *Latin America and Caribbean - Data and Statistics*, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/0,,menuPK:258575~pagePK:146732~piPK:146813~theSitePK:258554,00.html> (accessed May 3, 2006).

¹⁷ World Bank, *Latin America and Caribbean - Projects and programs*, <http://web.worldbank.org/external/default/main?pagePK=146756&piPK=146825&theSitePK=258554&menuPK=258580&pagenumber=4&pagesize=100&totalrecords=380&sortBy=BOARDSORTD>

The IMF will provide loans to a country that is having balance of payment problems, which means that they can not afford their international payments. These loans are given with according agreements which state policies that must be implemented by the receiving nation. These policies, according to the IMF, will help the country alleviate its balance of payment problems.¹⁸ The IMF is very active throughout Latin America and as of 2003 they had 42 billion dollars of outstanding debt in the area.¹⁹

The goal of the IMF is to create conditions by which a country will be able to afford all of its foreign debt and thus emerge from poverty. To help countries emerge from poverty the IMF policies frequently require importing of specific goods, often from the United States. This was not helpful in the case of Jamaica as seen in the film "Life and Debt." In the film, Jamaica imported powdered milk from the United States and they got it cheaper than liquid milk could be produced within the country. The IMF felt this would be beneficial to Jamaica, and help them escape poverty, but this policy ended up hurting the rural milk producers because they no longer had a market for their milk. Since the farmers still had to milk the cows every day the unpurchased milk was dumped into the street. These farmers ended up losing money every day because of the policies put upon Jamaica by the IMF.²⁰ It seems to be the sentiment throughout Latin America that the policies of the IMF are not working. Many countries, like Jamaica, feel that IMF policies are keeping them in economic hardship.

While the IMF policies do not seem to be working or well received, the policies of the World Bank appear to be more oriented towards helping a country in need help itself. The money that the World Bank loans goes to programs aimed at reaching the millennium development goals set out by the organization. The millennium development goals cover a number of categories, including increases in primary education, reduction of child

mortality, and increases in gender equality.²¹ The Bank has set goals for each of the categories that it would like to see achieved by 2015. The programs implemented by the World Bank in Latin America appear to be working. The goal for child mortality is to reduce the rate of deaths of children under five per 1,000 births by two-thirds of the level in 1990. Thanks to the World Bank's programs, Latin America is on track to do this, as it is with many of the other millennium development goals set for it.²²

President Bush's plan for economic aid through the MCA takes a much more methodical approach to the giving of aid than the World Bank and the IMF. The approach is also very different from previous U.S. policies. In earlier policies, the United States often gave aid to strategic allies; often with poorly run governments. The Millennium Challenge Account is much more selective. Many in the United States feel this is a good change for American policy. With all the specific requirements that need to be met before aid is given, the U.S. can be more confident that the aid they are giving out goes to governments that are not corrupt, which will help insure that the money is being used to help the people most in need.²³ It is clear that President Bush feels this plan is working, since in 2004, just two years after the MCA was announced he said, "Already the MCA has encouraged countries to govern justly, invest in their people, and promote economic freedom."²⁴ Along with trying to implant the United States' values among the countries receiving aid from the MCA, the plan is also trying to reduce the total amount of economic aid given out by the U.S. This part of the plan seems to be working well due to the 2007 budget proposal by President Bush, which calls for a twenty-eight percent decrease in aid to the Latin American region.²⁵

Clearly the U.S. differs greatly from multinational organizations in its aid policies. U.S.

ATE&sortorder=DESC&category=advsearch&query=ALL&status=A®ioncode=7&countrycode=ALL§or=ALL&majorsector=ALL§orboard=ALL&majorthemeid=ALL&themeid=ALL&network=ALL&procline=ALL&proclinetype=ALL&lendinstrtype=ALL&lendinstr=ALL&goalid=ALL&metathemeid=ALL&startyr=ALL&endyr=ALL&env=ALL&match=null, (accessed May 3, 2006).

¹⁸International Monetary Fund, *Factsheet - IMF Lending*, <http://www.imf.org/external/np/external/facts/howlend.htm> (accessed May 3, 2006).

¹⁹Bloomberg L.P., *Bloomberg.com - Latin America*, http://quote.bloomberg.com/apps/news?pid=10000086&sid=amc9xPEiLxQI&refer=latin_america# (accessed May, 3 2006).

²⁰*Life and Debt*, prod. and dir. Stephanie Karen Black, 1 hr. 22 min., Tuff Gong Pictures, 2001, DVD.

²¹ World Bank, *millennium development goals*, <http://devdata.worldbank.org/idg/IDGProfile.asp?CCODE=VEN&CNAME=Venezuela%2C+RB&SelectedCountry=VEN> (accessed May 3, 2006).

²² World Bank, *Global Data Monitoring Information System*, <http://ddp-ext.worldbank.org/ext/GMIS/gdmis.do?siteId=2&goalId=8&targetId=19&menuId=LNAV01GOAL4SUB1> (accessed May 3, 2006).

²³ "A Choosier Approach to Aid," *Economist* 375, no. 8423, (2005): 75, <http://search.epnet.com/login.aspx?direct=true&db=afh&an=16854563> (accessed May 3, 2006).

²⁴ George W. Bush, "A Statement on the Millennium Challenge Account," *Weekly Compilation of Presidential Documents*, 40, no. 38, (2004): 2024

<http://search.epnet.com/login.aspx?direct=true&db=afh&an=14695941> (accessed May 4, 2006).

²⁵ Andres Oppenheimer, "Bush Budget Would Slash Assistance to Latin America," *The Miami Herald*, February 9, 2006, <http://www.miami.com/ml/miamiherald/news/13826623.htm>.

policies are driven as much by a desire to do what is best for Latin America as a desire to do what is best for the U.S. Right now, the general trend of U.S. aid is to reduce economic aid while increasing military aid in antidrug and anti-terror programs, so it is clear that U.S. interests are currently far more important than Latin American interests. On the other hand, multinational institutions like the World Bank and IMF do not give any military aid; they focus entirely on economic aid. The World Bank has seen more success with its programs than the IMF largely because the IMF embraces the ideals of globalization to a greater extent even though a focus on globalization might not be best for many Latin American countries. The policies discussed above are very different and only time will tell which type will be the most successful.

Prepared for Prof. Evelyn Powell Jennings for
Caribbean and Latin American Studies 104.

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