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A Renewed Good Neighbor Policy

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EXECUTIVE SUMMARY

The creation of a safe Western Hemisphere must be a three-pronged effort, involving American development, consumption, and non-interference. Each prong will proceed in service of the Inter-American Treaty of Reciprocal Assistance (Rio Treaty), conditioned on the accession of each party to the treaty. Latin American members of the Rio Treaty will be the beneficiaries of low-interest infrastructural loans provided by the Inter-American Development Bank. Goods produced in Rio Treaty countries, by firms incorporated therein, will be given duty-free entry to the United States' domestic market. Lastly, the United States will pursue a policy of noninterference in the domestic politics of its Rio Treaty allies, foregoing the tools of regime change through covert or overt means. These concessions will be offered to any Latin American partner nation if they join the Rio Treaty and commit not to host any extra-hemispheric military forces on their soil.

These measures will preserve US regional influence without prompting allies to balance against the United States. Most importantly, this initiative will forestall the worst long-term possibilities concerning the emergence of a rival military power in Latin America, including the People's Republic of China (PRC). By necessity, this effort will involve limited competition with the PRC, which has already established deep commercial inroads into the Western Hemisphere. However, competition with the PRC would be limited to the provision of capital and market access. Indeed, the initiative described above is designed not to militarize this competition, but rather to sufficiently backfill existing alliances and preclude militarization.

Introduction

In recent decades, the United States has seen a decline in its global influence. Since the end of the postwar era, the world has undergone a shift in the global balance of power that has bled the United States of much its power. The diffusion of American power has not been unidirectional, instead having shifted to multiple

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emerging poles, including the European Union, Japan, and the People's Republic of China. Given the unique circumstances that birthed American preponderance in the global economy, this diffusion both inevitable and irreversible. More ominously, these trends offer a reminder that economic power is only just upstream of military might. However, given the entrenchment of American relative decline, the United States should not seek to reserve this trend in its totality. Such an effort would be not only futile, but likely expensive in both dollars and lives.

Instead, the United States should seek to deepen its existing influence in its own neighborhood. As the United States continues to decline in global influence, it behooves American policymakers to cultivate a safe immediate environment. In this effort, the United States must use its existing regional institutions to deepen and expand its commercial and diplomatic ties with its allies in the Western Hemisphere. Though the goal is to prevent the emergence of a hostile military power in the Americas, this initiative is not military in character. Indeed, this effort will necessitate making concessions to regional allies that explicitly forego intra-hemispheric militarism in favor of hemispheric defense.

American Decline and Chinese Ascension

America's post-1945 decline may be defined best in relative economic terms. Although the US economy has continued to grow, its share of the global economy has fallen from its immediate postwar highs. Despite being larger in absolute terms than it was in 1946, the American economy is no longer the largest economy on Earth by the same margin. For example, in 1960, the United States accounted for over 30% of the global economy. By 2024, that share had declined to roughly 23% and is likely to decline further.[1] Worse yet, measured by Gross Domestic Product (Purchasing Power Parity), the United States' position as the world's largest economy has been lost entirely.[2]

Simultaneously, the dollar has experienced a decline in its share of foreign exchange reserves. While the amount of dollars abroad has grown with the general size of foreign exchange reserves, it has not grown at the same rate. The dollar's share of global foreign exchange reserves sat at just over 70% in 2001, before a sharp decline the following year. This decline persisted for the next 22 years, reaching a low of 58% in 2024.[3] It would be misleading to assume that the steady de-dollarization process observed this century is purely the result of a concerted effort to do so. Despite high foreign reserve shares held by the yen, euro, and pound (the other "big three" currencies), these too have slowly fallen, coinciding with increased adoption of nontraditional currencies. Though still at relatively low levels, the adoption of these currencies, fueled by the economic growth of developing countries is likely to continue.

These trends are not recent developments. In 1946, the United States stood as the world's largest economy largely due to a lack of competition. During WWII, America's industrial competitors all suffered grievous losses in capital, infrastructure, and lives. The United States emerged from the conflict relatively unscathed and in a new position of unparalleled commercial dominance. However, as the industrialized nations of the world recovered from wartime losses, American market dominance became increasingly contested. The decline of American preponderance was briefly arrested in the 1990s, following the fall of the Soviet Union and the end of Japanese economic expansion. However, the emergence of China as a market competitor in the 21st century has facilitated a further dilution of American dominance.

Though the United States has not been faced with absolute decline, relative decline has been a fact of American life. This problem, premised on the continued economic growth of developing countries across the world, is not one that can be addressed through military force. For example, the People's Republic of China already boasts a larger economy than that of the United States, at least when measured by Purchasing Power Parity, and is armed with a formidable military and nuclear weapons. The United States has lost its position of global dominance, the reassertion of which is beyond America's faculties.

The second half of the story concerns the expansion of Chinese-led institutions. Following the 2008 financial crisis, Brazil, Russia, India, China, and South Africa formed BRICS, an intergovernmental

organization with the explicit purpose of promoting de-dollarization.[4] In 2013, the PRC launched the Belt and Road Initiative (BRI), a massive infrastructure investment project designed to reorient global trade around China. Three years thereafter saw the founding of the Asian Infrastructure Investment Bank (AIIB), a global development bank headquartered in the PRC. All three institutions have since grown their membership significantly, including even traditional US partners and allies despite American resistance. The AIIB has seen the greatest buyin abroad. As of 2026, the bank includes most of Eurasia, Oceania, and South America, with considerable African membership as well.[5] Despite primarily being a Eurasian project, the BRI expanded to include nations on South America's Pacific coast. BRICS has likewise grown, and though its South American membership has remained static, it included the largest economy on the continent from the beginning.

These trends, combined with China's growing productivity, have contributed to China's current status as South America's largest trading partner. As a result, the PRC is now a formidable commercial rival in the Western Hemisphere, providing goods and capital at competitive rates. This presents considerable cause for concern; as Chinese commercial interests in South America grow, so do the potential losses. These interests have not so far developed a military character. However, the incentive to protect commercial interests militarily only grows with economic expansion. Accordingly, to reduce the likelihood of a military contest, the United States should refocus its efforts on outcompeting China commercially. While the United States can no longer compete for commercial dominance globally, it stands in a strong position to contest Chinese inroads in the Western Hemisphere.

The Unfulfilled Promise of the Rio Treaty

Since 1947, the United States has been party to the Inter-American Treaty of Mutual Assistance, also known as the Rio Treaty, a collective defense pact encompassing most of the Western Hemisphere. Predating the creation of the North Atlantic Treaty Organization (NATO), the Rio Treaty was the first collective defense treaty to ever include the United States, serving as the security framework for post-WWII US-Latin American relations. Similar to NATO's Article V, Article III of the Rio Treaty states that, "the High Contracting Parties agree that an armed attack by any State against an American state, will be viewed as an attack on all American States, and consequently, each of the [Member States] pledges to help against this attack."[6] Moreover, much like NATO's Article V, Rio's Article III has only ever been successfully invoked in response to threats against the United States.[7]

Prior to the 1970s, the Rio Treaty served as the primary mechanism for the resolution of Interamerican disputes. During the immediate postwar period, the treaty was invoked several times deescalate territorial disputes between Peru and Ecuador, and Costa Rica and Nicaragua. However, this period also exposed the limits of the Interamerican system, as the United States violated Articles I and II of the treaty by using military force against Guatemala and Cuba. These efforts were made without the advanced knowledge or consent of America's Rio Treaty allies, and defied initial hopes that the treaty would constrain American military power. Despite these infractions, however, the United States managed to gain widespread approval among treaty members for its blockade of Cuba, and Cuba's suspension from the treaty, in 1962. The United States would successfully invoke the treaty again in response to the 9/11 attacks in 2001.

During the 1970s, the Rio Treaty fell out of favor as the United States' primary tool in Latin American affairs. In this period, the United States renewed its covert involvement in the region through Operation Condor, managing a network of South American military dictatorships, some of which were installed with US assistance. The contradiction inherent to this system came to a head during the Falklands War. Despite widespread Latin American approval for Argentine custody of the islands, the United States dissented, instead supporting the United Kingdom. During the war, Argentina attempted to invoke the Rio Treaty in response to the British recapture of the Falklands. The United States was uncooperative, a decision unpopular with America's Rio Treaty allies.

Over time, the trajectory of the Rio Treaty has borne a stark difference from that of NATO. While NATO

has only expanded in membership since its inception, Rio Treaty membership has seen a downturn in recent decades. In anticipation of the 2003 US-led invasion of Iraq, Mexico formally withdrew from the Rio Treaty. Shortly thereafter, Bolivia, Ecuador, Nicaragua, and Venezuela followed suit. The defection of so many countries is superficially attributable to the tide of left-wing governments sweeping across South America at the time. However, the decision to leave the Rio Treaty was primarily based on the treaty's failure to ensure mutual support between parties, as well as its failure to constrain American power in the Western Hemisphere.

The Rio Treaty Renewed

Notable defections notwithstanding, the treaty still includes most of Latin America. At present, the Rio Treaty includes Argentina, Bahamas, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Peru, Trinidad & Tobago, Uruguay, and Venezuela. Moreover, Venezuela (which denounced the treaty in 2013) has established the precedent for a country to reenter the treaty once withdrawn. Though the current roster of members is sufficient, the reentry of former members ought to be welcomed by American policymakers. Were the Rio Treaty to again encompass all Latin America, the Western Hemisphere would be that much more secure from foreign predation.

Despite the Rio Treaty's low historical profile, the alliance holds considerable potential for securing the Western Hemisphere for the future. If appropriately reformed to reflect the original hopes of South American members (multilateralism, development, and security), the alliance may have a viable future in the 21st century. However, any renewal of the Rio Treaty would have to entail a redress of the treaty's historical failings. This is to say that the alliance must protect all members from external attack while also ensuring that intra-alliance relations are conducted on an equal basis that respects national sovereignty. For the Rio Treaty to survive, it must protect Latin America from predatory hegemons overseas while also protecting it from the United States.

This initiative holds three principal components. The first of these concerns the institutional reform of the Rio Treaty and the Organization of American States. The second and third components are measures by which the United States may strengthen allied economies in Latin America. All three components aim to support the Rio Treaty while also reducing the threat to members posed by China and the United States.

Generalized System of Preferences: History and Limitations

The Generalized System of Preferences (GSP) was a trade program established under the 1974 Trade Act. The program extended nonreciprocal market access to goods produced in developing countries. Under the GSP, the United States forewent tariffs on imports from developing countries without the expectation that the countries in question would provide reciprocal access to American-made goods. Non-reciprocal and preferential trade terms are typically a violation of World Trade Organization rules, unless extended through Most-Favored Nation (MFN) status. However, on the condition that they are levied toward developing countries, preferential terms are permitted without extending MFN status to the country in question.

Though the program included minor constraints regarding the behavior of beneficiaries, such as communist countries outside the WTO being disqualified, the choice to extend GSP benefits and to whom was largely left to Presidential discretion. Import-sensitive products, including specific steel, glass and electronic products are not eligible for GSP treatment. If an increase in a particular GSP import would cause undue harm to American producers, the President holds the prerogative to label that product GSP-exempt.[8] Likewise, despite being granted duty-free access, GSP products still may be subject to domestic import quotas in the United States. Given the program's focus on economic development, beneficiary countries may be terminated from the program following their ascension to developed country status.

The GSP program has not been consistently implemented. Under Title V of the 1974 Trade Act, the program requires regular reauthorization. The length of these reauthorizations has varied based on Congressional approval, and in recent decades, there

has been a waning interest in lengthy extensions of the program. Despite initially lasting 10 years, more recent authorizations have extended it for only 2-3 years at a stretch. The program lapsed in 2020, and there has been no extension of the program since, despite its continued inclusion in the US Harmonized Trade Schedule. As recently as 2024, the extension of GSP held some bipartisan support in Congress, but no reauthorization has been passed due to partisan gridlock.

The Inter-American Development Bank: History and Limitations

The Inter-American Development Bank (IDB) has 26 member states across Latin America and the Caribbean and has served as the region's primary multilateral development bank since 1959. Although the IDB's membership is divided between borrowing and non-borrowing members, ownership of the bank is spread across both camps. Non-borrowing members like the United States and Canada are partial owners of the IDB, as are borrowing members such as Argentina, Brazil and Mexico.[9] The bank also includes various extra-hemispheric minor shareholders, including the United Kingdom, Japan and China, all of whom are non-borrowers.[10] All owners contribute capital to the bank, although the amount varies by ownership share.

The United States holds by far the largest ownership share of 30%. Argentina and Brazil hold the next-largest shares, both at roughly 11% each. Mexico's ownership share sits at roughly 7%, and Japan's share is approximately 5%. The remaining 47% is divided among the other 43 members, all of whom hold relatively small shares with limited voting power. If weighed as a bloc, the IDB's borrowing members, all of whom are in Latin America and include Argentina and Brazil, hold just over 50% of the voting power, curbing the US plurality share.[11] Ownership is reflected in shareholder representation at the Board of Governors and the subsidiary Board of Executive Directors. The Board of Executive Directors dictates day-to-day loan disbursement, although the Board of Governors has the final say on major decisions.

The IDB provides financing to private and public works in the form of loans at market-based interest rates, issuing sovereign loans to borrowing members. IDB sovereign loans are issued by the Flexible Financing Facility in two forms: investment loans and policy-based loans. Investment loans are issued to finance specific infrastructure projects and state-run enterprises. Policy-based loans are typically offered as liquidity in exchange for institutional reforms and structural adjustments prescribed by the IDB. An investment loan typically has a maturity period of roughly 25 years, and a weighted average life (WAL), the average time before the principal begins to be repaid, of 15.25 years. By comparison, policy-based loans have a shorter maturity period of 20 years and a WAL of 12.75 years. The difference in maturity periods reflects the greater perceived risk intrinsic to policy-based loans.[12]

However, interest rates are calculated identically between policy-based and investment loans. For sovereign loans, IDB interest rates are equal to the Secure Overnight Financing Rate (SOFR), a reference rate created by the US Federal Reserve, plus the variable lending spread (VLS).[13] The variable lending spread is the difference between the rate at which the ID borrows and the rate at which it lends. The width of the VLS, measured in basis points (bps), determines whether the IDB raises enough revenue to meet costs and turn a profit. A VLS wider than the IDB funding margin indicates that the IDB is profitable, although interest rates must be kept low enough to remain competitive and prevent deflation.

Taming American Power

To fulfill its original promise, the Rio Treaty itself must be amended to ensure that all parties participate on equal terms. The treaty currently this question implicitly, as Article I establishes a baseline respect for national sovereignty, stating that the parties "condemn war and undertake in their international relations not to resort to the threat or the use of force in any manner inconsistent with the provisions of the Charter of the United Nations or of this Treaty." Article II provides a standard operating procedure, referring members to the OAS Organ of Consultation in instances of conflict.

Policy Recommendations

Amendments to Article II

Article VII elaborates on the procedure, stating

that, “In the case of a conflict between two or more American States, without prejudice to the right of self-defense… the High Contracting Parties, meeting in consultation shall call upon the contending States to suspend hostilities and restore matters to the status quo ante bellum.” The Organ of Consultation then “shall take in addition all other necessary measures to reestablish or maintain inter-American peace and security and for the solution of the conflict by peaceful means.” Should the pacifying action be rejected by one or more parties to the conflict, the Organ of Consultation will consider the decision in determining whether further pressure will be applied and to whom. According to Article VIII, pressure can come in the form of economic sanctions, severance of diplomatic ties and the use of military force.

To secure the Rio Treaty from undue US influence, the formation of Organs of Consultation must be amended to selectively exclude American representation. In cases referred to the Organ of Consultation involving ally-to-ally conflict, the United States must abide by the verdicts but need not be part of the decision-making process. Accordingly, the Rio Treaty would be free to levy economic, diplomatic, and military pressure as dictated by decisions of the Organ. The United States may reassume its role in Organs of Consultation only in those cases involving conflict between the alliance and outside parties. Affairs that are purely those of Latin America would be subject to decisions made by Latin American Rio Treaty allies exclusively, in other words. Moreover, should a conflict emerge between the United States and any of its treaty allies, the conflict would be adjudicated by the alliances as a whole, rather than by its largest funder. In such a scenario, the Organ of Consultation should be able to levy penalties on any party determined to be the aggressor.

This measure should be accompanied by a formal recommitment by the United States not to interfere in the domestic politics of its Rio Treaty allies. This commitment, accompanied by the above reforms, would serve to reassure US allies that the United States participates in the Rio Treaty as a partner, rather than as a hegemon. Moreover, Rio Treaty allies would not only still enjoy the United States as a partner, but as an accountable one. Inter-alliance conflicts would enjoy full US participation, while intra-alliance conflicts would be subject to multilateral management by the Organ of Consultation without US interference.

Underwriting Treaty Membership

However, institutional reform of the Rio Treaty is, on its own, insufficient to reinvigorate the alliance. As it exists today, Chinese influence in the Western Hemisphere is primarily commercial. The military threat posed by China to Latin American sovereignty is low, undermining the appeal of the Rio Treaty as a pure security arrangement. Accordingly, Rio Treaty membership must be made materially appealing to current partners by encouraging economic engagement with the United States. The Generalized System of Preferences (GSP) presents the best means of making engagement appealing to allies.

The GSP: A Focused Return

A renewed Generalized System of Preferences is critical to US competitiveness in Latin America. As of 2023, China is the largest export partner of Argentina, Brazil, Chile, Panama, Peru, and Uruguay, all of whom are US allies.[14] Though the United States holds the lead in imports from Colombia, Venezuela and Central America, South American goods are largely being consumed in China. According to the present US Harmonized Trade Schedule, most America’s Rio Treaty allies fall under the “developing country” designation and would qualify for GSP benefits, should the program be reauthorized.[15] The reauthorized GSP, with benefits reserved for Rio Treaty allies by the President, would deepen America’s relatively weak commercial ties with South America.

Likewise, GSP transactions have historically been conducted using the US Dollar. If the GSP were to proceed under these terms, the dollar’s expanded demand would underpin its value. While the reauthorization of the GSP would not reduce the United States’ current trade deficit or the budget deficit, the re-dollarization of Latin American trade would facilitate the low interest rates at which the United States currently borrows.[16] In an era during which the dollar is slowly losing its status as the world’s reserve currency, American policymakers would be wise to ensure its continued use in America’s backyard. This measure would discourage the further

expansion of BRICS among Rio Treaty members both current and prospective. Moreover, GSP benefits are extended only to products made fully in the beneficiary country, limiting the fringe benefits to Chinese-Latin American commercial integration.

Through engagement with members of the Rio Treaty, the GSP may also serve its traditional role of supporting low-income countries. America's allies would, through the GSP, reduce theircommercial dependence on China while increasing domestic production, making them more formidable as alliance members. Material support for US allies serves the same purpose as an institutional reform of the alliance itself. Should the institutional reform by itself prove insufficient, successful Latin American development would bolster the security of Rio Treaty members. By sponsoring the development of her allies, the United States makes credible its security guarantees, as states with strong economies are better able to deter foreign aggression, regardless of the source.

Accordingly, the development of Rio Treaty economies requires not only consumption, but investment on the part of the United States. To build thriving economies independent of China, the United States must provide financing with competitive rates and conditions. In this initiative, the Inter-American Development Bank offers the most convenient means.

The IDB: Tailoring Terms for Allies

The United States should, through its plurality share at the IDB, promote a change in terms on sovereign loans offered to Rio Treaty allies. These changes should include an extension of maturity periods for sovereign loans, as well as lower interest rates on both investment and policy-based loans. In tandem with GSP benefits, these changes would spur greater economic growth among Rio Treaty allies by increasing production in Latin American and consumption in the United States. Critically, this measure would reinforce the appeal of the IDB as well as the Rio Treaty, by extending benefits to countries that are members of both. As in the GSP case, by extending loans denominated in USD to allies in the region, the United States may promote the re-dollarization of commerce in the Western Hemisphere.

For Rio Treaty allies, the IDB would offer preferential terms by extending the maturity period for both investment and policy-based loans. To lower annual payments, the standard maturity period for investment loans would be extended to 30 years. The maturity period for policy-based loans would likewise be extended to 25 years, giving US allies more time to repay the principal with interest. Typically, a longer maturity period creates a longer WAL, as well as a higher amount paid in interest overall. However, these effects would be offset by lower interest rates on the sovereign loans in question.

For both sovereign investment and policy-based loans, the IDB would lower interest rates by lowering the VLS. To retain full funding, cuts to interest rates would not come within 15 bps of the current IDB funding margin. For example, the current VLS on IDB sovereign loans is 80 bps, with a funding margin of 41 bps. In this case, the VLS may not be lowered by more than 39 bps without touching the funding margin. Though it would limit the amount of cuttable interest, a 15 bps VLS interval should be inserted on top of the funding margin as a hedge against risk. Adding this interval to the example above, the maximum reduction in VLS available would be 24 bps. IDB sovereign loans would retain the SOFR as a stable reference rate, with cuts to interest primarily coming from the VLS profit margin.

The renewed GSP and the IDB reform are designed to work in concert. A longer maturity period typically carries an elevated risk for lenders. However, a longer period is necessary for the benefits of the GSP to be accrued and support repayment. Under the GSP, Rio Treaty members are encouraged to run a trade surplus through exports to the United States. This would allow the allies in question to develop their infrastructure while also making regular payments on IDB loans. Economic growth and improved infrastructure, courtesy of the United States and the IDB, would support development in state capacity, including military power.[17]

Though the United States has historically been able to dictate IDB terms unilaterally, this initiative would benefit most from consensus among members.[18] Broader support for proposed alterations would require the endorsement of other major shareholders to reach a majority. Both Argentina and Brazil, the next

largest shareholders, are Rio Treaty allies, and stand to benefit from both the GSP and lower IDB interest rates. Accordingly, the United States should seek their support in amending sovereign loan terms. Though a simple majority vote on the Board of Governors would be sufficient to make the alterations, support beyond the 51% mark would further legitimize the measure among membership.

Quid Pro Quo

In exchange for the above concessions, Rio Treaty allies must commit to not hosting extra-hemispheric military forces on their territory. Specifically, parties to the Rio Treaty must forego hosting military forces of countries that are not party to the Rio Treaty. At present, no members of the Rio Treaty have a formal mutual-defense pact with any extra-hemispheric nations, nor do they currently host any foreign military troops. An exception may be made regarding the presence of United Nations Peacekeeping troops, should the need arise. In all other cases, however, Rio Treaty members may not host forces from non-alliance members.

Should any members party to the treaty violate this provision of the agreement, that party would lose its GSP and IDB benefits for the duration of the infraction. As stated previously, if a Rio Treaty member were to attack another, an OAS Organ of Consultation would be called without US involvement. However, if non-allied troops were involved in the attack, an Organ of Consultation would be called with full US involvement, raising the possibility of Article III's invocation. Rio Treaty members that cooperate with foreign military forces in attacking fellow treaty members would permanently lose GSP and IDB privileges and would suffer any sanction imposed by the OAS in addition.

Accordingly, the central concession to the United States from its allies in Latin America is that of exclusivity. Under these terms, much of Latin America would be closed to extra-hemispheric militaries, denying America's rivals any foothold in the region. Under the proposed arrangement, America's allies are offered considerable concessions in exchange for a securement of the military status quo long into the future. To ensure that this status quo remains in place, the Rio Treaty must be amended to prohibit the presence of non-alliance forces on allied territory, with the enforcement mechanisms described above. Such an amendment would require ratification from two thirds of alliance members. Given that no members of the Rio Treaty currently host any foreign military troops, ratification would be an appealing prospect. Under these terms, intra-alliance military conflict would be a self-correcting phenomenon; aggressors would be subject to multilateral sanction by the OAS and insulated from external interference by the United States.

The Discipline Problem

There remains an open question regarding discipline in the Western Hemisphere. In other words, how much divergence from American values and interests can be tolerated? May US regional allies pursue alternative economic models? Should the United States tolerate the presence of non-democracies in its neighborhood? American policymakers are routinely reminded of the domino effect; wherein undesirable forms of government inevitably spread among neighboring countries. There exists truly little evidence to justify this concern in the Western Hemisphere. However, in the prevention of such a possibility, the United States betrays the very principles and laws that it has chosen to adopt as its own.

The OAS charter holds conflicting principles in this regard, promoting both democracy and self-determination. Since the formation of the OAS, however, several members of the organization have adopted undemocratic forms of government, forcing the United States to prioritize. In imposing democracy within Latin American nations, the United States betrays any notion of democracy between them. Such an imposition prioritizes free elections and free markets over multilateralism and self-determination. This imposition is aptly displayed in Cuba's expulsion from the OAS and the Rio Treaty, as well as the longstanding sanctions regime.[19]

However, neither free markets nor democracy are requisites for American security. Neither planned economies nor illiberal regimes threaten the US homeland intrinsically, nor do they threaten American allies. This is evidenced by America's history of making common cause with both when necessary. In the current period of American relative decline, US

policymakers would be wise to extend more lenience to our allies in Latin America. As a collective defense treaty, the purpose of the Rio Treaty is to protect the rights of members to self-determination. That right must extend to allies' choice of economic model and government, uninfringed by American military forces and coercive sanctions.

Conclusion

Given America's decline relative to other powers, it would be imprudent to continue to underwrite the security of the international system in its totality. However, even as rivals to American power emerge in the East Asia and Western Europe, the United States retains its military and commercial dominance in the Western Hemisphere relative to its neighbors. As America's power on the global scale contracts, policymakers should do everything possible to ensure that the United States maintains security in its own region. Because the Western Hemisphere is currently free of rivals to American power, security may be peacefully maintained through multilateral engagement, rather than established through the force of arms.

According to Stephen Walt, the willingness of America's neighbors to balance against the United States and court Chinese support in the future depends less on the balance of power than on the balance of threat. If the United States makes itself nonthreatening to its allies even while retaining its relative power in the region, it may retain their loyalty for the long haul.[20] Conversely, if the United States continues to disregard its own laws and act upon its neighbors with impunity, the PRC will find eager partners in Latin America.

Through investment and the civilization of American power by institutions, the United States may be able to secure peace and preponderance in its region long into the future. To ensure the survival of the Rio Treaty and the Organization of American States, those institutions must protect members from all threats, both external and, in the case of the United States, internal. And to ensure the viability of those institutions on American terms, they must provide both security and a measure of financial support for members. The longevity of American power in the Western Hemisphere depends on its willingness to self-moderate and accept correction from friends and allies. Whether this effort is within our faculties is unclear. However, a renewed Good Neighbor Policy would be a strong start.

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