

# Inter-American Dialogue

## LATIN AMERICA ADVISOR

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### Featured Q&A With Our Board of Advisors

**Q** According to the results of a recent Zogby International poll of elite attitudes in Latin America, Mexican elites hold the most negative views of any country in the region on questions of political and economic relations with the United States. Why, a decade after NAFTA has been in force, does the US' closest Latin neighbor seem to be so dissatisfied with the US? What's gone wrong and what, if anything, should the US be doing about the trend?

**A** **Board Comment: James R. Jones:** "To answer, one must first look at the Zogby sample of 'elites.' From Mexico, it included 80 persons from four sectors—national political leaders, media, academia, and private business. Three of the four categories have traditionally been highly critical of the US, but these do not always reflect general public opinion in Mexico. For example, roughly 70 percent of the elites are highly negative of President Fox. Yet general public opinion in Mexico shows Fox with about a 60 percent approval rating. Having said that, the US should be very concerned that more than 95 percent of Mexican elites give very negative ratings to President Bush and this administration. Those numbers, while not as stark as Mexico, are reflected throughout Latin America. Clearly this administration needs to mend that ripped relationship. Mexico has special complaints. First, it disagreed strongly with the process and justifications for the Iraq war and the difficult predicament in which it placed Mexico. Second, Mexican elites feel betrayed that the US has not acted on a legislative solution to the immigration problems. Third, many Mexican elites feel that our government is again reverting to an arrogant, paternalistic attitude with Mexico. But despite these complaints, the Mexican public still admires and respects Americans and American goods and services ..."

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**A** **Guest Comment: Carlos Alberto de Icaza:** "Different polls use different methodologies and may reflect reality from several points  
*Continued on page 4*

### PHOTO OF THE DAY



Venezuela's Seniat tax authority temporarily closed the local office of IBM and another company for what it said were tax irregularities. See related story on page 2.

Photo: Seniat.

### Inside This Issue

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## NEWS BRIEFS

**Fasting Brazil Bishop Rejects Talks Over River Pumping Project**

A Brazilian Roman Catholic bishop on a hunger strike to protest a river diversion project on Wednesday rejected the government's plea to negotiate and insisted he was ready to die to stop the project. Luiz Flavio Cappio, who has gone ten days without food, said the government's \$1.8 billion project to pump water from the Sao Francisco River would unfairly benefit the wealthy at the expense of millions of rural poor. Under the plan, around 70 percent of the water would go to areas where shrimp, grapes, flowers, and other farm exports are produced. About 4 percent will go to the homes of poor families in arid areas.

Source: Reuters.

**Hurricane Stan Death Toll Rises in Mexico, Central America**

The death toll from huge mudslides, flooding, and torrential rains caused by Hurricane Stan have killed at least 162 people in Central America and southern Mexico, rescue workers said Wednesday. Seventy nine people have died in Guatemala, but the government said that figure could rise. Sixty-two people have been killed in El Salvador and another 21 total in Mexico, Nicaragua, and Honduras, according to authorities.

Source: Reuters.

**Colombia Proposes Cartagena for Global Tourism Gathering**

The Colombian government said Wednesday it proposed the coastal city of Cartagena to be the site of the World Tourism Organization's 2007 General Assembly. The foreign ministry noted that tourism has risen in Colombia amid improved security.

Source: SNE.

## Political News

**Bush to Attend Americas Summit in Argentina and Visit Brazil, Panama**

US President George W. Bush will attend the Fourth Summit of the Americas in Argentina in November, followed by visits to Brazil and Panama, the White House announced Wednesday. In a press release, the White House said Bush would go to Mar del Plata, Argentina November 3-5 to participate in what would be his third Summit of the Americas following his participation in the Third Summit in Quebec City, Canada in 2001 and the Special Summit in Monterrey, Mexico last year. "This visit will allow the president to continue his dialogue with the Hemisphere's democratically elected leaders, highlight our engagement in the region, and promote the consolidation of democracy and the expansion of economic opportunity and prosperity through open markets and free trade," the White House said. Bush will also meet with Argentine President Nestor Kirchner before traveling to Brazil November 5-6 to meet with President Luiz Inacio "Lula" da Silva and Panama November 6-7 to meet with President Martin Torrijos. Some analysts have said the Summit, which is entitled "Creating Jobs to Fight Poverty and Strengthen Democratic Governance," will play a role

in gauging Bush's commitment to Latin America, an area he declared of utmost importance to US policy in his 2000 presidential campaign. Bush is highly unpopular in the region, according to recent polls, and his visit is expected to be met with large protests. A poll published last month by the Latin American School of Social Sciences, a think tank based in Chile, found that a majority of South Americans in the capitals of Argentina, Brazil, Chile and Uruguay have a negative opinion of Bush.

## Company News

**Venezuelan Tax Authority Orders IBM, Bosch Rexroth to Close Offices**

Venezuela's tax agency on Wednesday temporarily closed down the local office of US computer giant IBM and German automotive company Bosch Rexroth, citing tax irregularities in the companies' books. In a statement, the Seniat tax authority said it closed for 48 hours the Caracas offices of IBM and Bosch Rexroth, as well as their provincial branches, and fined them each 725,000 bolivars (\$US 259) as part of its Zero Evasion Plan to crack down on tax evasion and boost tax revenues. Seniat said that while verifying the companies' value-added tax payments it detected "tax noncompliance in the buy-

**US and Panama Hope to Wrap Up Trade Talks Later This Month**

The United States and Panama hope to complete two years of negotiations for a bilateral free trade agreement later this month, Reuters reported Wednesday.

"The United States and Panama are looking at our schedules to see if we can set a final round (of talks) some time during the second half of October," Neena Moorjani, a spokeswoman at the Office of the U.S. Trade Representative in Panama, was quoted as saying yesterday.

The White House announced Wednesday that President George W. Bush would travel to Panama November 6-7 after a visit to Argentina to attend the Fourth Summit of the Americas and to Brazil.

US-Panama free trade talks started in 2003, but have been bogged down on concerns in Panama that its farmers would suffer if the country opens its agricultural markets to US imports.

sell books of both companies." In a separate statement, SENIAT said it also shut down for 24-48 the offices of 15 local and international companies, including the local subsidiaries of telecommunications equipment suppliers **Nokia** and **Ericsson**, and Japanese automaker **Honda**, after a similar investigation of tax payments. In addition, each of the 15 companies were fined 735,000 bolivars. Since launching the Zero Evasion Plan last year, Seniat has ordered the closure of the local offices of several foreign companies. While noting that the Venezuelan government's crack-down on tax evasion has been effective in increasing tax revenues, analysts expressed concern in a Q&A with the *Advisor* earlier this year that it could be used to pursue political vendettas and control the private sector [Editor's note: see the March 9, 2005 issue of the *Advisor*].

## Economic News

### Chilean Economic Activity Rose 5.9 Percent in August

Chile's IMACEC measure of economic activity, a proxy of GDP growth, rose a higher-than-expected 5.9 percent in August compared to the same month of 2004, the Central Bank said Wednesday, according to Reuters. The indicator, which measures more than 90 percent of Chilean economic activity, rose a seasonally adjusted 0.6 percent from July. In a research noted published this morning, **Credit Suisse First Boston** said that continued strong growth in Chile means the Bank will maintain its policy of monetary tightening for "the foreseeable future." The Bank has raised its benchmark interest rate by a quarter-percentage point for three straight months. In other news, Chile's Senate on Wednesday voted unanimously in favor of a tough anti-smoking law amid high smoking rates among both teenagers and adults, Reuters reported. The new law, which is expected to pass easily through the Chamber of Deputies, would ban the sale of cigarettes near schools, prohibit smoking in public places, and limit smoking areas in bars and restaurants. It would also limit where tobacco firms can advertise.

## Capitol Hill Watch

*A weekly look at US congressional activity on Latin America*

### Senate Foreign Relations Committee Approves Shannon Nomination

The Senate Foreign Relations Committee on Wednesday unanimously approved the nomination of Thomas Shannon for the top Latin American post at the State Department. In a press release, the Committee said Majority Leader Bill Frist (R-TN) would schedule a full vote in the Senate to confirm President Bush's nomination of Shannon to be assistant secretary of state for Western Hemisphere affairs. The timing of the vote has not been determined, the Committee said. During his confirmation hearing before the Committee two weeks ago, Shannon said the US has a responsibility to defend democracy in the Hemisphere. Shannon, a career diplomat, would replace Roger Noriega, whom many observers have criticized as too ideological and outspoken on Cuba and Venezuela. State Department officials have said there will be no change in US policy toward Latin America after Noriega's departure. The Committee also approved Bush's nomination of three new ambassadors to Latin American posts: Charles Ford, a senior advisor to the assistant secretary of commerce to be ambassador to the Honduras; Mark Langdale, a Texas businessman and long-time Bush associate to be ambassador to Costa Rica; and Brenda LaGrange Johnson, a Bush campaign donor and fundraiser, to be ambassador to Jamaica.

*Source: Senate Foreign Relations Committee, Washington File, A.M. Costa Rica, Center for Responsive Politics.*

### Mel Martinez: Aid Alone Not Solution to Latin America's Economic Woes

Financial aid alone cannot alleviate Latin America's persistent poverty and inequality, Senator Mel Martinez (R-FL) last Friday said at a conference on the Americas sponsored by the *The Miami Herald*. Latin American governments must also take steps to fight corruption and a lack of economic opportunities, Martinez said. "Aid is not just in dollars," Martinez said in an address from Washington via satellite. Martinez said Latin American governments must focus on "building civil societies, infrastructure, and economic opportunities" for citizens. The US should be an ally of the region in providing new forms of alternative energy generation and a more proactive solution to the global fuel crisis, he said. To improve the quality of education in Latin America, Martinez highlighted programs such as teacher exchanges, and high school and college scholarships for indigenous youths. The senator encouraged the Inter-American Development Bank to work with the US to "leverage the resources of remittances" to create new economic opportunities such as home purchases and savings accounts. He said he hopes the IDB, under the new leadership of Colombia's former ambassador to the US, Luis Alberto Moreno, would focus on investing in infrastructure and forging public-private partnerships to aid development. Martinez said radical ideologies have become a problem throughout the region and characterized the growing ties between Cuba and Venezuela as a "dangerous alliance."



**Mel Martinez**

*Photo: Office of Sen. Mel Martinez.*

*Source: Latin America Advisor*

**Featured Q&A***Continued from page 1*

of view. A 2004 binational study of Mexican and American public opinion proved that Mexicans and Americans hold favorable opinions of each other ... The US, for example, ranked first in the Mexicans' appreciation scale. These results confirm the close and friendly ties Mexico and the US have developed, especially in recent years as they have become more interdependent. Mexico is now the US' second-largest trading partner; approximately 300 million legal crossings take place annually along our common border; and in 2003 Mexico was the first destination in the world for US travelers. Moreover, an important Mexican-American community in the US represents a unique bridge between both nations. Additionally, among Mexican leaders surveyed, nine out of 10 considered that bilateral cooperation should be enhanced. In the 2004 study, more than 75 percent of those consulted affirmed that security cooperation is important, and 93 percent said that the protection of Mexicans abroad should be among the most important foreign policy objectives of the Fox administration. However, both countries will benefit from getting to know each other better ..."

**A Board Comment: Adrian Cruz:** "Any trade liberalization agreement is likely to invoke passionate debates as to its merits, fairness, and 'one-sidedness' claims by either or both parties. This is to be expected, since there will always be winners and losers within each camp as both markets transition into the new economic order and realign their competitive advantages. NAFTA is certainly no exception, especially since it invokes David and Goliath as bedmates. Most Mexicans in the know will privately agree that NAFTA has been highly beneficial to the Mexican economy in spite of perceived and real inequalities. The agreement was the fundamental reason behind the swift Mexican economic recovery following the 1995 maxi-devaluation and economic crisis. The US Treasury did not hesitate to quickly

approve the emergency \$50 billion support loan to Mexico, and in turn the Mexican government did not hesitate to accept it. According to the World Bank, without NAFTA, by 2002 Mexico's global exports would have been 25 percent lower, the inflow of FDI 40 percent lower, and its per capita income 5 percent lower than current levels. Nevertheless, our Mexican neighbors have just cause for complaint: 1) US farmers have governmental subsidies that permit them to sell their harvest at better prices, thus creating an unfair situation for Mexican producers; 2) while income per capita in Mexico may have improved, the gap with the US has widened, resulting in increased immigration to the US; 3) the US has blocked imports from Mexico, from fruits and vegetables to brooms and trucks, making a mockery of the intended fair competition; 4) the US' increased tightening of immigration regulations and increased border tensions resulting in televised manhandling of wretched migrant *ilegales* is offensive even to the most dispassionate observer. On the other hand, the Mexican government must in turn implement much needed energy, labor, and tax reforms so far delayed by opposition parties in the Mexican Congress. Mexico must invest in education and technology, and allow private investment in power and oil production if it is to modernize and widen its infrastructure. As the Mexican proverb says, 'poor Mexico, so far from God and so close to the United States.'"

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