Rising Trade, Shifting Ties:
U.S. Relations with North, Central & South America
Energized by the Panama Canal Expansion

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Rapporteur’s Summary

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The Aspen Institute’s Congressional Program convened a conference in Panama City, Panama to consider the topic of Rising Trade, Shifting Ties: U.S. Relations with North, Central, and South America Energized by the Panama Canal Expansion. Meeting from February 17-22, 2015, 16 members of Congress engaged with 12 U.S. and Latin American scholars on a number of issues affecting Latin America and U.S. security, economic, governance, energy and immigration interests. The President of Panama, Juan Carlos Varela, and the Vice President of Panama, Isabel Saint Malo, addressed the group, as did Jorge Quijano, Chief Executive Officer of the Panama Canal Authority. Participants also visited the current Panama Canal as well as the expansion underway, and met with U.S. Peace Corps volunteers stationed in the country.

The conference began with a discussion of North America and the importance of the United States’ neighbors for its energetic, economic, security, and global future.

Existing ties in these and other areas with Canada and Mexico not only make these relationships vital, they also, if developed and deepened, provide an opportunity for the United States to strengthen its competitiveness, increase its prosperity, and bolster its global influence.

The discussion began with a focus on the demographic, technological, energetic, and cost advantages of North America, and the importance of developing a continental base for global politics. By addressing infrastructure lags, unifying regulatory standards, and upgrading NAFTA through the passage of the Transpacific Partnership (TPP), the United States can expand the regional economic platform that has enabled so many companies to remain or become globally competitive.

Many participants took note of the “intermes tic” nature of North American relations, where the international and domestic drivers intertwine. Nearly every important issue—including trade, immigration, energy, and security—is deeply intertwined with U.S. domestic politics. And U.S. policies and investments in infrastructure and in education will have far reaching effects on its neighbors given the integration of production and of the three North American economies more broadly.

A long discussion of trade followed, with many participants agreeing on the macroeconomic benefits but also voicing concerns about the disproportionate effects on wage stagnation and inequality more generally. A mix of optimism and anxiety about U.S. global economic engagement through trade agreements, and how best to expand domestic prosperity, was apparent. The group talked about how trade agreements have and could evolve over time, and how the United States can best leverage its weight to push for the inclusion of broader issues such as labor, the environment, transparency, anti-corruption, and human rights in these negotiations. The group recognized the timeliness of these issues, given ongoing TPP and
the Transatlantic Trade and Investment Partnership (TTIP) discussions.

Shared infrastructure and security emerged as important themes for North America, as did the increasing dependence and de facto integration of labor forces between the three nations. In these discussions participants talked about the borders, and the challenges of balancing safety while expediting trade.

The Panama Canal and its expansion provided the platform for addressing the changing patterns and logistics of the movement of goods both within the United States and globally.

The Panama Canal expansion is just one of many changes that will affect U.S. ports, transportation networks, exporting and importing companies and their workers, and in the end, consumers. Other important elements include shifts within the global shipping business, as well as changing routes and markets more generally. As shipping industry players consolidate into a few big alliances, they are gaining leverage over ports and terminal owners—and using this power to increase their flexibility through shorter term leases and commitments even as they require greater investments by infrastructure operators to obtain their business. With ever larger ships carrying ever greater numbers of containers anticipated on both the East and West coasts of the United States, successful ports will not only have to increase their harbor depth, but also will need technologically sophisticated terminals that can quickly and efficiently unload these vessels. All these transformative dynamics will create winners and losers as ports struggle to remain relevant in the global trading system.

Jorge Quijano, chief executive officer of the Panama Canal Authority, described the evolution of the Canal over the last fifteen years under Panamanian control, and the role it plays as a major conduit for U.S.-China trade. He added that for the shipping companies and their clients, transport beyond a port is as important as the efficiency of a port itself—competitiveness requires seamlessly linking the docks to population and consumer centers through multimodal transportation networks. Without these connections, ports will be relegated largely to serving local markets, bypassed by the larger ships coming through the new Panama Canal as well as from the Suez Canal.

The discussion opened with a focus on how the consolidation of the global shipping industry, the opening of new or expansion of existing shipping routes, and the changing nature of trade itself all put stress on the current U.S. port and transportation system, shifting investment risk increasingly to ports, terminal owners, and to the government. Financing is and will continue to be a huge challenge. The federal government, along with its state and local counterparts, will struggle to both effectively prioritize and to allocate the money needed for the many infrastructure projects required and demanded. Many recognized the pressures on the U.S. Army Corps of Engineers, and its finite time and resources.

Building on the economics and logistics of ports, the conversation moved to security, and the vulnerabilities of local, national, and global trade to terrorist or other threats. This led to a longer discussion about U.S. transportation infrastructure needs more broadly—ports, railroads, airports, roads, and bridges—and how to pay for and finance the current infrastructure deficit given the current level of the U.S. gas tax. Many called for a national infrastructure strategy.

The third day was dedicated to Central America. The mix of rising violence, economic hardship, familial ties in the United States, and misleading information from coyotes (illegal operatives who charge migrants high fees to bring them to the United States), has led some 70,000 unaccompanied minors to the United States in 2014, the majority from Central America’s Northern Triangle countries of Guatemala, El Salvador, and Honduras. These flows have now slowed due to seasonality, a widespread in-country information campaign (largely funded by the United States), and Mexico’s heightened efforts to stop migrants in transit. But these numbers may rise again in the coming weeks and months as many of the underlying trends in poverty and violence remain and the pull of labor markets rises in the spring.

The discussion focused considerably on Central America’s challenges, primarily on security and justice, and the failures in terms of violence, corruption, and impunity that lead so many to flee north. With little access to education and to economic opportunity through work, young people—particularly boys—end up as the main perpetrators and victims of violence, and low-income families the victims of extortion and
other crimes. Recognizing the huge challenges, several scholars noted the relative success of efforts such as the International Commission against Impunity in Guatemala (CICIG), an UN-backed independent body that has investigated several serious criminal cases. CICIG has helped to reduce impunity and played at least a part in bringing down Guatemala’s homicide rates.

A discussion developed around the factors perpetuating state weakness and fragility in Central America. The challenges of drug trafficking and organized crime, of limited education and job opportunities, of corrupted institutions and widespread impunity, all make the need both greater and the potential solutions all the more complex.

Turning to what the United States should do to strengthen these governments, the group focused on the $1 billion request by the current administration in next year’s budget for Central America. The participants asked if this significant increase is enough to make a real difference in the realities of these nations, and what types of programs would have the greatest impact.

Many supported the development of both a regional and holistic approach, and the replication of institutional efforts to build independent and transparent bodies such as CICIG in other nations. Also important are careful evaluations and discussions about what works and what doesn’t, relying on metrics to decide which programs to fund and expand, and which to end or replace. In this, USAID’s community-based programs were commended for just such efforts to measure violence before and after their involvement. The usefulness of conditionality in Plan Colombia to encourage change was also highlighted. Finally, many mentioned the importance of leadership; no amount of resources can succeed without local partners willing to take on these challenges.

Corruption became an important and recurring theme. Participants voiced their worries about its corrosive effects on safety and security, for perpetuating poverty and inequality, and for undermining institutions and democracy. Some doubted what the United States could do to counter its presence. But many also agreed that if the United States does nothing, these nations will face even greater problems and threats, which will inevitably end up on U.S. shores and affect U.S. communities given the geographic, personal, and economic ties with these neighbor nations.

In the search for solutions, many focused on transparency as a fundamental building block for a better future. Past experiences show that freedom of information, leveraged by the press and other watchdog organizations, all matter for accountability, and for creating checks and balances on power.

On the final day, the conference turned to a broader discussion of U.S.-Latin America relations through the lens of the upcoming Summit of the Americas to be held in Panama in April, 2015.

Each of the panelists addressed the upcoming summit, and the role of the Organization of American States (OAS) and other regional multilaterals as vehicles for confronting issues within the hemisphere. Started in 1994, the summit’s initial strengths in trade and democracy dissipated as Brazil turned away from the Free Trade of the Americas (FTAA) in the late 1990s, and as the divides in the region have weakened the efficacy of Inter-American Democratic Charter, signed in 2001. Somewhat skeptical of the change these hemispheric multilateral efforts can bring, it was argued that U.S. policy should prioritize cultivating relations with allies.

Three changes within the United States and its politics since the 2012 Cartagena Summit of the Americas should benefit U.S. involvement in the upcoming Summit in Panama. These are the recent changes in immigration enforcement, in U.S.-Cuba relations, and in the increasing experimentation and flexibility of drug policies. Despite the OAS’s known limits, it has important roles to play by sharing its expertise on drugs and drug policy, and through institutional bodies such as the Commission on Human Rights and the Special Rapporteur for Freedom of Expression. Finally, it was noted that as the host nation, Panama hoped that Cuba’s inclusion in the Summit will be broad-based, incorporating civil society members as well as government officials, to contribute to a substantive deliberation of the development-related agenda.

A vibrant discussion of Cuba and the dynamics of U.S.-Cuba relations ensued. The group focused on the mixed messages from Cuba—its agreeing to open relations on one hand while also increasing demands,
such as compensation for economic damages from the embargo and the return of Guantanamo to Cuban sovereignty. Some felt that the expansion of U.S.-Cuba relations through official means, through personal exchanges, and through new technologies, has the potential to change Cuba for the better by increasing information flows and exposure to democratic experiences and values, whatever the objectives of the Cuban government. Others worried about the ability of the current regime to harness the expected new financial and technological resources to stabilize and support its authoritarian structures. Many voiced fears of instability in Cuba, the potential flood of refugees it could create, and the opening it might provide for drug traffickers, criminal organizations, and terrorists.

A broad discussion of drug policies ensued. The group recognized Latin America’s leadership on rethinking the war on drugs, from initial questioning to broad-based studies of past policies and their failures, and to experimenting with legalization and regulation. As the United States itself experiments with various approaches and policies, future U.S. international drug policy will need to be reexamined to ensure more consistency and coherency with domestic choices. Still, whatever the evolution of U.S. prohibitions, no one believed legalization would move beyond marijuana, meaning that international efforts to stop the flow of drugs is unlikely to end.

The domestic nature of so many Western Hemisphere issues emerged repeatedly throughout the four days. Whether immigration, drugs, security more broadly, trade agreements, infrastructure, poverty, inequality, or education—each are intricately tied to or have parallels within the United States and throughout the region. For these and other reasons, many exhorted the group to not forget Latin America in the policy agenda.

So too did issues of evaluation and accountability. Throughout the conference, calls for better metrics emerged, to understand what does and doesn’t work, and to ensure that U.S. policies and inevitably limited resources are best utilized, whether at home or abroad.

Stability and prosperity in the region remain vital to U.S. national interests. The challenge will be to find a way to refocus U.S. efforts on this part of the world with so much potential and that can be so consequential for the issues the United States has and will continue to face in the coming decade.
Twenty years ago NAFTA, the most ambitious free trade agreement negotiation of its time, gave birth to a profound transformation of the economies and the regional value chains of Mexico, the United States and Canada. Trade dramatically changed the relationship between the three countries, though asymmetries of power and economic vitality persist.

This week, at the North American Leaders Summit in Toluca, Mexico, Presidents Obama and Peña Nieto, together with Canadian Prime Minister Stephen Harper, continued a dialogue about trade, economic growth and the energy revolution in North America. A priority for all parties should be the continued economic integration of the three countries — the region’s greatest hope for job creation and prosperity.

Since 1994 NAFTA, in terms of trade, has triggered a rising tide, lifting boats in all three countries. The numbers are compelling: more than $1 trillion of trade in goods and services annually between the three partners; $1.2 billion of daily trade between Mexico and the U.S.; 6 million U.S. jobs directly related to trade with Mexico; and Canada and Mexico buying more U.S. products than any other nation on the face of the earth.

To understand these numbers in the context of the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) — the two ambitious and critically relevant trade negotiations the U.S. is currently pursuing — the combined exports of the United States’ two neighbors is more than six times that of the other TPP nations, and U.S. exports to Mexico and Canada exceeds those to all EU nations.

But beyond the importance of North America as a marketplace, NAFTA led to one of the most significant trade realignments of any economic bloc: today, Mexico, the United States and Canada have become partners in manufacturing. Through production sharing, the countries are actually building products together, such as automobiles and aerospace parts.

Unlike U.S. trade with most other countries, roughly 25 to 40 percent of the value of U.S. imports from Mexico and Canada comes from components made in the United States, and then assembled into finished goods in one of the other two countries. Around 40 percent of the content in U.S. imports from Mexico is actually produced in the United States. This means that 40 cents of every dollar spent on imports from Mexico comes back to the U.S., a quantity 10 times greater than the four cents returning for each dollar paid on Chinese imports, for example. They are unlike imports from any extracontinental partner in the way they directly support U.S. jobs and exports.

These integrated supply and production chains are the true competitive advantage of North America. Government officials, elected politicians, corporations, and trade associations alike should acknowledge, and publicly articulate, that we are no longer exporting U.S., Canadian or Mexican goods. Rather, we are exporting North American goods and need to promote “Buy North American.”
There is no doubt, however, that 20 years after NAFTA’s implementation, the economies of Canada, the United States and Mexico are facing challenges. While some of the risk is due to external pressures — increasing competition from Asia, or fears of further economic pain in Europe or a crisis in emerging markets — much of the challenge lies in stagnating regional competitiveness and the tyranny of small differences over regulatory matters such as customs procedures.

The inevitable impact of 9/11 on border security, and the way it has played out in the debate over U.S. immigration reform, have left us with a border paradigm driven by the quest for common security, but less so for common prosperity. Borders need to function like membranes, filtering the “bad” stuff out (narcotics, guns, terrorists), while allowing the “good” stuff to pass through (goods and products, transportation, tourists and businesspeople). Outdated border infrastructure and insufficient budgets for state of the art, 21st century technology to ensure secure but efficient customs inspection processes have taken a serious toll on trans-border trade flows.

In this regard, accelerating pre-inspection and pre-clearance processes before goods reach our borders would go a long way to facilitate trade. The regional trusted traveler program, which was agreed upon during this week’s summit in Toluca, is also extremely important and will be a boon to business and investment. And given our shared production platform, efficient logistics — such as containers that can be loaded in Canada, cleared through customs, and transported straight across the U.S. to Mexico — would also be key for the region’s competitiveness and for the seamless and secure movement of goods across borders. Reviewing and eliminating all restrictions on transportation and services, and forging new North American trade and transportation corridors would dramatically enhance North American competitiveness.

Regulatory barriers have also become an impediment to the further deepening of production and supply chains across the region, and must be removed. The fact that businesses still have to deal with three different customs export-import forms, instead of one single North American form used by the three governments, is dysfunctional and costly.

The path forward in enhancing North America’s global competitiveness and economic well-being must be based on a clear understanding that the three North American nations are partners, rather than competitors. The fact that U.S. Secretary of Commerce Penny Pritzker led her first official trade mission to Mexico is an encouraging and important sign.

Businesspeople around the world are looking for ways to break into new or “hard to access” markets, and buy from whomever can reliably offer them the best product, or goods and services with the fastest turnaround time. As the United States once again looks to foreign markets to promote economic growth and job creation, it would do well to fully recognize that the greatest opportunity — and the future — lies in North America.
North America: Time for a New Focus
A report of the Independent Task Force on North America, sponsored by the Council on Foreign Relations

Robert B. Zoellick and David Petraeus,
Chairs

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North America was once called the New World. The people, their ideas, and the resources of the continent shaped the histories of the Old World—East and West. Today, North America is home to almost five hundred million people living in three vibrant democracies. If the three North American countries deepen their integration and cooperation, they have the potential to again shape world affairs for generations to come.

For reasons of history and political culture, the United States, Canada, and Mexico are each highly protective of national sovereignty and independence. Yet twenty years ago, the three countries instituted a novel project to deepen integration while respecting sovereignty. Moreover, their special partnership bridged the North South divide between developed and developing economies. The North American Free Trade Agreement (NAFTA) has been the cornerstone of this new structure. The new post–Cold War North America was conceived as an integrated economy within a global system, not as a protected bloc or experiment in shared sovereignty, as was the case with the European Union.

Recent developments have created opportunities for the North American countries to build on past work and to advance their partnership to a new stage. There is a fundamental shift in the continent’s energy outlook, driven by technology, innovation, investment, and new policies. In addition, Mexico’s ambitious structural reform agenda is creating prospects for higher growth, an expanding middle class, and a better-educated and more productive workforce. North America’s demographics are healthier than Europe’s, China’s, Japan’s, and Russia’s. These factors, combined with higher costs in other regions of the world and the ability of the U.S. private sector to seek out technological frontiers, are pulling global investors to North America. North America has the potential to become a new type of growth market, combining the best of cutting-edge developed-economy innovation with the best of developing country structural reforms.

Over the past twenty years, the international perspectives of the three North American democracies have converged, especially on economic topics, but potentially on challenges of security, rule of law and transnational crime, hemispheric development, and the environment. Yet most regional issues and irritants, though important, rarely rise to the urgency of international crises. Canadians and Mexicans are frustrated that the United States does not treat its neighborhood as a priority. North America has been an afterthought of U.S. policy.
The Task Force believes it is time for U.S. policymakers to put North America at the forefront of a strategy that recognizes that North America should be the “continental base” for U.S. global policy.

The U.S. government faces a structural challenge in pursuing such a continental policy. The diversity of federal agencies involved and the vital roles of state and local governments, legislatures, and myriad private actors make it hard to fashion a comprehensive policy. The Task Force recommends creating new North American offices within the National Security Council staff and U.S. State Department to focus responsibility for the development and execution of continental policies, catalyze and support cooperation at different levels of government, and insert a North American perspective into U.S. discussions of global policies.

The Task Force also recommends that one of the senior-most U.S. officials assume responsibility as North America’s “champion.” And national policy needs to encourage and facilitate state, provincial, local, and legislative leaders in the identification of problems, solutions, and opportunities. North America requires a new type of transnational foreign policy.

U.S. policy toward North America should prioritize cooperation on energy, economic competitiveness, security, and the issues of a common community. The guiding framework should be: trilateral where we can, bilateral where we must.

Energy

The innovation, investment, and increased production in the energy sector is already giving North America a global competitive advantage. Yet continental energy and environmental policies are not keeping up. The Task Force recommends specific steps to strengthen the continental energy infrastructure (including approval of the Keystone XL pipeline), expand energy exports, support Mexico’s historic reforms, secure safety, and encourage harmonized policies to promote energy conservation and lessen carbon costs. The North American countries need a regional energy strategy.

The continent has moved closer to becoming a joint innovation, design, production, and service platform. As a result, the United States, Canada, and Mexico have become more efficient and competitive together. Living standards have improved.

Nevertheless, a combination of border policies, gaps in infrastructure, resistance to competition and structural reforms, and opportunities elsewhere have slowed momentum toward a truly competitive North American market. The trilateral economic relationship needs an upgrade to meet twenty-first-century requirements. The Task Force recommends specific steps to achieve the free and unimpeded movement of goods and services across North America’s internal borders.

Improvements in North America’s transportation networks, expansions of preclearance programs, and a focus on expediting logistics and value chains could boost regional growth and assist all three countries in competing globally. North America is not using its technological edge to interconnect its national economies securely and efficiently. The Task Force recommends moving toward a border management goal of “cleared once, approved thrice.”

Economic Competiveness

Since the passage of NAFTA, North America has vastly expanded its internal trade and investment.

Security

North America has come a long way from the wars of the nineteenth century. Its 7,500 miles of borders reflect stress points from new risks, but the absence of
territorial disputes and spirit of cooperation are the envy of powers around the world.

To gain the full benefits of continental integration, the North American partners need to face common threats together. Terrorists, criminal and narcotics organizations, cyberattacks, and disease pose dangers to all three. The Task Force recommends working toward a long-term goal of a unified security strategy for North America. This process could begin by expanding bilateral security programs trilaterally.

The United States and Canada also have a shared interest in helping Mexico strengthen its rule of law and combat organized crime. The Task Force recommends that the United States, in conjunction with Canada, build on the Mérida Initiative to support Mexican efforts to strengthen the democratic rule of law, dismantle criminal networks, contribute to the development of resilient and cohesive communities, and reduce arms smuggling and drug consumption.

North Americans also need to act as one to face broader regional security challenges. The Task Force calls for consideration of a new North American and regional effort to assist Central America along the lines of Plan Colombia; the United States and Canada should also develop a common Arctic strategy.

Community

The people of North America are critical to the future of a competitive, healthy continent. Indeed, the individuals and families of North America are its most vital resource. Unlike much of the rest of the world, the demographics of North America could be another source of strength. To capitalize on this possibility, the three countries need to encourage the development of an educated, skilled, flexible, mobile, and shared workforce. The education sector is facing a transformative moment; vast possibilities are opening up through innovative use of technologies, new models of schooling, and competitive cost pressure for tertiary education. Each North American country will preserve local prerogatives for education, but they can also learn from and cooperate with one another.

The Task Force strongly recommends the passage of comprehensive federal immigration reform that secures U.S. borders, prevents illegal entry, provides visas on the basis of economic need, invites talented and skilled people to settle in the United States, and offers a pathway to legalization for undocumented immigrants now in the United States. The Task Force also recommends the creation of a North American Mobility Accord, an expansion and facilitation of the Treaty NAFTA (TN) visas for skilled workers, streamlined recognition of professional credentials, and the development of a regional educational innovation strategy.

The people of North America are creating a shared culture. It is not a common culture, because citizens of the United States, Canada, and Mexico are proud of their distinctive identities. Yet when viewed from a global perspective, the similarities in interests and outlooks are pulling North Americans together.

The foundation exists for North America to foster a new model of interstate relations among neighbors, both developing and developed democracies. Now is the moment for the United States to break free from old foreign policy biases to recognize that a stronger, more dynamic, resilient continental base will increase U.S. power globally. “Made in North America” can be the label of the newest growth market. U.S. foreign policy—whether drawing on hard, soft, or smart power—needs to start with its own neighborhood.
The Panama Canal Expansion: What it Means for North America

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Introduction

Economists and port strategists have been hotly debating the consequences of the expansion of the Panama Canal since the Panamanians approved proceeding with the project in 2006. When the expanded canal opens, the size of containerships that can navigate the canal will increase from approximately 5000 TEU’s to 12,500 TEU’s. These larger ships provide both economies of scale and technological improvements that provide operational savings and reduce environmental impacts.

Although the expansion project means a larger share of eastbound transpacific trade could use an all water route through the canal to the U.S. East Coast, the decision on how cargo is routed is complex and dynamic. Nevertheless, the prospect of changing trade patterns has provided the rationale for many ports to enhance their facilities in anticipation of an increase in trade, especially goods moving from Asia to the U.S. East Coast. Exports of bulk shipments of oil and gas, and to a lesser extent coal and grain, from Gulf and East Coast ports to Asia should also benefit from the Canal expansion. This paper will describe how U.S. trade will be affected by the expansion of the Panama Canal and changes taking place in the global maritime shipping industry.

Increased Competition among ports in North America

Competition among North American ports is intensifying. In some ways, the canal expansion “levels the playing field” among the ports, creating opportunity for Caribbean, East, and Gulf coast ports to handle a greater share of trade from China and Southeast Asia. Every port has a “captive market,” where the port is well positioned by virtue of location to serve a particular market and faces little competition. The size of the captive market is dictated by the surrounding population and the infrastructure serving that market. Ports also try to capture a portion of a “hinterland” market. A port’s hinterland depends on whether the port facilities and surrounding infrastructure, including rail lines, warehousing, and intermodal yards can effectively serve the hinterland at an attractive cost. Reliability, cost, and speed to different regions of the country are primary factors that determine the extent of a port’s hinterland.

The U.S. West Coast ports have an extended hinterland that extends well into the Midwest region of the US and the South via the two western railroads, the Union Pacific (UP) and the Burlington Northern Santa Fe (BNSF). These rail lines provide direct service to key heartland cities such as Chicago and Kansas City. The Midwest cities of America’s heartland have become the “battleground” as Gulf, and East Coast ports seek to gain a share of the traditional hinterland of the West Coast ports.

The U.S. East Coast ports, particularly in the South Atlantic, see an opportunity with the canal expansion to provide an alternative route for Asian cargo into America’s heartland. The intermodal rail
routes from the U.S. East Coast ports are not as robust as those from the West Coast. For that reason, East Coast ports are focused on improving both their rail service and port facilities to accommodate larger ships. The intermodal reach from the U.S. East Coast to some inland destinations has been improved (e.g., Heartland Corridor, National Gateway project) and will reduce costs to move freight to Midwest cities. The Canadians have also staked their flag in America’s heartland. The Canadian freight strategy, known as the “Asia-Pacific Gateway and Corridor Initiative,” is to serve America’s heartland through British Columbia ports. Meanwhile, the BNSF and UP invest every year the equivalent of the cost of the new locks project in Panama, to maintain and expand their rail network. It is an investment the railroads are sure to protect in the form of rail rates and service to encourage their customers to continue to ship through the U.S. West Coast.

The Impact of the Canal Expansion in Trading Lanes

The largest market served by the canal is the United States. Approximately two-thirds of the cargo transiting the canal originates in or is destined for the United States. The impacts of the opening of an expanded canal will vary by trade lane and commodity. The four primary trade lanes that utilize the canal are between:

1. Asia and the U.S. East Coast/Caribbean;
2. the West Coast of South America and the U.S. East Coast;
3. the West Coast of South America and Europe; and,
4. the West Coast of Central America and the U.S. East Coast.

The trade lanes that can support the deployment of larger vessels will be the ones most impacted upon opening of the expanded canal. Therefore the Asia to East Coast trade lane will realize the most changes. South American port facilities are not equipped to handle the larger containerships. Volume on the South American trade lane has been stable and constitutes a “captive market” for the Canal. Containerized exports from South America will continue to move to the U.S. through the U.S. Gulf and East Coast ports.

Bulk petroleum and gas are commodities that will benefit from the canal expansion. The second largest commodity by weight moving through the canal is crude oil, gasoline and diesel moving from East and Gulf ports to Asia and the West Coast of Central and South America. The percentage of the world’s existing tanker fleet that can use the canal will grow from 16 to 56% which makes exports to Asia more competitive. In addition, the canal expansion will increase the competitive advantage of shipping liquid natural gas (LNG) exports from Gulf and East Coast ports to Asia.

How Large Ships and the Canal Expansion affect Ports

Developments in the global maritime transportation industry could have significantly more impact on individual port market shares than the canal expansion project. Independently these global changes are significant; coupled with the canal expansion and the increasing competition from Mexico and Canada, the stakes become much higher for the U.S. port sector. The most significant global development has been the creation of “super” alliances among the world’s largest shipping lines. The global shipping line industry is an asset-intensive business and the carriers have been hard pressed over the past decade to sustain a profit. Unfortunately, it is an industry where company size (and thus perceived strength in the market) is determined by its vessel capacity- how many container slots it owns on ships- not how much of that capacity is utilized. This has driven an oversupply of ships with new ships being ordered, when an already significant oversupply of vessel capacity exists.

Excess vessel capacity has resulted in rate wars as shipping lines lower their rates to fill ships. Characterized as a “race to the bottom,” these financial losses of shipping lines were really self-inflicted by the ship supply/ship capacity imbalance. The Journal of Commerce reported in November 2014 that the revenue per TEU for the world’s largest shipping lines has fallen over the past three years due to excess capacity in the shipping fleet, despite growth in container
volume. Yet the companies survived by slow steaming, restructuring debt and government subsidies.

Shipping lines order larger ships to seek an economy of scale in transport. Rather than curb the appetite on ship purchasing, carriers seek to restore profitability by doing two things: 1. creating ultimate flexibility in their vessel routing so they could choose the most efficient port terminals to call on; and, 2. rationalizing the use of their assets by creating alliances with other shipping lines. The “super” alliances created by the world’s largest shipping lines can control a significant share of trade in a trade lane, increasing their leverage in negotiating with ports and terminal operators. Rather than the shipping lines entering into long-term leases with ports and terminal operators, the alliances are negotiating short-term agreements, often only a few years. These short-term agreements allow the alliance shipping lines to move their assets (the ships) from one port or terminal to another at a greater frequency than the traditional long-term port leases would have allowed.

The impact of the Panama Canal expansion on the U.S. trade must be examined in light of the large global shipping alliances and the decreasing leverage ports have to capture cargo volumes. Rather than the canal expansion being viewed as an East Coast versus a West Coast port contest, the competitive battle will be among the East Coast ports. Simplistically, many thought the opening of the canal would bring increased volumes to the East Coast ports as the big ships opt for a potentially cheaper all-water route through the canal. Today, those views are tempered by the knowledge that numerous factors are at play in determining whether transpacific Asian cargo will bypass the U.S. West Coast to call directly at East Coast ports.

The all-water route can typically add 10 days to the delivery time for Asian cargo to the U.S. East Coast. The transpacific cargo that currently uses the Panama Canal tends to be lower value cargo that is not time sensitive. Large shifts in high-value products from Asia to the U.S. East Coast are expected to be small, as high-value products shipped to the East coast make up a small share of U.S. imports. It is not expected that the lower cost of transit to the East Coast through the canal will offset longer transit times. Large shifts of low-value products through the expanded canal will be limited since a high percentage of low-value cargo already uses this route. Much of these low value cargos moved to the all water route through the canal in the years following the 2002 lockout at the U.S. West Coast ports.

Sourcing also impacts trading patterns. If China continues to be dominant, this could benefit use of the Panama Canal. A shift in manufacturing to India could drive more goods though the Suez Canal to the U.S. East Coast. For example, the Port of New York has seen significant increases in volume over the past decade due to cargo growth using the Suez Canal.

Not many changes are anticipated on the U.S. West Coast once the expanded canal opens. The transportation cost savings of using larger ships will lower costs to ship Asian goods to all U.S. coasts. Ships in the Asia to U.S. West Coast trade will get larger, independently from the expansion from the Canal. The biggest ships afloat already call at West Coast ports which have adequate navigation channels to receive them. These vessels typically make two, possibly three, stops along the West Coast on each transpacific voyage.

There will be impacts on the U.S. East Coast even without a shift in cargo from the West Coast. While an increase in transpacific market share might develop over time for the East Coast ports, the East Coast ports will need to compete with each other, just to retain their current share of the transpacific cargo. Currently the shipping lines make three to five port calls along the East Coast with smaller ships. As soon as the new canal locks open, the shipping lines will immediately shift to use of larger ships. They have to—they need to achieve that economy of scale that will reduce their unit cost of transport per container. The lines will endeavor to make sure the ships are full. So the first consequence of canal expansion is fewer ship calls to East Coast ports. The cargo will be carried in fewer but larger vessels.

Ships make money at sea, not in port. The shipping lines will want to offload as much of the cargo as possible at their first port of call. The second consequence is that bigger ships will continue the pattern set on the West Coast and begin calling at only two to three ports along the coastline. It is inevitable that some East Coast ports will lose vessel calls and cargo volumes.
Depending on how the global shipping lines deploy their vessels, they could increase use of transshipment ports in Panama and the Caribbean. Large ships using the expanded canal could offload cargo at transshipment ports allowing that cargo to be ferried to East Coast ports on smaller ships. This potential is another competitive factor that U.S. East Coast ports preparing to handle larger container vessels have to contend with. East Coast ports that do not have adequate water depth to handle the larger container- ships could benefit from transshipment operations.

The Implications of the Global Shipping
Alliances on Port Calls

Today there are four major shipping alliances that include sixteen of the major carriers that handle the world’s containerized cargo. These alliances have focused on consolidating cargoes in the east-west trade lanes. Individual shipping lines will retain separate services especially in the North America/South American trade lanes. But ports that may have negotiated with 16 global customers in the past may find themselves negotiating with four alliances in the future.

The “super” alliances will have the following impacts on ports. Already felt on the West Coast, these impacts will be exacerbated on the U.S. East Coast as the alliances switch to larger ships after the canal expansion opens.

1. Ports and terminal operators that seek alliance cargo business have to significantly improve facilities and infrastructure. A port needs a deep navigation channel along with efficient rail and highway access. If a port does not have the facilities, they are not even “in the game.” In effect, shipping lines are rationalizing the use of their assets while ports are duplicating assets to get or stay “in the game.”

2. Ports are expected to make significant infrastructure investments without the usual safety-net of a 30-year commitment of cargo. Short term alliance agreements may be insufficient for the port to realize any return on its investment.

3. Ports will need to shift their strategy away from attracting individual shipping lines to attracting alliances and will have to figure out how to ensure cargo volumes for a time sufficient to cover infrastructure costs. This will include new financing strategies to meet the financing challenges.

4. The shipping lines within an alliance may currently call at multiple terminals within a port. As the alliance leverages its bargaining power and demands specific performance measures from the terminal operators, some terminals may lose cargo to more efficient terminals within the port or at other ports.

5. Ports that capture alliance business cannot be assured they will keep it. If their terminals do not meet the productivity demanded by the alliance, the alliance will have agreement flexibility to shift terminals.

6. At the same time the global shipping lines are expecting ports to make significant infrastructure investments to accommodate their larger ships; the shipping lines’ precarious financial state has made it difficult for ports to raise their own rates. Rate setting by ports often becomes a political debate, not a business issue.

Will there be Winners and Losers?

It is inevitable that there will be winners and losers among ports and port terminals. Some East Coast ports may lose vessel calls as fewer larger vessels replace the smaller ships currently calling. In addition, terminal productivity is more important as the ships get larger. The shipping alliances will call at container terminals that meet their productivity requirements for offloading the larger ships and avoid those that are less efficient. The recent congestion at Los Angeles and Long Beach is partially attributable to the inability to process the high volumes of cargo coming off the vessel at one time. If processing the volume of cargo discharged by a 12,000 TEU vessel is a challenge for the huge terminals in Los Angeles and Long Beach, imagine the consequences for smaller terminals on the East Coast. The shipping lines do not want to invest in big ships to achieve an economy of scale and then lose it in port. Traditionally a shipping lines cargo might have been captive to a proprietary terminal under a longer term agreement
with a port. The shorter terms of the alliance agreements gives the shipping lines more flexibility to shift terminals and provides more “outs” for a shipping line to leave a terminal that fails to meet performance requirements.

Does it matter if a port is not “big ship ready” when the expanded canal opens? The answer would have been yes when ports were able to lock in a shipping line business for 30 years. But the same flexibility that allows shipping lines the ability to shift between ports and terminals means a port’s lost cargo could be recovered in a future round of alliance negotiations. This makes the decision process for infrastructure investments by the port authority and the U.S. federal government riskier.

The ports are in a “catch-22.” A port cannot be “in the game” and compete for the cargo without making the “big ship” infrastructure improvements and if it makes the infrastructure improvements, it cannot guarantee that the cargo will stay long enough for the port to recoup its investment. Similarly, a terminal operator who loses alliance business because of inefficiency may have an opportunity to regain that volume in a future alliance negotiation. The answer to the question, “will there be winners and losers” is yes. But who wins and who loses is dynamic and constantly subject to change. The result will be that ports and terminal operators will find themselves in a nearly continuous state of negotiations to retain and secure their business.

Considerations for the Future

The impacts of the canal expansion coupled with the global changes in the maritime industry present an uncertain and more competitive future for the North American port industry. The following considerations should become part of the national debate:

1. Regionality

The global maritime shipping lines are consolidating operations as much as legally possible for competitive reasons and to enhance profitability. A remarkable development has recently taken place in the Pacific Northwest where the Port of Seattle and the Port of Tacoma, ports operated by two separate cities, have combined their cargo operations under one chief executive. They will share costs and revenues of cargo operations equally. They took this bold action to increase their competitive position against Los Angeles/Long Beach and Canadian ports. Ports around the world are reexamining their governance and decision-making structures to respond to global industry changes. U.S. Ports might think about how they might find “strength in numbers.”

2. Federal investments in port dredging projects and infrastructure

For decades, ports reacted to changes in the maritime industry, expanding facilities to accommodate trade. The shipping lines order larger ships and the ports respond and dredge their channels/raise their bridges, etc. While redundancy in the port system is important to ensure the U.S. has the resilience to manage trade flows in the event of a major natural disaster or terrorist event, there has never been pushback to the maritime industry to this ever growing need for public dollars to expand port facilities. Are the resulting economic benefits to the seaports and the surrounding region commensurate with the increasing demands for infrastructure investment by local authorities? Today there are ships calling on the U.S. West Coast that are already too large to fit through the expanded canal. Does that mean the future holds another round of widening and deepening for U.S. ports after the pending improvements are finished?

3. Increased risks for port authorities making investments in individual terminals

Shipping lines are rationalizing their operations to maximize use of their assets. Ports are not rationalizing their assets. Multiple long-term leases with individual terminal operators within a port may limit that port’s ability to undertake a rationalization of its own assets. As alliances establish performance criteria for specific terminals they will seek to push as much business through the most productive terminals. The port authority has to prioritize which terminal to invest in and hope that the shipping line alliance stays at that terminal long enough for the port to recoup its investment. This worry did not exist when terminal leases locked in a shipping line’s cargo for the duration of the lease. No port wants to invest a
half billion dollars rebuilding a terminal to handle the largest containerships and then watch the ship call “next door.” Ports need to reexamine their lease structures and long-held traditional models of capital investment.

Finally, there could be lasting repercussions from the recent “perfect storm” of issues that have led to the congestion on the U.S. West Coast, particularly at Los Angeles/Long Beach. The lasting impact of the 2002 ten-day lockout of longshore labor led to many cargo owners diversifying their supply chain to a “four corners” strategy\(^5\), rather than consolidating all shipments through Los Angeles/Long Beach. East Coast ports have increased their market share of U.S. import containers gradually since the West Coast longshore lockout of 2002. A combination of a faster growing population in the Southeast, the siting of new distribution facilities near south Atlantic ports, coupled with shippers diversifying their supply chains, all contributed to the erosion of the West Coast market share. Labor negotiations, changes in the way truck chassis are managed, and bigger ships conspired to create congestion issues significant enough to impact cargo owners in the fall of 2014. How quickly and effectively the West Coast ports can recoup from these challenges will determine how cargo owners choose to route their cargo. Sixty-six percent of shippers surveyed by the Journal of Commerce in December, 2014 indicated that they plan to ship less through the U.S. West Coast as a result of the congestion. Twenty-eight percent of those surveyed indicated that Canada would be the biggest recipient of their permanently relocated cargo.

1 TEU means twenty foot equivalent unit. The original size of a container was 20 feet long. However, most containers moved today are 40 feet long. Container volume is still counted in 20 foot units or TEUs.

2 On December 24, 2008, the U.S. Surface Transportation Board approved the purchase of the Elgin, Joliet and Eastern Railway by the Canadian National railroad which gave the CN access to the Chicago area.

3 U.D. Dept. of Transportation Maritime Administration, *Panama Canal Expansion Study, Phase I report*, Nov. 2013


5 Four corners strategy include ports of entry in the Pacific Northwest, Pacific Southwest, South Atlantic and North Atlantic.
The Mystery of the Unaccompanied Alien Children of 2014

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What Happened?

Last summer’s newspapers were filled with heart-rending stories of young Central American children—some just five and six years old, but most teenagers—arriving at the United States border by the tens-of-thousands. Between March and July, as many as 30,000 children arrived from El Salvador, Guatemala, and Honduras without an accompanying adult, and a slightly higher number arrived with at least one adult family member, usually a mother. An unprecedented 52,000 arrived throughout Fiscal Year 2014.

Most of these Unaccompanied Alien Children (UACs), as they are referred to in government reports, traveled in groups and with the assistance of traffickers, or “Coyotes.” Historically, Coyotes have run small operations recruiting would-be migrants in neighborhoods, at bus stations, and at borders, promising to deliver them across the United States border for a fee of between $4,000 and $6,000. But by the mid-2000s, the dynamics began to change. Criminal groups in Mexico had grown stronger, expanding beyond drug trafficking into human trafficking, while the United States border became more impenetrable. As a result migrants and traditional Coyotes were increasingly dependent on or absorbed by larger criminal networks, such as the Zetas. Migrants were often extorted, used as drug “mules,” or bought and sold along the way by these criminal groups.

Migrants, especially those travelling alone or without Coyote support, also faced abuse by authorities as they made their way across their homeland and through Mexico. Cases of extortion, robbery, physical and psychological abuse—including sexual assault and rape—and authorities’ failure to protect in Central America and Mexico have been widely documented by civic organizations, researchers, journalists, and human rights bodies. Young women are particularly vulnerable, and since they often travel with their children, minors are also exposed to the criminal behavior. According to a 2010 report by Catholic Relief Services, approximately 42 percent of surveyed child and adolescent migrants suffered at least one incident of abuse from the time they departed until their deportation. Of these, 29 percent reported abuse while in transit, 18 percent upon apprehension by authorities, 14 percent during detention, and 3 percent during the process of deportation and repatriation.

According to two Mexican researchers, approximately 41 percent of Central Americans “who successfully arrive at the U.S. border” do so with the help of smugglers. They also estimated that the preferred mode of transportation by irregular migrants crossing Mexico between 2009 and 2012 was by bus, which was used for a portion or the entire journey in 80 percent of the cases. Forty percent walked at least part of the way; 28 percent used cars or cargo trucks; and just over 20 percent used trains. (For some reason, Hondurans prefer to travel by a network of freight trains—sometimes referred to as La Bestia—at much higher rates 56.8 percent).
Adding to the mystery of the UAC arrivals last summer is the anomaly that most of the children did not try to elude U.S. border authorities but rather sought them out despite being undocumented. It is believed that roughly 54 percent of Central American migrants use smugglers to help them cross the U.S.-Mexico border, so why did the children simply turn themselves in? (More on this below.)

Then, almost as quickly as the phenomenon burst onto the front pages, the cases of child migrants seemed to fizzle. Each month since June has seen a dramatic decrease in new arrivals with only a few hundred arriving in December.

**Why did they come?**

There are several complex historical and social factors that can help unravel this mystery, but like all good mysteries there is an unexplainable element as well. A document released by the NTC governments in September 2014 explained the phenomenon thusly, “Lack of employment opportunities, the violence, and family reunification have been the principle reasons for emigration from our region.”

Overall, migratory flows from Mexico and Central America vary year-to-year depending on a number of push and pull factors. Placed in historical perspective, last year’s dramatic uptick in UAC arrivals is simply the latest in the periodic ebb and flow of migration from the region. The spring and summer of 2014 saw the greatest spike in recent times but there have been others. The last such spike started in the mid-nineties and peaked in 2005 with roughly 410,000 Central Americans transiting through Mexico to the United States, then dropping off 70 percent between 2006 and 2009 as the U.S. economy began to enter into its great recession. The origins of this latest surge began as far back as 2011 and jumped 40 percent in 2012 as the NTCs began to experience exceptionally high rates of violence and demand for labor in the U.S. slowly began to return.

The growing violence in Central America undoubtedly played a major role in this most recent influx as well. The NTCs together have become the most violent region in the world over the past few years, in which Honduras suffered the world’s highest homicide rate of over 90 per 100,000 in 2012 and the world’s deadliest city (San Pedro Sula) reached a per capita murder rate of nearly 190/100,000. According to the three governments, “In 2013, we suffered 14,300 murders of which more than 90 percent occurred in the municipalities experiencing the highest emigration.”

The causes of this violence are very complex but four reasons stand out:

1. increased presence of illegal drugs and drug trafficking;
2. strong community-based criminal networks such as youth gangs that exploit neighborhoods through extortion and constant threats;
3. ineffective law institutions that often collaborate with criminals or are under their complete control; and,
4. high rates of impunity – crimes either go unreported or are not investigated, and when investigated prosecutions and sentencing is incomplete.

Together, these factors result in an impunity rate of roughly 95 percent across the NTCs. In effect, there is virtually no consequence for committing a crime, especially a serious one, and as a result citizens do not trust their authorities.

Despite the enormous crisis of public security, for some the violence is simply a manifestation of the deeper problems of poverty, inequality, and lack of economic opportunity that has plagued the region for decades. According to the governments, “The lack of quality employment, the absence of educational and employment opportunities for young people, elevated rates of malnutrition, extreme poverty, inequality, and growing insecurity have led families to look for a better future abroad.” According to the IMF, 2013 economic growth rates ranged from a low of 1.7 percent (El Salvador) to 3.7 percent (Guatemala) with Honduras in the middle (2.6 percent). Such anemic growth rates are insufficient to lift people out of poverty. Poverty rates range from 42.5 percent in El Salvador to 66 percent in Honduras and 53.7 in Guatemala.

Young people and the rural sector face the most difficult economic challenges. Over 50 percent of...
young people neither work nor study in Guatemala and Honduras, 40 percent in El Salvador. Fifty percent of Guatemala’s children are undernourished and the rate jumps to 80 percent for children living in the rural sector. Sixty-one percent of inhabitants of the NTCs have inadequate or no housing and the rate increases to 70 percent in rural areas. The lack of a productive agriculture sector and the recent coffee plague has devastated the rural population, adding to the flow of migrants to the cities or abroad. Rapid migration is known to stress the social fabric of both sending and receiving communities that then experience more conflicts and more violence.

While severe, the economic hardship and violence afflicting the region are not new. Civil wars during the 1970s and 1980s, as well as major natural disasters such as Hurricane Mitch in 1998, have also devastated the region and contributed to previous spikes in migratory flows to the United States. Many Central American families are now well-rooted in the U.S. with as many as 20 percent of El Salvador’s economically active population living abroad and nearly 10 percent (1.2 million) Guatemalans residing in the United States.

As a consequence, family reunification has become another important incentive for current migrants. For example, Central Americans who came to the U.S. in the last migratory spike (2005) may have left behind young children who are now entering the critical years where they can no longer avoid the gangs. Grandparents or relatives left to care for the children when their mother or father left 10 years ago can no longer protect them from the gangs, so the teenagers must either join up for protection or make the hard choice to flee. Traditionally, a parent or family member in the United States would return to assist the child and make the treacherous trip the adult has already taken, but the United States’ post-9/11 border build-up has made circular migration much more difficult and many parents simply send money to pay the Coyotes and hope for the best.

A final contributor to last summer’s UAC crisis is the considerable confusion in Central America about U.S. immigration policy. Traffickers are known to have spread rumors and misinformation about U.S. treatment of child migrants. There was a growing perception among Central Americans in the region, and those already living in the U.S., that unaccompanied children arriving at the border would be given a pass to enter the U.S. legally and be reunited with their family. This helps explain, in part, why so many of the children did not try to elude the authorities. What they were not told by the traffickers was that the children were thus entering into a legal process that could result in their eventual deportation.

Together, the historical migratory patterns, the elevated crime and violence, the deep economic challenges in the NTCs, and the desire for family reunification help explain the ebb and flow of Central American migration to the U.S., but it does not entirely explain the sudden and unprecedented spike in migration in the spring and summer of 2014. Some have pointed to the misinformation about U.S. treatment for Central American UACs as the catalyst for the jump in arrivals at the border, but that law has been in place since 2008 and, thus, does not explain why it suddenly became an issue in the NTC in 2014. Furthermore, if misinformation about U.S policy was the critical factor for taking the journey, then one would expect similar increases in the rates of UAC arrivals from Nicaragua—a country with even greater poverty problems—but this did not occur.

Ultimately, the mystery of the UAC influx last year remains exactly that—a mystery. The factors contributing to the crisis are identifiable and should be dealt with but the immediate cause of the 2014 upswing in UAC migration remains a mystery.

**Why the current decline?**

There are numerous possible explanations for the current precipitous decline in new arrivals. None of these represent a permanent solution to the UAC phenomenon so there is no guarantee that the flow will not resume.

Historic migratory flows have demonstrated a somewhat regular yearly pattern in the flow of Central Americans to the United States. The low points tend to occur at the beginning and end of the year and generally coincide with colder weather in the U.S. and the downward trends in demand for seasonal outdoor labor in the agriculture and construction sectors. Flows pick up again in March and April as temperatures moderate and demand for
outdoor labor increases. Peak months tend to be the April to July period. Therefore, part of the current decline can be explained as the natural ebb and flow of yearly migration.

Another important factor has been the significant U.S.-sponsored communication efforts to discourage risky child and undocumented migration. U.S. Embassies and high-ranking U.S. officials—including the President, Vice President, and several cabinet members traveling to the region to make personal appeals—joined together in a high visibility campaign in the NTCs to persuade would-be migrants that the journey was treacherous and they would not be received with open arms upon arrival in the United States. Their message, intended to counteract the misinformation circulated by Coyotes, was that the U.S. was not simply giving UAC’s a free pass into the country; they would be detained and legally processed, and could ultimately be returned to their countries of origin. Interviews conducted by this author in poor neighborhoods around Tegucigalpa, Honduras suggest that the messages were getting through and that sales pitches from Coyotes had become less aggressive.

Underscoring these messages were daily newspapers and television reports from the border with images of overcrowded detention facilities.

But probably the most important factor in the decline in new arrivals has been the significant increase in Mexican enforcement, detention, and deportation of Central American migrants travelling through their country in an undocumented fashion. Mexico has traditionally focused on its own citizens’ migration to the U.S., seeking to provide them consular services and protections in the U.S. as well as trying to prevent the risky transit of its citizens through the borderlands. Mexico’s attitude towards Central American migrants has been more laissez faire, or tolerant, than one of enforcement.

Three principal factors help explain this policy. Undocumented migration is only an administrative violation under Mexican law even if the violation occurs repeatedly. Almost no effort is made to document these repeated violations. Second, Southern Mexico is heavily reliant on temporary labor from Guatemala for agriculture and household work. Much of this temporary labor is documented and regulated, but much of it is not. Furthermore, while Mexican law permits temporary workers in states along the southern border, it does not permit further passage north. But since this law is difficult to enforce and Mexico has not prioritized its enforcement, many temporary workers continue looking for work further north.

Finally, Mexico’s National Immigration Institute (INAMI in Spanish) is in charge of enforcing Mexico’s immigration laws but is primarily an administrative body with almost no law enforcement capacity. Its total work force is around 5,000 with the majority involved in administrative work, processing applications and visas at central offices and ports of entry. A former senior INAMI official estimated that there would be fewer than 500 officials in the southern Border States and none would be involved in actual border enforcement. Furthermore, while Mexico has recently taken steps to modernize its 11 official ports of entry with Guatemala, there are literally hundreds of unofficial border crossing points, with some used by vehicle traffic.

Thus, the rapid acceleration in detentions and deportations by Mexico in 2014 must be viewed as a significant—possibly the most significant—factor affecting the number of UACs reaching the U.S.-Mexico border. Based on official statistics, Mexico detained 26 percent more undocumented migrants in 2014 than in 2013 and deported around 70,652 Central Americans in 2014—a three percent increase from 2013. Possibly most significant is the fact that Mexico’s deportations remained relatively high from September to November, a period of time when both the flow and deportation of undocumented migrants usually taper off.

Another important factor is the renewed focus, beginning in 2012, of Mexico’s security forces on disrupting trafficking routes and dismantling trafficking organizations such as the Zetas. The Mexican marines (Secretaría de la Marina - SEMAR) have played a particularly strong role in the anti-Zetas campaign and it is widely believed the Zetas have suffered major losses as a result. Both Guatemala and Honduras have likewise seen recent operational successes against trafficking organizations.

None of these factors are irreversible, however, it is too soon to declare the crisis over. Coyotes may have decided to take a break for a few months given
the enormous public attention, but they could resume recruiting migrants in sending neighborhoods once the U.S. weather warms and the demand for labor returns. Operational successes against traffickers are important, but organized crime networks have a tremendous ability to reconstitute themselves when supply and demand are strong. It is unclear whether stepped-up immigration enforcement by Mexico will continue especially with a move to significantly reorganize its police forces after horrific cases of corruption and apparent extrajudicial executions by both local police and members of the Army came to light last fall. If the reforms proposed by Mexican President Peña Nieto are fully adopted, then effective enforcement may ensue. But if reforms are unsuccessful, like so many previous experiments, then continued collusion between organized crime and security forces—police, prosecutors, and military—will most likely continue and Central American migrants will continue to be trafficked, abused, and extorted by criminals and officials alike, and the tragic exodus from Central America will endure.

What is the current state of play?

As noted earlier, new UAC arrivals have declined precipitously since August. Nevertheless, the overall flow of Central American migrations continues to be strong when compared to the relatively flat rate of Mexican migration. In 2014, for example, the United States apprehended more OTMs (nearly 260,000) than Mexicans (roughly 229,000). While specific country breakdowns for OTMs are unavailable, it is generally assumed that the vast majority of these are from Central America. This is the first time more OTMs have been detained at the U.S. border than Mexicans.

As stated, Mexico’s apprehensions and deportations increased significantly the last half of 2014. This undoubtedly reflects some of the international attention and pressure on Mexico to respond to the crisis. But it was also a reflection of Peña Nieto’s new Southern Border Strategy, which was announced publically in July 2014. In it, he sought to prioritize security issues in the south for the first time in decades. He also sought to resolve numerous inter-agency coordination problems that often plague Mexico’s security efforts by placing SEMAR in the lead security role at the southern border and creating an inter-agency coordinating body within the Ministry of Internal Affairs (Secretaría de Gobernación). He also announced the creation of five security regions in the south and the formation of three security bands—one at the border, one within miles of the border, and a third at a strategic geographic chokepoint at the Isthmus of Tehuantepec, Oaxaca. U.S. officials see these narrowed as key to a successful enforcement strategy.

But early returns on the new policy are demonstrating some weakness. SEMAR appears to take seriously its role in combating organized crime but is less interested in immigration enforcement – leaving it, instead, to INAMI. INAMI has only recently demonstrated any operational law enforcement capacity and is unlikely to become a strong law enforcement agency for some time. The much-discussed gendarmerie that candidate Peña Nieto promised has been slow to develop since his election two years ago, and is today a much smaller force—roughly 5,000—and not the 40 or even 20 thousand originally discussed. They, too, were expected to play a role in troubled border regions but have seen their mission shift to focus on protecting strategic sectors of the economy such as agriculture, petroleum and mining under threat from organized crime. Finally, the inter-agency coordinating body has been slow to take shape and its ability to define and coordinate policy involving the military seems questionable.

Other ominous signs.

Homicides and general violence due to extortions and kidnappings continue to represent a major challenge for the region. The latest data on homicides in the NTC countries are not particularly reassuring. Honduras, with the highest homicide rate in the world in the last two years, reported a significant decline in 2014 from 79 to 66, which could be good news except that it is still three times higher than Mexico and twice as high as Colombia. If the trend continues, it is indeed good news, but that’s a big “if.”

Furthermore, Honduras has changed its methodology for reporting homicides, so there is always the possibility that some of the improvement is due to methodological changes. This has also been the case
in Guatemala where methodologies for calculating homicides changed as well. In any case, Guatemala’s homicide rate appears to have ended 2014 down to 31/100,000 from 40 in 2013.

The NTC’s worst performer last year was El Salvador at 69/100,000, a 57 percent increase over 2013 and making it Latin America’s most murderous country. While it may be too early to explain this increase conclusively, it may well reflect the final breakdown of the gang truce that began in 2012 and was repudiated by the current Salvadoran government during last year’s election.

Furthermore, there is no evidence that the various gangs that operate in the region, especially in communities, have suffered any kind of serious defeat. Examples of success against community-level gangs, as evidenced by the impact evaluations of U.S. Agency for International Development prevention programs, are too isolated to contribute to a significant decline in the overall homicide rates, and the commitment of NTC governments to these kinds of programs beyond U.S. assistance is limited.

The other significant push relates to poverty and the lack of economic opportunity. While there are no signs that the NTC economies have rebounded significantly since last summer’s crisis, the governments have taken seriously President Obama’s request to the NTC presidents in July 2014 to develop a plan for dealing with the UAC crisis. What they have come up with is an economic plan called the Alliance for Prosperity in the Northern Triangle: Regional Plan for El Salvador, Guatemala, and Honduras. It suggests that the governments themselves see migration as primarily the result of economic hardship. The governments note, “the departure of our people from their country is associated in the majority of cases with the lack of jobs and economic opportunities offered by our economies, the growing violence and family reunification.”

The Plan was devised with the assistance of the Inter-American Development Bank and reflects many of the long-standing desires of the region for major infrastructure investment and energy projects. It is divided into four key elements: reactivating the productive sector of their economies by attracting foreign investment; developing human capital in the NTCs; improving citizen security and access to justice; and strengthening institutions to increase public confidence in the state.

All these are necessary and important steps, but it is unclear whether the countries will take the necessary steps to attract the kind of investment they say they need. No official estimates of costs associated with the Plan have been officially a range of $5 to $10 billion.

**What has the United States been doing since last summer’s crisis?**

Overall there have been roughly 4,600 new UAC arrivals between October and December 2014. Overall removals of OTMS in 2014 remained high with over 130,000 border removals, but deportations of Central American UAC’s are surprisingly low. Official numbers are unknown but estimates from U.S. officials are that less than two hundred UAC have been deported since October 2014.

Last fall, the Obama Administration announced its intention to begin in-country refugee processing in the NTCs. The intention is to create a legal avenue for child migration within the country of origin that would be an incentive to remain in country during processing rather than risk the trip through Central America and Mexico and to the United States. In truth this program is not up and running yet. Furthermore, once it is running, those in Central America will see it as extremely limited because of the eligibility qualifications attached and the relatively low numbers of visas that will be made available. For that reason, the program will prove beneficial to a small number of children once processing begins but will not be a disincentive to the larger number of potential migrants considering irregular migration.

In country reintegration for those being deported by Mexico and the United States varies by country but is, in general, extremely limited and does not provide any security or protection for the deportees once they are released in their country of origin. All three countries have a reception area at major airports for returnees. Guatemala has the most expansive facility and provides some initial screening and registration of returnees. El Salvador follows roughly the same process but has more limited facilities to receive the volume of returnees. Honduras has the weakest
process, simply registering those who are returned and then releasing them to private civic and religious organizations. None of the countries have extensive social service agencies to handle the returned migrants so they rely heavily on assistance provided by non-profit organizations. In San Pedro, Honduras, where most deportees from Mexico and the United States are delivered, one religious organization operated by the Scalabrini Sisters provides shelter for roughly 70 people. In all cases, once the returnees are processed, they are left to their own devices to either rejoin family or try their luck again.

U.S. assistance:

The United States has designated roughly $800 million since Fiscal Year 2008 to promote public security in Central America through the Central America Regional Security Initiative (Carsi). The Carisi money is divided among all seven nations of the region with the NTCs receiving the lion’s share (56 percent). Guatemala is the largest recipient with roughly 22.5 percent, followed by Honduras (17.3 percent) and El Salvador (16.3 percent). In general terms, Carisi is intended to support the countries’ efforts to increase public security through drug interdiction efforts by strengthening law enforcement institutions and investing in crime and violence prevention programs for youth.

With very few exceptions, it is difficult to point to significant successes during this period. Money has been spent, criminals captured and extradited, drugs seized, and police trained, but the overall impact has rarely been measured. Only USAID has conducted an extensive impact evaluation of its prevention programs, finding significant positive impacts—reduced fear in communities, reduced violence, and greater confidence in local police—but their programs have been isolated and their ability to scale up depends on major new commitments from the U.S. and NTC governments.

In general, Carisi programs tend to focus heavily on traditional counter-drug priorities and insufficiently on community-based programs to reduce violence. Institutional strengthening programs have trained thousands of police, prosecutors, and judges but the problems of corruption and organized crime penetration and collusion have negated any potential benefit of better training.

Carisi also failed to set strategic priorities, resulting in a long list of programs and projects with funding streams but no sense of what was most important in each country. Furthermore, as originally developed, Carisi did not effectively integrate economic development priorities into the overall strategy. Not until recently did the Administration seek to refocus Carisi to reflect a more integrated approach that includes an economic development strategy.

At this writing, Administration officials have suggested there will be a significant new request for funding for Central America in the President’s FY 2016 budget. The exact amount and new priorities for this request is unknown at this time, but it could double or even triple what has recently been appropriated for Central America.

While more money is always welcome as a way to improve economic opportunities and reduce crime and violence in Central America, money alone won’t fix the problems of corruption and weak states unable to provide basic security for their people. In order to make a difference, clear and constant focus on the most essential elements of reform is required. Paramount in that process is a focus on rooting our corruption through greater transparency and accountability. More weapons and training will not be used effectively if government agencies are corroded by organized crime and greedy elites are primarily interested in protecting their privilege. This process begins by creating oversight mechanisms for campaign expenditures, building strong prosecutors who have the authority and political backing to operate independently and to investigate and prosecute public servants. A community-focused approach to crime prevention is also essential to rebuilding and reestablishing communities and the public’s trust in institutions. Finally, investments in education with primary, secondary, and technical training should be top priorities to begin to give young people a sense of hope for a better future.
1 These three countries together are often referred to as the Northern Triangle Countries (NTCs) of Central America.

2 The Zetas are one of Mexico’s most ruthless criminal organizations. They began as the “enforcers” for the Gulf Cartel eventually becoming independent in 2011. They dominated trafficking roots throughout the Gulf Coast region of Mexico and controlled important entry points into the U.S. such as Nuevo Laredo, Matamoros and Reynosa.


6 This is an average between two estimates ranging from 390,000 and 430,000.

7 Alianza para la Prosperidad

8 OTMs refers to Other than Mexicans, a Customs and Border Patrol designation.

9 “Lineamientos del Plan de la Alianza para la Prosperidad del Triángulo Norte.”

The Security Situation in the Countries of the Northern Triangle: Guatemala, El Salvador and Honduras

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Unfortunately, the homicide rates in the part of Central America called the North Triangle are deeply worrying. Honduras at 66\footnote{1}, El Salvador 68.6 and Guatemala at 31 homicides per one hundred thousand inhabitants\footnote{2} represent the highest rates in the world\footnote{3}. And this extremely serious situation is all the more worrying because the rate in Honduras has risen over the last ten years. On the contrary, El Salvador and Guatemala have managed to lower their rates—El Salvador in the last three years and Guatemala in the last five years, given that in 2009 the rate stood at 46 homicides for every one hundred thousand inhabitants.

Many of these violent deaths in our countries are linked to two phenomena. In urban areas, they are linked to criminal gangs. In all three countries there is the Salvatrucha gang and the Eighteen Street gang. In Guatemala, statistics from the national police calculate there are approximately 14,000 gang members, in El Salvador, 10,500 and in Honduras 36,000\footnote{4}.

The gang-related violent deaths happen for the following reasons:

- Struggles for territorial control; i.e. rival gang members are murdered;
- Internal purges, punishment for disobedience, betrayal or disagreement over the sharing of booty;
- Vigilante actions by residents, private security agents and sometimes police;
- The phenomenon that most affects the public are cases of extortion, of small business owners, transport workers, housewives, anyone who has the ability to pay. The correlation between the homicides and the cases of extortion is grim: extortion targets are murdered to send a message to show that whoever doesn’t pay up will be killed.

Border areas are also places where the highest rates of homicide are recorded and the violent deaths here are undoubtedly linked to drug-trafficking. In Guatemala, the highest rates occur in the border municipalities on the West side of the country that border with Honduras and El Salvador, which in turn register the highest rate of violent deaths in their border towns.

There are other factors in increasing the number of violent deaths,

- To terrorize and maintain territorial control, in fights with rival cartels, in Guatemala, the Zetas\footnote{5} were the ones behind the majority of violent actions carried out to set an example;
- For internal purges;
- Revenge attacks for the stealing of drugs: we have even had cases of police officers killed for keeping drug money or drug shipments. The famous killing of Salvadoran parliamentarians and their driver in Guatemala happened precise-
ly because the police officers thought they were transporting drugs or money in their vehicle.

- In border areas there is either a weak state presence or no state presence and this creates the impunity needed in order to eliminate everyone that is perceived as a threat.

Youth make the vast majority of homicide victims, the homicide rate for male victims aged 15-29 in South America and Central America is more than four times the global average. In Guatemala in 2013 the rate of male victims aged 18-35 is 89.8 per 100,000 inhabitants (the global rate is 33).

But when we speak of extremely high homicide rates per 100,000 inhabitants, who are the victims of these crimes? They are mostly poor teenage boys and young men, with little access to education and work opportunities.

And while young men make up the majority of the victims of violent deaths, low-income families make up the majority of the victims of extortion. The ones who cannot afford to pay private security services are the ones who suffer from extortion and they usually suffer in silence.

Although in Guatemala there are high numbers of cases of extortion reported—almost 10,000 cases per year—the crimes that are not reported are probably a lot more. In a telephone intervention that we carried out based on an extortion complaint, we were able to identify a further thirty victims who had not filed a report and were paying the extortion.

And this leads me to the following thought, which is in practically all the analyses of the crisis of unaccompanied migrant minors: The situation of violence coupled with the historical situation of inequality in our countries and the lack of access to education, often push minors to leave their homes and search for the possibility to live with a relative in the U.S.

Let us think about the fears of a family in a poor neighborhood. A huge fear is that their son or daughter could join a gang; another is that gang members could try to recruit their son or daughter and meet with refusal; another fear is that their son or daughter could be mistaken for a gang member or that they could be murdered for not paying extortion fees.

And let us think about the work, education and recreational options that young people have in our countries.

In addition to this context, which could be called violence linked to organized crime, there are also extremely high rates of gender based violence in our countries—more than 50,000 cases of violence against women and more than 6,000 cases of sexual violence reported per year in Guatemala.

Children whose parents, especially mothers who have left our countries to immigrate to the U.S., are often left in a situation where they are even more vulnerable to this type of violence at the hands of the people whose care they were left in.

But one question arises: Is it not possible to do something about this violence? What measures can be implemented in the mid and long term to make our countries safer, and to reduce one of the factors that pushes children and adolescents to leave them?

The answer is, yes, it is possible to do something. Joint national and international efforts succeeded in reducing the rates of violent deaths in Guatemala from 46 for every 100,000 inhabitants in 2009 to 34 in 2013, and although this has not been enough to avoid the migratory flow of Guatemalan children, which are one of the majority groups of migrant children, sustained and consistent actions can reduce violence, reestablish citizens’ trust in the authorities and strengthen the rule of law.

What happened in Guatemala that didn’t occur in our neighboring countries?

When violence was on the rise and we had similar homicide rates to Honduras and El Salvador, Guatemala asked the international community for help in establishing the Commission against Impunity in Guatemala (CICIG). Its presence in the country allowed for new officials to be appointed in the Ministry of Interior; three former Interior Ministers were prosecuted for various crimes; new officials were appointed in the national police; and the commission changed the head of police twice for involvement in criminal actions. The CICG also created “high risk courts” with jurisdictions throughout the country for very serious crimes linked to organized crime.
This enabled a historic coordination between the Ministry of Interior and the police. They created mirror investigation teams, among others for life-threatening crimes, which they work on together daily; they invested in using scientific evidence, a system of ballistic correlation, DNA, tapping telephones, and changing their work methods in an effort to identify the criminal structures responsible for a high number of crimes. For example, a trial is being brought against 34 members of the Eighteen gang charged with more than three hundred murders.

In Guatemala City, where they were working most intensively on these changes, the number of homicides dropped from 2,644 in 2009 to 1,681 in 2013.

Currently it is being debated which type of support can be given in the region to tackle the structural causes that push minors to travel to the U.S., and there are dilemmas in this—strategies that give better results should be selected:

If one should choose to support elite investigation teams of prosecutors and police officers or members of the armed forces, one has to invest in providing training and equipment for these teams. In three years we detained ten of the most wanted criminals subject to extradition to the U.S., responsible for drug-trafficking and also many deaths. It was done by coordinating closely with the U.S. Department of Justice, with a lot of patience and a lot of investigation. Similarly, fighting the Zetas in Guatemala, and prosecuting them in the country was led by elite teams of police and prosecutors.

If one is to choose between better and bigger weapons or better equipment, I prefer better equipment. A key to improving criminal investigations has been CSI-type modern equipment. The U.S. donated the hardware and the software necessary for ballistic correlation—this enables us to place a weapon in several crime scenes; it allowed us, together with other means of evidence, to prove that a group of drug-traffickers were responsible for more than 40 homicides. Tapping phones, which was also supported by the U.S., are now essential in combatting organized crime.

Providing technology alone without human resources will not bring about a change of course. However, used in tandem with officials having the necessary checks and balances can make a difference.

What hasn’t been done in Guatemala and what needs to be done is to take control of the prisons. Many of our efforts were weakened because gang members were continuing to extort money and be involved in crimes from the prisons. There are gang leaders who have been convicted for crimes they carried out while already serving out a sentence in prison.

The Lima case—a criminal rearrested in Guatemala in September 2014 (he had already been serving a sentence)—illustrates the weakness of the penitentiary system. He was leading a network which was receiving money for the transport of prisoners on the one hand, and on the other hand it was extorting money from new wealthy prisoners entering jail. This was happening with the complicity of the prison authorities. There are very high levels of corruption, which the efforts of the CICIG have proven to be efficient in combating.

To conclude, programs that extend the scope of education or give alternatives to youth in poor neighborhoods have also proven to be efficient. For example, the open schools program that was implemented in Guatemala, and which consisted in alternatives supported by the State, aimed at youth and adolescents. Once adolescents lose their link to school, they become an easy target for gangs or are more likely to migrate.

Some of these actions have been included in the “Plan of the Alliance for Prosperity in the Northern Triangle”, a regional plan prepared and presented by the Presidents of El Salvador, Guatemala and Honduras in Washington DC, in September of 2014, with the support of the Inter-American Development Bank. But until today it is not clear how much the Plan of the Alliance for Prosperity in the Northern Triangle will cost, if it is going to be paid by each of the governments, and when is it going to start? The answers are still unclear.

1 This is a significant drop from the rates they have the previous years, according to UNODC in 2013 Honduras had a rate of 90.4 per 100,000 inhabitants. UNODC, Global Study on Homicide. Vienna, 2014.


5 Zetas is a drug cartel that originated in Mexico and extend his action to Guatemala and Honduras.


7 According to the document presented by the Presidents of Guatemala, El Salvador and Honduras the main reasons for the migration of minors are: "Lack of job opportunities, violence, and family reunification. … Recent surveys identify violence as the most cited reason for the migration of minors, followed by lack of employment opportunities". Plan of the Alliance for Prosperity in the Northern Triangle: A Road Map. Washington, 2014.

8 The former army captain convicted of killing Bishop Juan Gerardi ran a massive bribery ring from prison, according to CICIG, he is accused of securing favors for other inmates in exchange for thousands of dollars’ worth of bribes. Besides charging Lima with money Laundering Guatemalan authorities arrested Lima’s wife, the current national director of prison services, and the ex-assistant director of prisons. Marguerite Cawley, 'Bishop’s Killer Ran Prison Bribery Ring in Guatemala', Washington DC, In Sight Crime, 2014.
Central America’s Role in the Western Hemisphere: 
A Panamanian Perspective

Isabel Saint Malo de Alvarado 
Vice President and Foreign Minister of Panama

Today I celebrate your presence in our country and your participation in this forum. Acting as Vice-President of Panama, it is truly an honor to be here with you to share some brief thoughts about some challenges our country and the hemisphere are facing. It is also a fantastic opportunity to collaborate again with the Aspen Institute. I must share with you that I was nominated as a fellow with Aspen’s Central American Leadership Initiative, an initiative that gathered leaders from Central America to catalyze transformations in our region, and I will always be grateful for that opportunity.

I would like to refer to part of the history that brings us together. Last year we celebrated the 100th anniversary of the commercial gateway of the world: The Panama Canal. A complex and visionary project made possible by many nationals from around the globe and by joint efforts between the governments of the United States and Panama.

Those events served as a footprint for the historical role Panama has been playing during the years: a place of encounter. Gradually, throughout history and in different circumstances, we have become not only a physical meeting place, but also an economic, cultural, and political center. This shared spirit of encounter, dialogue, and consensus is reflected as a structural feature of Panama’s foreign policy approach.

This policy is centered on the understanding of the current reality and challenges of the world and more concisely of our region. When referring to the Americas, it is evident that the continent is enjoying a state of peace. Our people no longer live immersed in armed conflicts, dictatorships or massacres. However, this peace can be jeopardized more sooner than later, if we, as a region, do not attend to the most pressing challenges our people face today.

Our understanding is that most of these challenges are mainly based on the common issue the countries of this hemisphere share: Social inequality. It is alarming that in a continent with a vast amount of natural resources, eighteen out of the forty most unequal countries in the world are located in the Americas. This reality makes our continent the most unequal region in the world and at the same time creates a constant for policy makers to adopt measures to keep the peaceful state we aspire to live in.

Now let me share with you some of President Varela’s governmental approach to this challenge. We recognize that Panama had the highest rate of economic growth in Latin America and the Caribbean in the last 6 years, a substantial reduction in poverty, and high standards of competitiveness, despite the slowdown in the region.

Nevertheless, there remain important economic, social and institutional deficits that we still face nowadays. To fight this, the government is executing a social agenda focused on “people first”. This is a plan that includes programs such as water and basic sanitation to all, to increase the coverage and quality of public education, and to consider preventive health as a top priority, including others.
We believe that a prosperity that is not shared is not sustainable. In that vein, we consider that projects such as the expansion of the Panama Canal, which starts operations next year and that will double the cargo handling capacity, will strengthen our international position to serve as a model of prosperity that reaches all.

We are also aware that the peace and prosperity of the hemisphere are an ongoing challenge and a significant contribution to the international community that Heads of State and Government of the continent are committed to pursue, for the continuation of the current state of peace and the procurement of a regional prosperity.

This is why, as hosts of the VII Summit of the Americas, we consider that addressing these issues could be a decisive factor for the proper development of our people in the upcoming years. We expect that this could be an event with a great potential of becoming the beginning of a renovated era for the region. With that vision, Panama has proposed the following theme of reflection for the Heads of State and Governments “Prosperity with Equality: The Challenge of Cooperation in the Americas”.

Through a document called “Mandates for Action” the result of the summit will provide concrete actions on the main theme and also around the following sub-themes: Education, Security, Migration, Public Health, Environment, Citizen Participation and Democratic Governance.

In addition and as in previous events, the Summit will provide spaces forums to address the topics mentioned before. These fora will gather Civil Society, Youth, Presidents of Universities and CEO’s that will meet in total, approximately 1,800 participants from across the Americas.

Now, let me share with you some of the rationale behind this. First, when Heads of State met in Miami for the first Summit of the Americas, some of our countries were just emerging from acute political-military and authoritarian governments and long periods of conflict; and economic and social stress. This just left behind the “lost decade” with an accumulated large social deficit.

Since then, the political and institutional progress has been remarkable, and many countries have experienced significant economic growth that has helped reshape the social spectrum with significant reductions in poverty, child mortality, and the improvement of access to education, just to mention a few. At the same time, as a result of the transformations themselves and the progress made, new challenges have emerged.

The time for the Americas has come. We as representatives of the people must work in order to ensure that our people live in a region where there is a decent shot for everybody to succeed. I am convinced that the conditions are there for us to make this work. Through the VII Summit of the Americas, Panama will provide the canvas to build this, so the U.S. and the rest of the countries become the painters. But, let’s be different painters this time. Let us work together to ensure that in this particular time we initiate a path towards a prosperity with equality.
On issues of U.S.-Cuban relations, drug policy, immigration and even trade, Latin America and the Caribbean countries have become more assertive in questioning the U.S.’s traditional policy responses and seeking alternatives. But is the Summit of the Americas process the best place to discuss and potentially resolve these issues? Large, presidential summits—always very popular in the region—and the hemispheric Organization of American States (OAS) may not be the most effective forum for resolving what could become healthy, productive disagreements.

These large forums are severely hobbled by several factors:

1. a strong emphasis and commitment to solidarity and unanimity in regional diplomacy—embodied even the OAS’s governing Permanent Council in which all decisions have to be made by unanimity, hamstringing decisions on any difficult topic;

2. the proliferation of new regional organizations in recent years that has augmented regional distinctions and excluded many of the key stakeholders (namely the U.S. and Canada);

3. agendas at the traditional region-wide meetings that focus almost exclusively on domestic issues (education, security and crime) outside the power of multilateral organizations through presidential summits to resolve; and last

4. the tendency—especially in recent years—of these new large regional forums to be dominated by the loudest, often most extreme countries, reducing what were once intended to be serious working meetings, has brought them to the lowest common denominator of yanqui-bashing and theatrics.

On Democracy and the Summit of the Americas

When the Summit of the Americas process began in November 1994, the region from Canada to the Tierra del Fuego seemed to be on a glide course to convergence, with broad consensus over the importance of democracy and free trade. By the end of the 1994 meeting in Miami, the hemispheric club of democratically elected heads of state committed themselves to better protect and defend democracy and to by December 2005 create a region-wide Free Trade Area of the Americas (FTAA).

But, by the second summit in Chile, the process had already started to go off the rails. When the heads of state met in Santiago in April 1998, U.S. President Bill Clinton had lost his executive trade promotion authority (TPA) that allows the executive to present trade deals for an up-or-down vote to Congress, preventing congressional members from picking them apart for narrow constituent interests. The absence of the authority threw a wet blanket on the discussions of a free trade bloc, and soon the largest economy south of the U.S., Brazil, decided
to pursue its own free trade course, doubling down on the Common Market of the Southern Cone (MERCOSUR). Later meetings in Quebec, Canada, (2001), Mar del Plata, Argentina, (2005), Trinidad & Tobago (2009), and Cartagena, Colombia, (2012), became increasingly prone to vacuous commitments to topics beyond the reach of any summit to address and the antics of a loud segment of anti-American governments and groups, led by then-President of Venezuela Hugo Chávez.

At the last summit, in 2012 in Cartagena, Colombia, all the Latin American and Caribbean heads of state voted to invite Cuba to the next gathering. Two factors motivated Latin America’s desire to invite Cuba despite Havana’s violation of the original, democratic commitment of the summit. First, some Latin American countries, especially Argentina, Bolivia, Ecuador, Nicaragua, and Venezuela, have a default policy of trying to stick it to the United States whenever possible. But other countries, such as Chile, Colombia, Mexico, Panama, and Peru, have a genuine desire to forge a more constructive atmosphere in the hemisphere and help ease Cuba into the global order, especially as the Castros’ biological clocks nears their end. It is these countries that the U.S. should work with at the Summit and in the other topics discussed below.

The participation of Cuba at the forthcoming Summit presents an opportunity to reintegrate Cuba into the hemispheric community, but as the principal narrow, focused goal of the summit—leaving aside the broader vacuous goals of education, inequality, etc. better left off inter-state discussions. Many of these issue areas—which I will discuss below (war on drugs, trade, hemispheric tensions and Venezuela) are best dealt with in other fora, that are not hemisphere wide.

This April in Panama, the United States can leverage Cuba’s participation in the Summit to engage its allies in the hemisphere to help promote peaceful, economic and political change in Cuba and to re-instill in the Summit a functioning, meaningful, practical commitment to democracy. To accomplish this the U.S. should do two things.

First, U.S. diplomats and the presidents must insist that its allies and the summit’s host, Panama, also invite Cuban dissidents and human rights activists to attend the event. Since the 2001 summit in Quebec, civil society has been permitted to attend the conference and has staged a parallel civil society forum. If Cuban dissidents are invited, they should be given elevated status and guaranteed a warm reception, and the U.S. should even encourage presidents from friendly governments like Colombia, Chile and Mexico to meet with them privately and publicly.¹

Second, the U.S. should, as Secretary of State John Kerry said in his December 10, 2014, speech, specifically focus the discussion of the Summit on democracy and the defense of human rights norms and institutions. Starting with the Santiago summit, too often the main agenda items have been vague, platitude-laden objectives often with little relevance for effective summity. At the same time, across the region, elected governments in Ecuador, Nicaragua, and Venezuela have eroded democratic, human rights, and electoral norms and institutions. Unfortunately the OAS—despite its one-time robust commitment to defend these norms, the result of feckless leadership and the commitment to unanimity mentioned earlier—has failed to raise even an effective whisper in the defense of the norms it was once invested to protect and defend.

No one should expect a consensus from this long-overdue discussion at the Summit in Panama. But with the red herring of the U.S.’s failed embargo policy toward Cuba out of the way, it is time to fully plant this item on the agenda—a discussion of the definition of democracy in the region today, the status of its practice and norms today, and the future of regional institutions such as the inter-American system of human rights.

On Drugs, Trade, the OAS, Venezuela, and U.S. Policy

Despite all the talk of solidarity, especially from the raft of new regional organizations such as the Union of South American Nations (UNASUR), Community of Latin America and the Caribbean States (CELAC), MERCOSUR, NAFTA, and the Pacific Alliance, the region is at its most divided ideologically and economically. While the risk of regional conflict is minimal—despite these differences—the divergen-
cies in political orientation, economic conditions and relations to the outside world directly reduce the capacity of the U.S. to forge a hemispheric consensus.

To this end, the U.S. should seek to cultivate its closest allies in the region, not just on the U.S. agenda but also on their agenda items.

Drugs: The OAS-drug policy document mentioned in the agenda is a good starting point. The U.S. should convene a meeting of like-minded allies in the fight on drugs to discuss how to better coordinate and recognize the failure of its drug policies. This should not be a hemisphere-wide discussion: countries such as Venezuela are themselves deeply engaged in the trade, and Bolivia’s efforts at voluntary reduction have failed to produce their promised results. In many of these cases, the U.S. should put on the table its willingness to alter domestic drug laws, gun laws, and significant support to help countries truly willing to deal with the scourge of narcotics and its spillover effects. But it is not a hemispheric discussion; this is a serious debate among serious partners.

Trade: The same is true for trade. As countries such as Brazil, Argentina, Uruguay, Paraguay, Bolivia, and Venezuela remain committed to a flailing MERCOSUR, the U.S. should seek to deepen and expand trade ties with its more free-trade oriented neighbors. It should do this in three ways. First, it should continue to push forward aggressively with the Trans-Pacific Partnership negotiations that will bring together Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam—with a combined GDP of almost $21 trillion (about 30 percent of world GDP) and $4.4 trillion in exports of goods and services, or about a fifth of total world exports. If you add Japan and South Korea—which are actively exploring entry later this year—TPP would cover 40 percent of world GDP and nearly a third of world exports.

Second, as the U.S. engages in its free-trade discussions with the European Union (TTIP) it should bring in its NAFTA partners, Mexico and Canada.

Third, again, as in 1997, the president is engaged in trade discussions—in this case broad cross-border trade pacts—without TPA. While the U.S negotiates TPP and TTIP, it should move quickly and decisively to identify all the ways that it can harmonize the array of free-trade agreements it already has in the hemisphere, over issues of rules of origin, different tariff rates, etc. in ways that it can exercise executive authority to resolve them. Those agreements include NAFTA, Chile, Central America and the Dominican Republic (CAFTA-DR), Peru, Colombia, and Perú. Harmonizing those agreements through executive action will go a long way toward finally laying the groundwork for a more seamless trade platform and unified market among U.S. trade partners, envisioned in the FTAA, albeit without some of the other economies like Brazil. But that should give these countries finally a reason to join.

This does not mean the other countries that are not in these agreements should be aggressively excluded. Quite the opposite. Efforts should be made to extend economic relations to them in areas such as bilateral investment treaties and even free-trade agreements if there is interest. The goal of U.S. foreign policy should be to develop an attractive, positive pole to which other countries will want to accede. To that end, the doors should always be left open. But that’s not the same as watering down the standards to a one-size-fits all club.

Venezuela: Venezuela remains a third rail for the U.S. in the region, both for reasons of policy mistakes and the Venezuelan government’s dramatically trumped up indignation and victimization. But as the Venezuelan economy continues to crater (and it will) and the government continues its campaign to vilify and even imprison its enemies (and it will) the U.S. should not shy away from speaking out. When possible it should do so in collaboration with regional allies—which have been difficult to find on those issues.

Nevertheless, to that end, the U.S. should seek to work with regional allies for an assistance package for Venezuela and for its neighbors and beneficiaries (Cuba and PetroCaribe) for the inevitable collapse of its unsustainable patronage regime.

OAS: The once premier hemispheric multi-lateral body has become and will remain a well adorned, beautiful hall for dialogue—but not much else. Regardless of whomever is chosen to be the next Secretary General—of the current crop of can-
didates—the OAS has become hamstrung by its requirements of unanimity and political fecklessness. Studies and reports such as its drug reports can remain important points of debate. And in small scale situations of conflict resolution or electoral observation (as in Panama) it has been effective, but its political capital to address the larger, more contentious and polarizing issues in the hemisphere have been seriously, and likely irrevocably, reduced.
Since the first Summit of the Americas in a generation was held in Miami in December 1994, the hemisphere has undergone profound changes. The most dramatic transformations have taken place in Latin America and the Caribbean. The United States, too, has also evolved in significant ways over the last two decades.

And although relations between the U.S. and Latin America have been characterized more by continuity than change, in recent months especially there have been notable policy shifts that will have long-term consequences for inter-American affairs. All of the changes—some more structural and long-term, others that reflect current events—will no doubt shape the climate and agenda of the seventh Summit of the Americas meeting held in Panama on April 10-11.

**Transformed Continent: Will Progress be Sustained?**

Today, Latin American and Caribbean nations bear limited resemblance to their main features in the early 1990s. Although never accurate to describe the region as an undifferentiated mass, facing indistinguishable agendas and challenges, globalization has resulted in even sharper differences among the countries in recent years. It is wise to exercise extreme caution in referring to “Latin America.” There are in fact many Latin Americas, and even within sub-regions like Central America or the Andean region there are fundamental divergences in governance models, economic policies, and approaches towards the United States.

Perhaps most crucially, South American countries—particularly Brazil but also others—have become increasingly assertive and confident on the global stages and have substantially multiplied their relationships with extra-hemispheric actors. China, of course, is the principal outside economic player in the hemisphere. It is the main trading partner of Brazil, Peru and Chile, has provided over $100 billion in financing, and made growing investments. But other actors too have become engaged in South American nations, including Europe (especially Spain), Japan, India, Russia, Iran, and others. This is an underlying reality that has taken hold and, over the past decade, gained considerable ground and is unlikely to be reversed.

Although Central America, the Caribbean, and of course Mexico are also pursuing and forging new economic and political relationships beyond the hemisphere, for reasons of history and geography these nations are more connected to the United States. Over 80 percent of Mexico’s trade, for example, is with the United States. Beyond trade and investment, these nations are intertwined with the U.S. demographically, with striking migratory flows back and forth and substantial numbers of their citizens now residing in the U.S. For many of these countries (including Cuba) remittances constitute an important share of foreign revenues. There is no sign that the links in many realms—already profound—will attenuate in coming years.

Although risky to generalize, it is worth illustrating several other salient features of a changed Latin American landscape:
a. Brazil, despite its recent economic and political troubles, is Latin America’s dominant economic power and has considerable influence in regional and global affairs. One of the BRICS, Brazil has made clear its aspiration for a permanent seat on the United Nations Security Council. Although the U.S. and Brazil have disagreed on some critical regional and global issues, their relationship is largely cordial and non-conflictive.

b. Mexico is arguably the U.S.’s most important and complex relationship in the world. The current government is undertaking an ambitious and wide-ranging reform agenda that has made notable progress. At the same time, serious security and human rights challenges have recently come to the fore, as have a number of corruption scandals that have complicated the country’s political situation and that pose some risks to the reform effort.

c. The region generally enjoyed a good decade from 2003 to 2013 and saw overall progress. Most Latin American and Caribbean nations pursued sound fiscal management and innovative social policies. (There are, however, some exceptions, such as Venezuela and Argentina that have experienced high inflation and face acute economic difficulties.) The region not only had sustained, solid growth, but also registered a reduction in poverty and, in a number of countries, inequality. The middle classes expanded in many countries and Latin American companies or multilatinas increased their global presence. But the boom years have ended, the global economic context is less benign, and commodity prices—which benefit a number of countries—have declined. As a result, growth has slowed and fiscal space is shrinking in societies where expectations and demands are heightened. Moving forward, the fundamental question is whether the region will be able to make necessary reforms to improve productivity and competitiveness and sustain social progress. If not, it is reasonable to expect renewed street protests, as was seen in Brazil, Chile, and elsewhere.

d. Latin America and the Caribbean have formed several new regional groupings in recent years. It is hard to know whether these groupings will assume increasing importance, take root, and become permanent features of the inter-American institutional landscape. But they reflect the shifting dynamics of hemispheric relations. Although UNASUR (Union of South American Nations) and CELAC (Community of Latin American and Caribbean Nations) do not include the United States and Canada, their main purpose is less to curtail U.S. influence in the region than to build cooperation. The Venezuela-led ALBA (Bolivarian Alliance for the Americas), which peaked when oil prices were high and leader Hugo Chavez was at the height of his powers, is notably on the wane—a measure of the country’s unrelenting economic and political crises. U.S. policy officials have accepted these groupings as reflecting Latin America’s increasing independence, assertiveness, and global presence. The question, however, is whether the more established hemispheric arrangements, such as the OAS (Organization of American States) and the Summit of the Americas, which include the U.S. and Canada, can become more effective and realize their potential. The recent U.S. policy shift on Cuba, discussed below, offers new possibilities.

e. On the negative side of the ledger is the question of citizen insecurity and organized crime, which is a serious problem in much of the region. Latin America is as violent as any region in the world, even war-ravaged Africa. The situation in the “northern triangle” countries of Central America—Guatemala, Honduras and El Salvador—is especially alarming. There, as in Venezuela, homicide rates have skyrocketed, putting democratic institutions and the rule of law at great risk. Caribbean countries have also been severely affected and could face worsening conditions. Latin Americans of all political stripes have been critical of the United States for not doing enough to curtail demand for drugs, which bankrolls criminal gangs. They have also called on the United States to control the southward flow of arms and illicit cash, and reform
immigration and deportation policies, which aggravate problems of crime and violence.

The United States and Relations with Latin America: A New Moment?

Over the last two decades, since the Miami Summit, the U.S. has also changed. It has waged draining wars in Iraq and Afghanistan and essentially caused the 2008 financial crisis, brought on by a lack of fiscal discipline and poor economic management. The U.S. has also seen a widening gap between its rich and poor. The country’s politics have become increasingly dysfunctional, making it harder to develop sensible and effective foreign and economic policies except in situations of great urgency.

To be sure, more recently, the U.S. has rebounded. In part the result of an energy revolution, its economy is performing better than every other developed country or region. The unemployment rate has declined, oil prices have fallen considerably, and the stock market has soared. On the foreign policy front, the U.S. confronts significant challenges in Iraq and Syria, as well as Russia, Iran, and China. This agenda is likely to consume enormous attention and energy over the coming years.

In its relations with Latin American and Caribbean nations, the picture is complicated. In light of the underlying changes in the region’s position in the world and Washington’s distraction, there has been a distancing between the United States and much of the rest of the hemisphere. The United States and Latin America have essentially pursued their own agendas and gone their separate ways. There have been few examples (Haiti is one of them) of effective multilateral cooperation on the high-priority issues in the Americas.

Indeed, the great promise of such co-operation that was touted at the first Miami summit has not been realized. In that gathering of elected hemispheric heads of state, there appeared to be a broad consensus in favor of market economics, democratic politics, and greater cooperation with the United States. However, the two central, ambitious ideas that emerged from the two-decade summit process—creation of a Free Trade Area of the Americas (FTAA) and effective action in defense of democracy, as expressed in the Inter-American Democratic Charter (2001)—have largely been frustrated. Although bilateral and sub-regional trade agreements have advanced—the United States has such accords with eleven Latin American countries—and democratic norms are still practiced in most of the region, there is considerable distance between the original vision on both trade and democracy questions and prevailing realities.

The Summit process reached a low point in Mar de Plata, Argentina, in 2005. That gathering was notable for its contentious and confrontational climate and strident positions taken by Hugo Chavez and his allies that were aimed at the U.S., and particularly the Bush administration. The Summit exposed the sharp polarization in the region that rendered collective progress on any issue virtually impossible.

By 2009, at the Summit in Trinidad and Tobago, the mood improved considerably, as the hemispheric leaders greeted the Barack Obama presidency with high expectations. Obama set a new tone and approach, emphasizing that, in the US-Latin Americans, “there are no senior partners or junior partners, just equal partners.” Although he put forward commendable goals that resonated with his counterparts, inter-American relations were anything but smooth. Sharp disagreements over the Honduras crisis, Cuba policy and the U.S. role in Colombia divided Washington from a number of regional governments, especially Brazil.

At the last Summit in Cartagena, Colombia in 2012, Latin American and Caribbean presidents made it clear that they would not attend the next such gathering if Cuba did not participate. The presidents forced the issue that most united Latin America in its opposition to the United States—and had long been a major irritant in inter-American relations.

The second significant issue discussed at the Cartagena Summit was drug policy. Latin American presidents, unhappy that the Washington-led traditional prohibitionist approaches were not only producing poor results but making things worse, insisted on a more vigorous debate and consideration of other policy options. The OAS followed through on the Summit decision and produced a serious, professional study that pulled together the best policy analysis on the complex issue. These two issues—Cuba and drug policy, together with immigration—constituted the
unfinished agenda in U.S.-Latin American relations that needed to be addressed before being able to pursue successfully more wide-ranging policy challenges in trade, energy, education and other areas.

Following Obama’s reelection in 2012, there have been some important policy changes in Washington that have affected U.S. relations with Latin America. Without question the most significant of these was Obama’s stunning announcement on December 17, 2014 that the U.S. and Cuba had agreed to normalize relations, after more than half century of estrangement. The announcement, made simultaneously with Cuban president Raul Castro, was widely applauded throughout the region. Virtually all Latin American leaders had pressed Obama and his predecessors to shift to a policy of engaging—not isolating and squeezing—Cuba, but U.S. domestic politics often got in the way. By doing away with an outdated policy, Obama secured his legacy in Latin America. It marked an achievement in U.S.-Latin American relations comparable only to the 1977 Panama Canal Treaty.

That bold stroke—along with progress on the two other issues that make up the unfinished agenda in US-Latin American relations—opens up new possibilities for more productive cooperation between Washington and regional capitals. Before Obama’s mid-December Cuba announcement, he also exercised executive authority on the immigration question following November’s mid-term elections. In effect, his decision protected from deportation roughly five million unauthorized migrants, mostly from Latin America. Though Obama’s measures are no substitute for the comprehensive immigration reform that most Latin Americans (and most Latinos in the United States) want, they nonetheless represented a welcome advance and were cheered in the region.

On U.S. drug policy as well, there have been important, though perhaps less visible or dramatic, policy shifts. Washington is displaying a great deal more flexibility and openness to new issues than it had in the past. Obama rejects the “war on drugs” term and has encouraged each country to develop anti-drug programs that satisfy its own needs. In Washington, there has been little reaction, for example, to Uruguay’s experiment to legalize marijuana. There has been a similarly “hands-off” posture towards the recreational use of marijuana in several U.S. states.

To be sure, the U.S. embargo against Cuba is still in effect, comprehensive immigration reform is pending, and U.S. consumption of drugs needs to be reduced further, but the steps taken on these issues—Cuba especially—are bound to improve the overall tone in US-Latin American relations. The mood of multilateral gatherings, including the presidential summits, which Cuba will now attend, is likely to be less tense and will encourage leaders to focus on more substantive issues of economic development, poverty, security and governance.

The current context also provides an opportunity to reenergize and modernize the OAS, which in recent years has been criticized for being ineffective and lacking credibility. Whether Cuba will decide to become an active member of the regional organization—its suspension from membership was lifted, though with some conditions, at a 2009 General Assembly meeting in Honduras—remains to be seen. Still, the rapprochement between Washington and Havana should create a more propitious climate for effective, multilateral diplomacy within the OAS.

At the same time, however, while the breakthrough on Cuba and key steps on immigration and drug policy offers possibilities for improved U.S.-Latin American ties, there are also limits to progress. It is unrealistic to expect that Washington’s relations with the rest of the region will get better quickly. Longstanding suspicions and resentments will not disappear overnight.

Moreover, U.S. relations with Latin America are mostly conducted bilaterally, not multilaterally. As a result, Washington’s relations with Brasilia, Mexico City, Buenos Aires, and Bogota will continue to be substantially shaped by the particular questions that dominate each bilateral agenda. The Cuba decision could well give Washington greater credibility than before, but it will still have to contend with policy differences on the usual litany of issues, regional and global, ranging from trade to security and democracy.

And of course the longer-term, underlying trends in the region—from the growing role of China and other extra-hemispheric actors to the continued efforts of groupings like CELAC—will persist. The
profound changes that have defined Latin America’s recent trajectory will continue to pose challenges for forging more constructive ties with Washington.

In short, looking ahead to the Panama Summit, it is probably wise to temper enthusiasm that U.S.-Latin American relations will change in any dramatic way. Still, as a result of recent U.S. policy shifts, the atmosphere will likely be more convivial than before. Such progress should not be underestimated.
Rising Trade, Shifting Ties: U.S. Relations with North, Central & South America Energized by the Panama Canal Expansion

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TUESDAY, FEBRUARY 17
Participants travel to Panama City, Panama
Working Dinner
Scholars and members of Congress will explore topics covered in the conference. Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily.

WEDNESDAY, FEBRUARY 18
Roundtable Discussion
North America: Time to Prioritize a New Focus?
The United States, Canada, and Mexico are bound by a shared geography, history, and environment. In the 20 years since the passage of the North American Free Trade Agreement, the continent’s three economies and societies have become deeply intertwined, making relations among the United States and its immediate neighbors more important than ever. Over the last decade new and welcome trends have emerged, including significant increases in energy production in the United States and Canada, an increasingly confident Mexico bolstered by political and economic reforms, and a decline in migration from Mexico to its northern neighbors. Building on these opportunities together could increase the importance of North America globally, making it one of the most dynamic regions in the world.

- How can North America build on the economic promise of, and alleviate the disparities between, the three nations, bolstering the region’s economic competitiveness vis-à-vis other countries and areas of the world?
• How can the three nations together capitalize on the promising energy outlook? How will lower oil prices affect energy output and integration? What might this mean for other hemispheric producers, including Venezuela?
• How can the United States, Canada, and Mexico best take on common security threats in the region?
• Can and should the United States and its neighbors address labor mobility and regional human capital formation?
• How will Mexico’s economic reforms affect its future and its relations with the United States?
• How do Canada and Mexico view U.S.-Cuba policy? What role might our neighbors play in the evolution of relations?

Arturo Sarukhan, former Mexican Ambassador to the U.S.;
Senior Fellow, Brookings Institution

Robert Zoellick, former President, The World Bank;
Chair, International Advisory Board of Goldman Sachs;
Chair, Council on Foreign Relations Task Force on North America

Luncheon Remarks

A View from Brazil: Divergent and Convergent Interests and their Relevance for U.S. Policy

Luiz Lampreia, former Brazilian Foreign Minister;
Vice Chairman, Brazilian Center for International Relations,
Rio de Janeiro

Individual Discussions
Members of Congress and scholars meet individually to discuss U.S. foreign policy. Scholars available to meet individually with members of Congress for in-depth discussion of ideas raised in the morning and luncheon sessions include Luiz Lampreia, Arturo Sarukhan and Robert Zoellick.

Working Dinner
Scholars and members of Congress will explore topics covered in the conference. Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily.

THURSDAY, FEBRUARY 19

Roundtable Discussion

The Panama Canal Expansion: What it Means for the United States and the Hemisphere

Having just celebrated its 100th anniversary, the Panama Canal is an integral part of the global trading regime. Roughly five percent of world trade flows and nearly half of all Asian goods bound for the East Coast of the United States pass through the Canal, the shortest shipping route today. In recent years, the Canal’s share of global traffic has diminished, due to increased ship size and other capacity constraints. The $5.25 billion expansion project underway aims to address these limits, expanding the lanes and enabling super-size (“post-PANAMA-MEX”) ships that can carry up to 13,000 containers to pass (more than double the size of those traversing the
existing Canal). The new passage, scheduled to open in 2016, will double the current Canal’s capacity and could potentially transform the flows of trade through the United States, whether by port, rail, road, or air.

- What will the Panama Canal expansion mean for trade with, and the movement of goods within, the United States? Who are the potential winners and losers?
- Will the new Canal face competition, either form a proposed Nicaraguan canal or from the open-ing of an Arctic passage in the coming decade?
- What investments are being made throughout the United States to address these future possibil-ities? What changes are being made throughout the hemisphere?
- Will the increased Canal capacity have any broader policy implications for the United States?
- What other regional and global shifts are occurring that may affect trade flows?

Geraldine Knatz, former Director, Port of Los Angeles and Port of Long Beach; Professor of the Practice of Policy and Engineering, University of Southern California, Los Angeles

Jorge Quijano, Chief Executive Officer, The Panama Canal Authority

Working Lunch
Discussion continues between members of Congress and scholars on the challenges and opportunities for U.S. policy in Latin America.

Afternoon Site Visit to the Panama Canal and the Miraflores Locks
**The Panama Canal: Current Operations and Future Expansion**
On-site briefing by officials from The Panama Canal Authority

Working Dinner
Scholars and members of Congress will explore topics covered in the conference. Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily.

FRIDAY, FEBRUARY 20

Roundtable Discussion
**Central America: How Can the U.S. Address Challenges of Security and Immigration?**

Central America has become one of the most violent sub-regions in the world, afflicted by gangs, organized crime, and weak and overwhelmed police forces and justice systems. This instability is a security concern for the United States, as the violence and corruption threatens political institutions and enables the transit of drugs north. The recent surge of children fleeing many of these nations underscores the direct effects for the United States.

- How has violence in Central America evolved in the last two decades?
- What precipitated the surge in child migration? Why has it now slowed?
• How effective are U.S. security aid policies, including the Central American Regional Security Initiative (CARSI)? What could the U.S. be doing better?
• What role should other regional participants, particularly Mexico, play in stabilizing the situation?
• How can the United States better work with these governments to improve the security situation?
• What should the United States do regarding Central American migrant children?

_**Eric Olson,** Associate Director, Latin American Program  
Woodrow Wilson International Center for Scholars_

_Claudia Paz y Paz Bailey,* former Attorney General of Guatemala,  
Scholar in Residence, The Georgetown Institute for Women, Peace and Security_

**Luncheon Remarks**

**Central America’s Role in the Western Hemisphere:**
A Panamanian Perspective

_Isabel Saint Malo de Alvarado, Vice President and Foreign Minister,  
The Republic Of Panama_

**Individual Discussions**

Members of Congress and scholars meet individually to discuss U.S. foreign policy. Scholars available to meet individually with members of Congress for in-depth discussion of ideas raised in the morning and luncheon sessions include Eric Olson and Claudia Paz y Paz Bailey.

**Working Dinner**

Scholars and members of Congress will explore topics covered in the conference. Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily.

**SATURDAY, FEBRUARY 21**

**Roundtable Discussion**

**The 2015 Summit of the Americas: Taking Stock of New Potential**

In April 2015 Panama will host the Seventh Organization of American States’ (OAS) Summit of the Americas, bringing together the heads of the Western Hemisphere nations. For the first time, Cuba is invited to participate, and President Obama has confirmed that he will attend. The OAS has also become a forum for renewed debate over drug prohibition and interdiction strategies throughout the hemisphere, having commissioned in 2013 an in-depth study of various potential policy paths forward, some diverging substantially from the current U.S-supported model.

• Should the United States adopt any changes to its war on drugs? Does the local and state level experimentation with marijuana legalization occurring in the U.S. have larger impact for international policy?
• What U.S.-Latin American policies are working? Which ones need to be reevaluated?
• How may U.S.-Cuba relations evolve in the wake of recent executive branch changes? What might this mean for domestic outcomes in Cuba? What might it mean for broader U.S.-Latin American relations?
• How can and should the United States address its relationship with Cuba?
• How can and should the United States approach Venezuela?
• What constructive role can the OAS play in addressing these and other tense issues within the hemisphere?

**Jorge Miranda**, Panama’s Ambassador to the Organization of American States

**Chris Sabatini**, Adjunct Professor, Columbia University, New York

**Michael Shifter**, President, The Inter-American Dialogue

Working Lunch
Discussion continues between members of Congress and scholars on the challenges and opportunities for U.S. policy in Latin America.

Individual Discussions
Members of Congress and scholars meet individually to discuss U.S. foreign policy. Scholars available to meet individually with members of Congress for in-depth discussion of ideas raised in the morning and luncheon sessions include Jorge Miranda, Chris Sabatini, and Michael Shifter.

Working Dinner
Scholars and members of Congress will explore topics covered in the conference. Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily.

**SUNDAY, FEBRUARY 22**

Return travel