THE FEDERALIST SOCIETY
ADDRESS BY

AMBASSADOR JOHN R. BOLTON*

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PROFESSOR BAKER: My name is John Baker. I teach at LSU Law School and I direct the Hemispheric Trade Program there.

I’m going to give a little longer introduction in a few minutes, but to accommodate Ambassador Bolton, who has been so kind as to come and open this program for us, I want to get right to his remarks. The great thing about having someone like Ambassador Bolton is you really don’t have to introduce him. And so, therefore, the only thing I’m going to say about him are two things you may not know that connect with our subject today.

Long before he became really famous, he was still well known in conservative circles. Among his other positions, he was Assistant Administrator for Programming Policy Coordination at the United States Agency for International Development (USAID) in the early 1980s, and then he was General Counsel from 1974 to 1981, as well.

So without further ado, let me introduce someone who certainly needs no introduction to this audience: Ambassador John Bolton.

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(Applause)

AMBASSADOR BOLTON: Thank you very much, John. It’s a pleasure to be here. The Federalist Society has been something that I’ve been pleased to participate in for many years. It’s a critically important institution. One of the things that I’ve been especially happy to see is it has expanded its interest in international subjects and its international activities. I think it is a very important direction to go in.

I want to talk a little bit about issues of international security and how they affect economic development, because the connection is very real in many respects, especially in Latin America today where the direction things are going is not terribly promising and where I think a number of initiatives and successes over recent years now are threatened because of the developments relating to political and security issues.

I think this goes critically to the likelihood of success of initiatives to develop systems of property and the rule of law, because they are directly related to the attractiveness that systems having these attributes have for foreign trade and investment. I think the correlation is very clear in a time of supposed increased globalization. In fact, there are many areas and many countries that, not having established clear systems of property rights and independent judiciaries and strong rule of law, are not benefiting from globalization, not benefiting from the increased trade and investment that comes from it, and, therefore, are sources of information and political support for the people around the world who, for all kinds of different reasons, don’t like globalization to begin with—people who are fundamentally statist in their orientation, or nationalistic, but don’t equate the benefits of broadly liberal international trade order in the same way that at least people in the United States predominantly do.

I think in Latin America, we came through a decade in the 1990s—late 1980s or early 1990s—of enormous promise and opening to the possibility of greater hemispheric integration where you saw a lot of longstanding historical attitudes in both Latin America, the Caribbean, and the United States disappearing. It was a time when I think a lot of state owned
enterprises were being divested,\(^1\) where the strictures against private foreign investment were falling,\(^2\) where there were possibilities where the two of them were combined, where telecommunications systems were being privatized and opened to foreign and, especially, American investment.\(^3\)

In my personal view, by the mid-1990s, I really thought that we had not only moved beyond the Cold War in global international terms but that the Western Hemisphere had moved past a lot of strongly held, historically derived views that really inhibited closer relations between the United States and Latin American, Central American, and Caribbean governments, which, I think, had those trends persisted, would have been to the benefit of everyone at a time when NAFTA was being negotiated and approved, when the possibility of additional bilateral and trade agreements seemed to be making a lot of progress, when—this will take you back fifteen years or more—when the Southern Common Market (MERCOSUR) was not seen as something that was directed against the United States but was seen as a way of reducing trade barriers, at least in partial terms, that would help open up hemispheric trade more generally.\(^4\)

I know that, now that I’m back at the American Enterprise Institute for Public Policy Research (AEI), there is a very strong view held by most of the people at AEI who study international

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1. See, e.g., Privatisation: Selling the State, ECONOMIST, Aug. 21, 1993, at 18, 19 (noting that privatization had been occurring the fastest not in Europe, but in Latin America).


trade that these bilateral or plurilateral trade agreements are not to be preferred when you look at global rounds like Doha or other rounds in the World Trade Organization (WTO).\footnote{See Understanding the WTO: Basics, http://www.wto.org/English/thewto_e/whatis_e/tif_e/fact4_e.htm (noting that “trade rounds” are a series of multilateral trade negotiations that occurred under the auspices of the General Agreement on Tariffs and Trade (GATT)).} I understand that point of view intellectually. I think when you look as a practical political matter at changing some of these historically derived attitudes that, sometimes, bilateral or regional trade agreements are actually ways of breaking existing habits of thinking. Ultimately, you want to do it on a global basis, but it’s not a zero sum game.

Anyway, my impression, pretty strongly, in the mid-1990s was that there was an awful lot of progress being made in terms of opening up Latin America to foreign investment—especially from North America—and that the prospect of closer integration economically and politically was very strong. And I think that it would have had, had it continued, a very powerful, positive impact on the economies of Latin American countries and, therefore, on the lives of their citizens, which would have been a good thing for everybody.

It looked, with the end of the Cold War, frankly, that the divisions caused by Cold War tensions—the efforts of the then-Soviet Union through Castro and his regime in Cuba—were going to disappear, that these external political issues would no longer be a factor inhibiting closer relations in this hemisphere and that, in the absence of some external political rationale, people could make essentially economic decisions on essentially economic terms.

That happy forecast—maybe I was the only one who believed in it, but I think it was more broadly shared than that—has obviously come unstuck, for a variety of reasons, in the hemisphere, some of which have to do with international economic factors like the debt crisis and related events. But a lot of it has to do with the internal politics of many of the Latin American countries, and perhaps, and undoubtedly in its most acute form, in Venezuela.
The issue that we face now, I think, is not the more optimistic view of how to increase hemispheric integration but the opposite: how to prevent not only political instability in many Latin American countries but a reversion to if not completely autarkic economic principles at least resistance to increased international involvement. And I think that has its corollary effect in domestic policy in the Latin American countries by the decreased world willingness to create systems of property rights and rule of law institutions that would permit the development of more integration into the international commercial economy.

Now, Hugo Chávez obviously is complex in many respects, although he is also kind of quintessentially Venezuelan. I remember my only visit to Venezuela was in January of 1992, right after Venezuela had been elected to the Security Council. So I went down in the Bush 41 administration for consultations on what their membership would involve, and I remember very vividly being driven to the presidential compound to meet with Carlos Andrés Pérez, who was the president then. And as we drove up, I could see that the walls of the compound had obviously been splattered with bullets. You could see the very distinctive impact of the bullet and the plaster cracking around it.

Of course, I’d known that there had been a coup attempt the week before—this was visible evidence of that coup—led by a disaffected army officer named Hugo Chávez. So, they quite properly put him in jail at the time but, obviously, not long enough—he came back. If you look at the political situation in Venezuela now, for those who study it closely, I think they


8. See James Brooke, Rebel Is Free to Fish in Venezuela’s Roiling Waters, N.Y. Times, May 19, 1994, at A4 (describing the 26 month jail sentence Chávez served as the result of his 1992 attack on the President and the subsequent pardon granted to him by President Rafael Caldera in 1994).
would say that the opposition to Chávez is so divided, that Chávez himself is so artful at using the Venezuelan oil revenues to spread around to the poor people, the unemployed, and the disaffected, and having packed the military to his satisfaction, it’s hard now to see how Venezuela breaks out of Hugo Chávez’s rule.

The democratic alternative doesn’t seem open. The United States had an opportunity to support a countercoup against Chávez a few years ago and declined that opportunity because of our devotion to supposedly the democratic processes, which Chávez, having avoided a countercoup, was then, in turn, able to frustrate even more. I think the pessimistic, but I think also realistic, prospect is that Venezuela is stuck with Chávez for the foreseeable future. And as long as the oil prices remain where they are, he has a funding source that is completely independent of any potential democratic control. Even if his opponents could succeed in getting a majority in the Venezuelan Congress, he has a source of revenue utterly independent of their taxation authority. So what that means is that the happy prospect of avoiding a hemispheric troublemaker has fallen by the wayside.


10. See, e.g., Jens Erik Gould, With Oil’s Cash, Venezuelans Consume, N.Y. TIMES, June 8, 2006, at C1 (“With oil revenue flowing into its coffers, the government is spending like never before on social development programs that free up cash for the poor by providing free education and health care and cheap food.”).

11. See Top Venezuelan Commanders Support Chávez Against Rebels, N.Y. TIMES, Oct. 26, 2002, at A7 (describing the support given to Chávez by two garrison commanders, other key unit commanders, and high military officials); see also Man and Superman: Meet the Real Hugo Chávez, Military Caudillo and Political Teleevangelist, ECONOMIST, Aug. 4, 2007, at 70, 70 (noting that Chávez’s military preferences extend to government positions: “[i]n fact, Mr Chávez distrusts civilians; in government, he has placed many military officers in civilian jobs”).

12. See Jonathan Wright, U.S. Regrets Hasty Embrace of Chávez Coup - Experts, REUTERS, Apr. 16, 2002, http://www.commondreams.org/headlines02/0416-03.htm (addressing the denial by the United States of encouraging those responsible for the coup); Moisés Naím, Hugo Chávez and the Limits of Democracy, N.Y. TIMES, Mar. 5, 2003, at A23 (discussing how Chávez, as a democratically elected president, has not lived up to expectations as such).

And while it’s true that Chávez’s ideology is incoherent, to state it most bluntly, that doesn’t mean that he is potentially less of a problem than Castro was. Although, as someone described Chávez, he’s sort of like Castro without brains, he is nonetheless dangerous despite that. He may not have a coherent Marxist ideology, but he’s got enough of a view on key issues that he’s obviously going to be a problem. And unlike Castro, he has his own source of financing.

Throughout all of the years that the Soviet Union subsidized Cuba by the essentially below market exchange of Cuban sugar for Soviet oil and the provision of weapons and finance to participate in subversion within this hemisphere and in Africa and elsewhere, Chávez was always on a pretty tight leash from his Soviet paymasters. In the case of Chávez, while he obviously has domestic economic demands on the oil revenues that he derives, he can determine, subject to the market price of oil, how much he is going to spend on his activities interfering around the hemisphere. We can see already that he has used a considerable amount of money to try and influence elections in Peru, Ecuador, Bolivia, and Colombia. His financing was critical in the postelection recount controversy in Mexico’s recent


15. See Gould, supra note 10 (“Chávez...has shaped much of his domestic economic policy around the funneling of oil money into social programs...”).

close presidential election. This is just the visible tip of what we know or what people have some degree of confidence in suggesting what he's doing.

I would say actually the one source of optimism that I have on the subject is that many leaders in other Latin American countries, even leaders on the leftmost side of the political spectrum, have come to appreciate what a threat Chávez is. It was quite interesting to me in my encounter with Venezuela last fall in the UN, when Venezuela was seeking a nonpermanent seat on the Security Council. Normally, the United States doesn't get involved in these elections. Normally, the regional groups arrive at a consensus around a particular candidate for a nonpermanent seat, and then the rest of the General Assembly rubberstamps that.

What happened in last year's election was that Guatemala, obviously emerging from a military autocracy, had never been a Security Council member despite being a founding member of the UN. Guatemala had declared its candidacy, and Chávez decided that, actually, he'd like to see Venezuela get that seat. This was another example on a kind of small scale, for what it is worth, of the use of the oil revenue for Chávez's purposes. He used a variety of devices to gain support in and outside of Latin America. His purchase of Argentina's debt was one which he used to get their support. There were concessional trade arrangements on oil exports for other countries, and, quite frankly, there was just the free use of cash in capitals and in

17. See Jack Fuller, Mexico Must Stand Fast to Go Forward, CHI. TRIB., July 24, 2006, at 19 (“[A]nyone who does not believe that [Chávez] used some of Venezuela's oil wealth to help Obrador hasn't been paying attention.”).


19. Id.


New York to call attention, we'll say, to the favorable aspects of Venezuela’s candidacy for a nonpermanent seat.

But one of the things that emerged in the course of that struggle, where Venezuela was ultimately defeated and both they and Guatemala withdrew in favor of Panama, was the perception I gained from a number of Latin American diplomats as to just how dangerous they saw Chávez as being for the region, appreciating that the fragility of democracy and many of these countries could be threatened, in this case not by some “Norte Americano,” but by somebody like Chávez who had a very different agenda but potentially dispositive amounts of money that he could throw around.

The reach of Chávez’s activities, I think, is something that we don’t fully appreciate. But the destabilizing effect that he has, in terms of the political structures of other Latin American countries and, therefore, their ability to foster a rule of law system in the economic area, I think, is very widespread. We know in addition, for example, that last year Venezuela purchased 100,000 AK-47s from Russia. Now, that is an amount far in excess of any legitimate need of the Venezuelan military, which leads to the inference that he’s purchased those weapons for use somewhere else. We protested that to the Russians, and they said, “Well, he’s got the money and we’ve got the AK-47s, and we’re going to go through with the deal.” They made no claim that it was for legitimate defense needs for Venezuela. They were in the business of earning hard currency, and, because oil is normally paid for and accounted for in dollars, the Russians were being paid for these AK-47s in dollar denominated deposits.


We also know that Chávez has made the rounds in Tehran, in Damascus, and in various other problematic locations.\textsuperscript{26} I don’t doubt that he is looking for friends among the world’s rogue states and anti-Americans either for political support, potentially with other oil producing states, obviously for economic leverage as well. All of which indicates that he thinks he’s going to be around for a while and that he has a lot of trouble to cause. So, this can’t be good for efforts domestically, anywhere in South and Central America or the Caribbean, for the kinds of activities that would lead to systems of property rights and rule of law adjudication of commercial disputes, and the obvious impact of continued political instability is going to be an inhibition on flows of foreign direct investment and the like.

So I think this is, although not as ideologically driven, not with necessarily the global implications that Castro’s subversive activities had throughout the hemisphere but, nonetheless, with an enormous potential to do a lot of damage both in other Western Hemisphere economies and in the relationship between the hemisphere in the United States; I think Chávez is a real problem going into the future. And I suspect, given our current situation, this is a problem that will have to be dealt with largely by other Latin American leaders, given the oil resources he has, and given the pattern of behavior that many of them, particularly in the South American countries, have followed so far is not encouraging.

Although the United States is often criticized for its interference in Latin American affairs, I think more realistically in the past several decades the problem has been a lack of attention by the United States to relations in the hemisphere, and I think that’s clearly something that we need to correct going forward.

So, thank you very much for the chance to be here, and good luck on the conference. I’d be happy to answer any questions that you might have on the subject.

Thank you very much.

(Applause)

AMBASSADOR BOLTON: Yes, ma’am.

AUDIENCE PARTICIPANT: (Off-mic) and development, and as we look at our future budget in foreign aid, like other agencies of course, we’re constrained. One of the places that we seem to be planning to cut our resources is in Latin America. Do you think that’s appropriate, given this more challenging political environment? Should we just give up on some of these property rights reforms because it is more challenging? Or do you see some hope there?

AMBASSADOR BOLTON: Well, I think it would be a mistake to give up on them because I think fundamentally these are more important issues for long-term economic development than resource transfers and countries where the budgets are relatively large.

We were talking a little bit before we began, and I’ve obviously tried to follow this over the years. I have to say I’m somewhat disappointed because these are the same debates I had in 1981 and 1982, and so on. I mean, you know, you’d think after a while you could resolve something and move forward, but until it does get resolved, that clearly to lose the opportunity, especially in our own hemisphere, I think would be a big, big

mistake, and it would be unfortunately typical of the pattern I just mentioned—that the United States doesn’t pay as much attention as it should.

People complain we pay too much attention and we’re too interfering in Latin America. I think exactly the opposite has been true in recent years, and I’d hate to see that continued into the future.

AUDIENCE PARTICIPANT: Did that change at all with the President’s trip to Latin America?

AMBASSADOR BOLTON: Well, I think that was—people said when he was elected, “Well, now we’ve got a governor of Texas, and, you know, he’ll pay more attention to Latin America because of the relationship with Mexico and whatnot.”—and then September 11th happened, and everybody’s attention got diverted in ways that no one anticipated. So I would say if you ask him, he would probably say the trip was long overdue. And, you know, it comes late in the administration, but it’s not too late to get started. And I think he demonstrated by reaching out to President Lula of Brazil, hardly somebody you’d say was an ideological ally, but he was looking at interests that, in that case, Brazil and the United States have in common and that can be a basis on which you can cooperate to mutual advantage.

Yes.

AUDIENCE PARTICIPANT: (Too close to mic) with USA. Thank you for your presentation.

I would like your advice and views on the opportunities for private banks to maybe assist in the situation with Latin America because I think post-NAFTA, and especially in Mexico, there was the opening of some of the banking sector. It seems that the Citibank-predominant world has opened up a little bit more to both host counterparts as well as international investment banks. And now that we’re beyond the debt crisis, do you see an opportunity for banks to regain trust and maybe assist in the development issues in Latin America?

AMBASSADOR BOLTON: I would have said in the 1990s that the financial sector was in fact one of the areas where the possibility of greater hemispheric integration was strongest, and yet that has obviously not played out. I think the Europeans have been more determined to make a breakthrough and, I
think, fairly cynical about the way the European Union performs. They see, obviously, the historical relationship between Spain and Portugal and this hemisphere and they're using their national financial institutions and others to open up possibilities in these markets that will then be used to the broader benefit of the European Union as a whole and to our detriment.

I think banks have obvious interests in clear delineation of property rights so that they can securitize them and they can use them as collateral. If you don't have clear definitions to property, banks have difficulty in operating beyond just the most informal kinds of arrangements, which means, especially for American banks or foreign banks generally in a region like that, it is going to be problematic.

So, yes, I would say it is strongly in the interest of not just outside institutions but of Latin American financial institutions to support this, because it means their own operations and, you know, their own profitability would expand.

I'll just take one more here if I could. Yes sir.

AUDIENCE PARTICIPANT: Merrill Smith. Wouldn't one of the most effective measures towards Latin America, especially Brazil, which you mentioned, be to reduce our protectionist trade policies with respect to oranges and sugar? And especially sugar I mention because of its potential as an ethanol source and an alternative to Venezuelan and other oil sources. What's the obstacle?

AMBASSADOR BOLTON: No, I think that's absolutely right. Again, the debates in this country in the 1990s were very strongly in the area of agricultural subsidies. We were going to cut them, cut the subsidies to domestic farmers, and try and open up in terms of trade. It would benefit American consumers by definition and, obviously, it would benefit the exporting countries. All we have to do is solve our political problem in Congress and move ahead with it. But I couldn't agree more.

It is hard to motivate an amorphous mass of consumers, or hard to motivate people to see that they benefit from reduced trade restrictions like that, and you can always find some group that feels that it is disadvantaged, and that group tends to predominate. But I think, from the U.S. point of view, that is
why getting through the Doha round and beyond that, especially in the agricultural area, ultimately would be beneficial. And it would be beneficial for the United States, in terms of some of its agricultural exports, where we would have a comparative advantage compared to areas where we don’t.

Okay. Well thank you very much. Good luck to you.

(Applause)