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LATIN AMERICA ADVISOR

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FEATURED Q&A

What Will Latin American Leaders Bring to the G-20 Summit?

Q The leaders of Argentina, Brazil and Mexico will be among those gathered in London on Thursday for the G-20 summit, which will focus on the global financial crisis and financial reform efforts. What issues will Latin America's three largest economies bring up at the summit? Will Latin American leaders speak with a common voice? How meaningful a role will the Latin American countries play at this summit?

A **Board Comment: Thomas F. McLarty III:** "Especially in advance of the Summit of the Americas, the participation of three Latin American nations at the G-20, together with the United States and Canada, underscores the importance of hemispheric issues in global affairs. Indeed, British Prime Minister Gordon Brown, who traveled to Latin America ahead of the G-20 summit, said, 'It is crucial that they are part of the debate about how we deal with the ongoing difficulties in the international economy.' Brazil, as a member of the G-20 troika (along with the UK and South Korea), has taken a leadership position from the start. Brazilian President Luiz Inacio Lula da Silva has spoken repeatedly about his desire to spur reform in the multilateral lending institutions, to reinvigorate global trade talks, and to reject a descent into protectionism. Last week, he and Argentine President Cristina [Fernandez de] Kirchner declared their

intent to arrive in London with a joint proposal on reforming the global financial system, though the details remain to be seen. It is clear that emerging markets have an increased stake in and responsibility for the global economic system. I hope President Lula, together with his Mexican and Argentine counterparts, will use their growing influence to build consensus among emerging economies, so that we come out of the G-20 committed to common actions to spark recovery and growth, and to resist protectionist impulses."

Continued on page 4



In Chile, Biden Says US is Not Planning to End Cuba Embargo

US Vice President Joseph Biden, seen during a dinner Saturday with Chilean President Michelle Bachelet, said that while a 'transition' is needed in US policy toward Cuba, the US is not planning to end the embargo. See story on page 2.

Photo: Chilean Government.

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NEWS BRIEFS

Former Guyanese President Janet Jagan Dies at 88

Janet Jagan, a naturalized Guyanese citizen who became the first female and first white president of the South American country, died Saturday at age 88, said a government official, according to the Associated Press. Jagan, who was born in Chicago, died of an abdominal aneurism in a state-run hospital in Guyana. She served as Guyana's president from December 1997 to August 1999.

Fujimori Trial Enters Final Week of Arguments

The trial of former Peruvian President Alberto Fujimori enters its final stages this week, and Fujimori will have chances on Wednesday and Friday to respond orally to charges he committed human rights violations, for which prosecutors are seeking a sentence of 30 years in prison, reported Agence France-Presse on Saturday. The initial sentence is expected to be handed down between April 6 and April 14, according to the report. Fujimori says he is innocent of all charges.

IDB Considers Capital Increase of Up to \$180 Billion

The directors of the Inter-American Development Bank are considering whether to boost the multilateral lender's capital base by up to \$180 billion, reported Dow Jones on Sunday. During the bank's annual meeting in Medellin, former Peruvian Prime Minister Pedro Pablo Kuczynski announced that a special commission had recommended the increase, which would be the first in 15 years. US Treasury Secretary Timothy Geithner, who addressed the bank's governors Sunday, said the US would support increased IDB lending.

Political News

In Chile, Biden Says US Has No Plans to End Cuba Embargo

US Vice President Joseph Biden said Saturday that the United States has no plans to end its 47-year-old trade embargo against Cuba, the Associated Press reported. Biden made the comment in Vina del Mar, Chile after participating in a summit of Latin American and European leaders. When asked by

Biden said a "transition" is needed in the US policy toward Cuba.

reporters if the US plans to end the embargo, Biden replied "no." After participating in the Progressive Governance Summit, Biden added that he and US President Barack Obama "think that Cuban people should determine their own fate and they should be able to live in freedom." Biden said a "transition" is needed in the US policy toward Cuba, but added that he was visiting Chile "to talk about the economy, not Cuba." Some Latin American leaders have said the US should end the embargo against the communist-led island, saying the move would improve relations between the United States and Latin America. Biden said in Chile that the US is committed to Latin America, adding that his trip to Chile was "just the beginning of the renewal of a partnership with the Americas." Chilean President Michelle Bachelet hosted Biden at a candlelit dinner as the lights were turned off as part of an international observance to call attention to global warming.

Central American Leaders Plan to Press US to Slow Deportations

Central American leaders plan to press US Vice President Joseph Biden today to slow deportations of Central Americans from the US, the Associated Press reported

Sunday. Biden is scheduled to meet with the region's leaders in Costa Rica after finishing a two-day visit to Chile. On Wednesday, Central American leaders said they would try to convince the United States to make Guatemalans eligible for a temporary visa program that currently includes Salvadorans, Nicaraguans and Hondurans. The leaders also want the US to slow deportations after the United States sent a record 80,000 people back to the region last year. The deportations and the global financial crisis have significantly hurt Central American countries' economies. In the final three months of 2008, the amount of remittances sent back to the home countries of Central Americans living in the US fell 4 percent from the same quarter a year earlier, according to the Inter-American Development Bank. Before the global economic slowdown began, remittances to Central America had been steadily on the rise. Last week, Thomas Shannon, the deputy US secretary of state for the Western Hemisphere said Biden will try to secure funding for Central American projects from the International Monetary Fund or the World Bank. Honduran President Manuel Zelaya and Nicaraguan President Daniel Ortega have said they will not attend today's meeting with Biden. However, Salvadoran President-elect Mauricio Funes is expected to attend the gathering.

Economic News

IMF Official: Latin America Loan Requests Could Triple This Year

Latin American countries loan requests for International Monetary Fund programs could triple this year due to the global financial crisis, said Nicolas Eyzaguirre, the director of the IMF's Western Hemisphere department, according to Bloomberg News. "I wouldn't be exaggerating if by the end of the year we have double or triple the number of programs," said Eyzaguirre. He made the comments to reporters in Medellin, Colombia during the Inter-American Development Bank's annual meeting. Eyzaguirre said the crisis is "the worst

shock ever" that Latin America has faced. "But this time around, the level of preparedness is much better," Eyzaguirre said. He added that if more developed



Eyzaguirre

File Photo: International Monetary Fund.

countries are "timely and effective" in correcting the problems in their financial systems, growth could begin again by next year. This year, Latin America is facing its worst economic performance since 1980, **Morgan Stanley** said earlier this month. Latin American countries' demand for loan assistance is increasing as the region's tourism, trade and remittances fall along with capital and credit flows into the region. So far this year, Costa Rica, El Salvador and Guatemala have requested new IMF credit lines. Eyzaguirre said the IMF is making credit available with fewer restrictions because emerging markets, including those in Latin America, are being punished "unwarrantedly" during the global crisis.

Company News

Medical Tourism Association Names AeroMexico its Preferred Airline

Mexican airline **AeroMexico** has formed a partnership with the Medical Tourism Association in order to offer medical tourism services to patients headed to Latin America for treatment, the *New Mexico Business Weekly* reported Friday. US residents demand for elective surgery and other medical treatment is expected to increase four-fold from 1.5 million patients last year to 6 million next year, according to the association. The number of Americans seeking treatment abroad is skyrocketing as they seek more affordable

The Dialogue Continues

Is Mexico's Decision to Hike Tariffs on US Goods Justified?

Q Last week, Mexico increased tariffs on 90 US products in retaliation for a move by the US that ended a pilot program allowing some Mexican truck drivers access to US roads. Was Mexico's reaction justified and proportionate? What was its strategy in choosing which tariffs to raise? Can US and Mexican officials sort out a compromise and what would such a plan look like?

A **Guest Comment: Les Glick:** "Mexico's action was permitted under NAFTA Article 2019 and by the 2001 unanimous arbitration award in favor of Mexico. Although NAFTA provided that the US and Mexico should permit unrestricted access of trucks into the interior of each country in 2000, the US failed to implement these provisions. Mexico demonstrated remarkable restraint. Only one tariff was as high as 45 percent and all others were between 10 and 20 percent. This can be contrasted to the US retaliation under Section 301 in the 'bananas' case and 'beef' case involving the EU where US retaliatory duties were 100 percent. Certain products chosen by Mexico were intended to get the attention of senators who voted to end the pilot trucking program. Sunflower seeds and frozen potatoes were products from North Dakota, the home of Senator Byron Dorgan, who voted to terminate the pilot program. There are several ironies in the efforts directed against Mexican truckers. The first concerns the claims that Mexican trucks are unsafe, which was disproved during the pilot

program. Some Mexican trucks are older than US trucks, primarily the trucks used in the short haul, 'drayage' trade, because the existing law requires trailers to be disconnected from the cabs at the border and reconnected to US cabs. This process is inefficient and costly, and furthers the movement of illegal drugs into the US. I have had two US clients whose trucks crossing from Mexican *maquiladoras* were found to contain illegal drugs. The US companies were not involved and the evidence pointed to the 'drayage' companies as being the prime suspects, due to long periods of time when the trucks were 'off the radar' during the changing of cabs and drivers. Thus, Congress, by thwarting the efforts to have Mexican long-haul trucks pass directly into the US interior, is actually facilitating the drug smugglers who benefit from the current system. The executive branch's power to implement NAFTA provisions has been undercut because of the actions of Congress to eliminate the necessary funding, actions not originating in committees that have trade oversight. There is a serious threat to the US' credibility with trading partners in regard to its ability to enforce existing obligations under trade agreements."

Les Glick is a partner at Porter Wright Morris & Arthur LLP in Washington and author of the book *Understanding the North American Free Trade Agreement*.

Editor's note: the above is a continuation of a Q&A published in the March 25, 2009 issue of the Advisor.

procedures or treatments that are not available in the United States. AeroMexico's designation as the association's preferred airline for medical tourism in Latin America will make patients and companions traveling with them eligible for travel packages through

travel wholesalers and through both the airline's and the association's Web sites. In selecting AeroMexico, the association cited the airline's large number of flights from the US to Mexico City as well as the amount of its connecting flights to elsewhere in the region.

Featured Q&A*Continued from page 1*

A Guest Comment: Sidney Weintraub: "Argentina, Brazil, and Mexico, the three Latin American participants (the LA Three) of the G-20, will push hard for meaningful stimulus actions to reactivate the world economy, particularly measures by the major developed countries and China because of their large roles in the global financial structure. If the LA Three wish their voices to be heard, they will have to announce strong stimulus measures of their own. The LA Three are likely to put most of their emphasis on turning back the trade protectionism that is taking place in their major markets. The initial US fiscal stimulus project had a Buy American provision, although this was later diluted. The United States removed funding for a pilot program allowing Mexican trucks to carry cargo to destinations in the United States because of pressure from the Teamsters union, and Mexico responded with higher tariffs on 89 imports from the United States. Mexico sends about 80 percent of its exports to the United States. Argentina and Brazil are also concerned about US protectionism, but they sell large proportions of their goods in Europe and Asia—and protectionism is growing in those locations as well. The LA Three may have more leverage in combating restrictions against their products because they can reciprocate if need be than in pushing for greater stimulus packages in G-20 countries."

A Guest Comment: George Grayson: "While Mexico has its hands full with bilateral challenges, Brazilian President Luiz Inacio Lula da Silva and Argentina's Cristina Fernandez have pledged to present a yet-to-be-unveiled joint proposal for revamping the global financial system. As Brazil emerges as South America's most respected leader, it has cast its lot with Argentina and the BRIC

countries. Lula points out that developed countries are pursuing unprecedented government intervention, nationalizing banks, lavishing subsidies on wobbly institutions and reregulating their financial sectors. Such measures collide with the Washington Consensus. This double standard irks Brazil and its allies and casts doubt on the future of free-market orthodoxy. The scale of the current crisis argues for rethinking the existing global system. However, the Europeans and the Americans must sort out their own differences before root-and-branch changes a la Bretton Woods (and favored by the BRICs) can be contemplated. Professor Fernando Cardim de Carvalho said it best: 'There is no consensus [on a sweeping reform]' and no dominant power to 'enforce it,' as the US did after World War II. Cardim, who regards it as an 'exaggeration' to speak of a systemic crisis today, avers that only 'a monumental disaster,' more serious than the present one, could spark agreement for a new financial world order. Previous attempts, like that of the Basel Committee on Banking Supervision, met with failure. The Time of Troubles will continue, however, because the US model of financial organizations, based on independent institutions, 'is moribund,' and 'the European alternative of a universal bank has not proved efficient,' he noted."

Thomas F. McLarty III is a member of the Advisor board, president of McLarty Associates in Washington and was White House chief of staff from 1993 to 1994.

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