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# Trade and Investment in the Americas

VIII Annual  
Conference

Corporación  
Andina De  
Fomento  
(CAF)



Organization of  
American States



Corporación Andina  
De Fomento (CAF)



Inter-American  
Dialogue

# Contents

Foreword . . . . .	iii
Rapporteur's Report . . . . .	1
The Politics of the Andean Region . . . . .	1
Opening Remarks by Congressional Hosts and Conference Organizers . . . . .	4
Managing the Andean Economies: What Needs to Be Done? . . . . .	5
Conversation with U.S. Trade Representative Robert Zoellick . . . . .	6
Challenges to Democracy . . . . .	8
Free Trade and the Andean Region . . . . .	10
Energy Policy in the Andes . . . . .	12
Latin America in the Global Economy: The Challenge of India and China . . . . .	13
Conference Agenda . . . . .	15
Profiles of Speakers . . . . .	17



## Foreword

The eighth annual Corporación Andina de Fomento (CAF) Conference on Trade and Investment in the Americas was held on September 8 to 9, 2004 in the U.S. Congress in Washington. Like its seven predecessors, this conference brought together some 200 people including members and staff of Congress; leading Washington policy analysts; senior officials from the U.S. government, Latin American governments, and international organizations; U.S. and Latin American corporate and financial leaders; and a few distinguished journalists for intense and expansive discussions about the Andean region and hemispheric affairs generally. We are pleased to provide you with this report on the presentations and deliberations.

Now as we begin to look ahead to this year's conference, the Andean region remains politically precarious. Bolivia and Ecuador each retain the features of a functioning democracy and constitutional order. But weak institutions, fractious politics, and deep social divisions have made it hard to govern these nations. New governments face extraordinary difficulties in exercising authority in both countries, which are dangerously polarized along ethnic and regional lines. In neighboring Peru, President Alejandro Toledo remains vastly unpopular despite the economy's solid performance over many years. In Venezuela, President Hugo Chávez's six-year-old government has sharply restricted democratic competition and badly damaged the nation's representative institutions. Still, Chávez maintains considerable popular support and has managed to win a long series of elections, including last year's all-important referendum on whether he should remain in office.

“The expansion of Latin America's economies in 2004 and 2005 was a dramatic turnabout.”



U.S. Trade Representative Robert Zoellick, CAF President Enrique García

“Weak institutions,  
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social divisions have made it  
hard to govern.”

But the news coming out of Latin America and the Andean region is not all bad. After six years of slow or no growth, the expansion of Latin America's economies in 2004 and 2005 was a dramatic turnabout. From 1998 to 2003, Venezuela lost nearly a quarter of its economic activity, but high oil prices propelled 16 percent growth last year. Peru and Ecuador continued to show impressive growth rates. Both Bolivia and Colombia's growth rates have also steadily improved.

The annual CAF conference is jointly sponsored by the Corporación Andina de Fomento, the Organization of American States (OAS), and the Inter-American Dialogue. The aim of this sustained collaboration is to demonstrate the importance of U.S. economic and political relations with the Andean region, and to provide a detailed review of broader hemispheric economic affairs to Washington officials and opinion leaders. We are pleased that, year after year, top analysts and key decision makers from the United States, Latin America, and Canada have agreed to take part in the CAF meeting, and that the interest of the Washington policy community in the region continues to grow.

The CAF Conference on Trade and Investment in the Americas results from collaboration among many people and several institutions. In particular, we want to recognize the valuable contribution made by the conference participants themselves, who shared their analysis and recommendations with cogency and intelligence.

President of CAF Enrique García who leads this initiative deserves particular credit. We would also like to express our deep appreciation to former OAS Secretary General César Gaviria who has provided strong leadership year in and year out. While his presence will be missed, we now look forward to working with new OAS Secretary General José Miguel Insulza. I am especially grateful to Ana Mercedes Botero who each year plays a central role in the design and organization of the conference.

We greatly appreciate the valuable contributions of CAF's María Tain and the Dialogue's Eric Jacobstein and Rebecca Trumble for the day-to-day management of conference preparations and the compilation of this report. Special thanks are also due to former Dialogue intern Nicolle Kownacki.

As always, we are indebted to the leadership of CAF for its intellectual and financial support.

Peter Hakim  
President  
Inter-American Dialogue

# Rapporteur's Report

## Eighth Annual Corporación Andina de Fomento (CAF) Conference on Trade and Investment in the Americas

September 8-9, 2004

### THE POLITICS OF THE ANDEAN REGION

Latin America in general and the Andean nations in particular are in much better shape now than they were a year ago, said Enrique García in opening the meeting. The Andean countries will grow at a rate of 4.6 percent this year. There have been positive signs of democracy over the past year, including a referendum on the export of natural gas in Bolivia and an electoral referendum in Venezuela, both of which have validated the democratic process. Moreover, the initiation of free trade negotiations among the United States, Peru, Colombia, and Ecuador is a further positive sign for the region.

In spite of this upswing, Peter Hakim explained that the Andean region is of declining importance on the world stage, having fallen from the third most important region in the 1950s to the sixth most important at present. At this point, it will take 150 years for the Andean region to catch up to China's gross domestic product (GDP) growth rates. Furthermore, dissatisfaction with the economic reforms of the 1990s has grown, and with this has come a debate on the role of the state in the market, the benefits of free trade, and the best type of democracy. Political parties have

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Minister of Economic Development Horst Grebe of Bolivia, former minister of defense  
Marta Lucía Ramírez of Colombia

**“ There are serious questions about whether some Andean presidents will be able to finish their terms.”**

weakened, and new forces, including indigenous groups, have emerged as important players in the political process.

García underscored the importance of formulating a comprehensive new agenda and recognizing that reform needs to begin at home. While regional integration is important, each Andean nation faces specific problems.

Michael Shifter commented that because there has been an economic recovery, political difficulties have been highlighted. There are serious questions about whether some Andean presidents will be able to finish their terms. Peru is the most dramatic example—while the country has experienced an impressive economic performance, President Alejandro Toledo’s approval ratings remain quite low, and political reforms have not been undertaken in a serious or systematic way.

Because of U.S. aid to Colombia for fighting the drug war and U.S. interest in oil, Colombia and Venezuela are the two countries that get Washington’s attention. Shifter explained that the other Andean countries are unable to pull together coherent policies and suffer from leadership problems. Political experience matters, and most Andean presidents are lacking in this area.

Andean countries are still in a period of democratic transition, noted Eduardo Gamarra, and have difficulty in identifying both where they have come from and where they are going. States often have not been able to deliver basic services, and there has been widespread institutional failure in several countries. Colombian president Álvaro Uribe and Venezuelan president Hugo Chávez are centralizing power, while Bolivian president Carlos Mesa needs stronger executive authority. Leadership matters, and Latin America must not focus on short-term success—which is often followed by unintended long-term consequences.

Yolanda Kakabadse discussed one such consequence, focusing on the indigenous movement in Ecuador. The greater role anticipated for indigenous peoples with their formation of a political party did not pan out, and the party was seen as manipulated by non-indigenous groups. Nonetheless, the indigenous movement has been significantly involved in local governance, and indigenous groups have pushed for sustainable development and accountability in small towns. Overall, indigenous interest in politics and government is growing, and a much larger movement is likely in the future.

José Miguel Vivanco identified Colombia as the place in the Andean region where one could detect progress. He cited a serious decrease there in the number of attacks against civil society members (including killings of journalists and union members) in recent years, but noted that, while U.S. aid comes attached with conditions on human rights, this policy generally has not been enforced. Such a lack of accountability is a weakness. One positive step by the United States has been the inclusion of both left- and right-wing groups on its list of terrorist organizations. U.S. requests for extradition of criminals to face drug trials has been another favorable sign, as Colombia has a poor record of prosecuting human rights abusers. The international community must similarly press the Venezuelan government to respect the rule of law and reestablish the judiciary's independence.

When asked about the role of the international community in Colombia and Venezuela, Heraldo Muñoz credited the continuation of democracy in the Andes in large part to the Organization of American States (OAS) and the international community. The latter has also shown great leadership in combating drugs. Although there is continued movement toward regional integration in both Mercosur and the Andean region, the Andean region is highly vulnerable to external crises and capital outflows.

A participant asked whether the OAS's role can be increased in strengthening democracy. Muñoz replied that the OAS's role has been increasingly activist, and that it is now generally accepted that the international community must play a role in democratic crises. Kakabadse asserted that the OAS needs to be recreated, because it cannot respond adequately to today's challenges. Latin Americans do not see the OAS as having any real role to play, but feel the OAS continues to exist in the absence of any other, more effective, mechanisms.

One participant asked about the role of the non-elected sector, including the media, in shaping politics. Vivanco responded that, in general, the media plays an important role in exposing corruption and increasing transparency, although it does not always represent an objective viewpoint. In Venezuela, 90 percent of the media is private and identifies strongly with the opposition. However, the regime should not impose censorship controls, such as the Law of Social Responsibility in Venezuela or a similar proposed action in Brazil. Kakabadse commented that nongovernmental organizations (NGOs) are another unelected force that

**“The OAS needs to be recreated because it cannot respond adequately to today's challenges.”**



**“Trade is more than just liberalizing markets but must open doors for all and keep jobs in the hemisphere.”**

governments often dismiss, but they are just as legitimate as private organizations such as business groups.

Discussion turned to the weakness of political parties in the region. Shifter explained that, while political parties are highly unpopular, there is really no other viable alternative. The party system cannot be rejected, nor should countries move toward a corporatist model. Globalization has placed too many demands on political parties for them to function well, he concluded. Muñoz said that it is not surprising that political parties in Latin America are weakening, because similar patterns are seen all over the world. People are voting based more on individuals than on parties. The threat of populism, he suggested, is destabilizing the region.

Turning to another important topic, Gamarra noted human rights has been a key component of U.S. foreign policy over the past 20 years. Unfortunately, U.S. credibility on human rights suffered a serious blow with the disclosure of human rights abuses by the U.S. military in Iraq. Latin America's general response has been troubling, with some leaders wondering why they should be held to different standards if it is acceptable for the United States to abuse human rights in the name of the war on terror.

## **OPENING REMARKS BY CONGRESSIONAL HOSTS AND CONFERENCE ORGANIZERS**

Trade is more than just liberalizing markets, explained Representative Jerry Weller (R-IL) but must open doors for all and keep jobs in the hemisphere. Trade agreements are compromises among many actors; they lead to job creation and attract investment capital, both of which combat poverty and drugs. Unfortunately for Latin America, it would be difficult to pass trade agreements in 2004 since it is an election year.

Representative Phil English (R-PA) pointed out that, since 1991, he has seen the value of the Andean Trade Preference Act (ATPA) via increased job opportunities for Colombians and a doubling of Peruvian exports to the United States. Negotiation of the Andean Free Trade Agreement among the United States, Colombia, Ecuador, and Peru must address several items if it is to move forward. For example, Ecuador needs greater protections for workers' rights, Colombia needs to better address violence against union members, and all countries need to commit more generally to higher labor standards. Safeguards must be explicitly built into trade agreements, since the World Trade Organization is incapable of policing these.

Expecting narrow margins of difference when trade agreements come up for a vote, Representative Cal Dooley (D-CA) emphasized the need for efforts to educate both the U.S. Congress and legislators' constituencies about the benefits of free trade. U.S. constituencies must be mobilized in favor of free trade, as must the U.S. Latino community.



Phil English (R-PA)

César Gaviria pointed out that this was the first year he could genuinely say that the situation in the Andean region had improved over the past 12 months. Though a year ago, the political stability of Bolivia, Venezuela, and Ecuador was questionable, economic growth was now expanding. Even Venezuela, he argued has a higher level of stability than it did a year ago, despite its continuing economic problems. The picture is not completely rosy, however; just as Mexico is currently smarting from international competition, so will other Latin American countries face bottlenecks to progress in the coming years.

### **MANAGING THE ANDEAN ECONOMIES: WHAT NEEDS TO BE DONE?**

Latin America's economic growth rate was over 4 percent for the first time since 1997, pointed out Fidel Jaramillo. On the other hand, social indicators were down, poverty was up, and the average unemployment rate in Latin America has hovered at 10 percent in recent years. The Andean region has an astronomically high unemployment rate—over 40 percent—and has the highest gini coefficient in the world. Threatening the region's recent growth is the rise of China as an economic competitor. However, China's growth has also created export markets for Latin America's raw materials such as soy, iron, copper, and wood. Another set of factors affecting Latin American economic prospects is the impact of changes in U.S. monetary policy. Increases in interest rates by the U.S. Federal Reserve may



Cal Dooley (D-CA)

**“U.S. constituencies must be mobilized in favor of free trade, as must the U.S. Latino community.”**

“ Nations need to use the present windfall of prosperity to prepare for the future and insulate themselves from shock.”

stem capital flows to Latin America as lenders choose to invest their capital within the United States. Another ominous indicator is that the total debt to GDP ratio remains high in the region. The rise in oil prices has created winners and losers, as exporters such as Venezuela and Mexico gain while oil importers lose.

Recent international economic crises have had particularly negative effects on the Andean region, noted Guillermo Perry. In the late 1990s, crises in the region were caused by economic fallout from East Asia, Russia, and Argentina. Fortunately, there are no economic crises now, and the present forecast seems to suggest that none are looming on the horizon. States need to use the present windfall of prosperity to prepare for the future and insulate themselves from shock.

Although Andean democracies are weak, Roberto Junguito stated, the status quo is far superior to the authoritarian regimes of the past and could be improved greatly with deeper reforms. In all of the nations of the Andean Community except Venezuela, debt levels are decreasing, and continued growth could reduce unemployment levels.

Focusing on Ecuador, Mauricio Yépez contended that, while the country has experienced some stable growth, the quality of its growth has been poor. Structural reforms have succeeded in increasing efficiency—e.g., privatization has increased the quality and price of electricity. While Ecuador's debt to GDP ratio has decreased, it still remains high. High debt has had an extremely negative impact on the economy and continues to reduce access to capital markets. Better infrastructure is key to improving Ecuador's productivity.

## CONVERSATION WITH U.S. TRADE REPRESENTATIVE ROBERT ZOELICK

Hemispheric leaders need to address both macroeconomics and poverty reduction by creating new opportunities, stated U.S. Trade Representative Robert Zoellick. Reformers also need to recognize that democracy is more than just holding elections; they also must build institutions, enforce the rule of law, and increase the inclusion of minority groups in the Americas. A second generation of reforms is needed that goes beyond macroeconomics and instead focuses on building political institutions and promoting the microeconomy. Furthermore, hemispheric leaders need to promote both a more open political process and free trade.

With regard to trade, Zoellick focused on China and India, noting their impact on trade throughout the world and their role as Latin America's principal competitors. More trade is conducted now at the global level, and regional actors have increasingly become what Zoellick termed a "canvas of motion." Given the strong infrastructure provided by the Internet, communications, and expedited delivery and customs, small raw-material-exporting businesses may flourish.

Ongoing concerns in U.S.-Andean free trade negotiations include transparency and anti-corruption efforts; political legitimacy, which is undermined by corruption; labor practices; property rights; financial, telecommunications, and service sector infrastructure; customs standards; and efficiency. Free trade agreements are an opportunity, but not a panacea; they should only be seen as part of larger national development strategies.

Trade Promotion Authority must be extended beyond 2005 to continue to move the global trade agenda forward. Trade legislation is difficult to pass, noted Zoellick, but economic integration within the Americas is critical. Without free trade legislation, more and more businesses will go to East Asia. Many textile manufacturers, for example, support the Central American Free Trade Agreement (CAFTA) because it would allow them to operate within the Americas rather than moving their operations outside of the hemisphere. Zoellick described the mutual advantages of trade and suggested that the support basis for trade reform broadened to include other industries such as the high-tech sector and the entertainment industry.

To reach agreement on a Free Trade Area of the Americas (FTAA), Zoellick advised, concessions must be made by all sides.



Ambassador Luis Alberto Moreno of Colombia, Ambassador Bernardo Álvarez of Venezuela, Rep. Xavier Becerra (D-CA)

“Free trade agreements are an opportunity, but not a panacea.”

**“To reach agreement on a Free Trade Area of the Americas, concessions must be made by all sides.”**

No nation wants to open up its vulnerable markets to trade, but this must be done if trade legislation is to move forward.

## **CHALLENGES TO DEMOCRACY**

Enrique García began the session by raising some concerns cited in a recent United Nations Development Programme (UNDP) study on democracy in Latin America. According to the study findings, although 53 percent of Latin Americans support democracy, 28 percent are dissatisfied with the way democracy has functioned in their countries. Among the challenges mentioned in the study were the failure of the political party system, dissatisfaction with representative politics, and the need for greater respect for the rule of law. Enrique García identified other major challenges to democracy in the region, including poverty, lack of education, corruption, and a lack of transparency and accountability in government.

Countries in the region continue to confront social fragmentation, ethnic and racial discrimination, and inequality, noted Gustavo Fernández. Effective ways to develop a strong but democratic state must be sought while managing changing levels of civic participation.

Although multilateral banks, donor agencies, and other international bodies do significant work in the region, none of these institutions works systematically to strengthen democracy. One particular challenge to democracy, according to Fernando Cepeda, is the underdevelopment of opposition politics. The role of government is to govern, and the role of the opposition should be to let the government perform its function while developing and discussing alternatives to the existing government. Opposition groups have often lacked respect for governments in power and do not always accept the legitimacy of another party's fairly won elections. In addition, Latin American countries will have to make serious social reforms—particularly in terms of addressing poverty and education—in order to promote democracy.

Bernardo Álvarez emphasized the need for a shared concept of democracy and political systems in the hemisphere. Free elections and developed civil societies have not led to successful democracies in a number of countries. Political participation has often been relegated to social movements that are not incorporated in the democratic structure. Trade and investment in the region should not be promoted, Álvarez opined, without developing democracy.

Latin America must think regionally and integrate both economically and politically if it is to be a stable, democratic region.

Building on this theme, Beatrice Rangel agreed that economic integration is an essential contribution to political stability in the region. A misunderstanding of the importance of macroeconomic stability has contributed to an anti-U.S. sentiment in the region. Latin Americans see millions of dollars coming into their countries, yet they remain poor and have thus become frustrated with status quo economic and democratic processes. Latin American countries criticize the United States and Europe for their protectionist economic policies, yet have been unsuccessful in integrating their own markets. Rangel concluded that democracy cannot be effectively promoted unless the populace is well-educated and informed.

Ana María Sanjuán contended that, despite its internal problems, the peaceful referendum in Venezuela proves that Venezuelans clearly prefer a democratic solution. What needs to be fixed there and in other countries in the region experiencing similar problems is the polarization between political parties. Dialogue is needed; other requirements for stable democracies include new institutions to demand political participation, fair judicial systems, and universal political rights. Social movements have become a part of the political landscape in Latin America and are not going to go away. However, they cannot and should not attempt to replace the state, which is the only mechanism capable of making real reforms and implementing national programs.

“The peaceful referendum in Venezuela proves that Venezuelans clearly prefer a democratic solution.”



Former minister of finance Roberto Junguito of Colombia, David de Ferranti of the World Bank, Claudio Loser

**“An Andean Free Trade Agreement would be strategically beneficial for the United States.”**

## FREE TRADE AND THE ANDEAN REGION

Representative Tom Petri (R-WI) stated that core support within the U.S. Congress for permanent free trade agreements is stronger than it appears to be. Policymakers are working cooperatively to make sure agreements are reached and passed.

Free trade agreements promote economic growth, but can also have a positive impact on other areas such as democracy and rule of law. Regina Vargo discussed the Andean Free Trade Agreement that is currently being negotiated among the United States, Colombia, Peru, and Ecuador, with Bolivia participating as an observer. This agreement would “lock in” these Andean nations’ access to the largest market in the world. While some industries, such as the asparagus industry in Peru and the cut flower industry in Ecuador, are already thriving under the Andean Trade Preference Act (ATPA), there is still more opportunity for trade growth and job creation. Further, Vargo noted, ATPA’s expiration in December 2006 makes it ever more necessary to work toward a free trade agreement. Such an agreement would be no “magic bullet,” but would provide important economic advantages. On the U.S. side, the agreement—like all U.S. free trade regulations—would strive to be very comprehensive, including strong measures related to labor, the environment, and corruption. Beyond the obvious economic gains, an Andean Free Trade Agreement would be strategically beneficial for the United States in dealing with security concerns such as narco-trafficking and terrorism.



Representative Jerry Weller (R-IL), Secretary General of the OAS César Gaviria, CAF President Enrique García



While export expansion is important, acknowledged Ivonne A-Baki, the real gain from trade comes when countries remove tariff barriers and allow for cheaper foreign goods and services. To have high and sustainable exports, countries need natural resources that will not be depleted. Heavy subsidies, particularly on agriculture, distort markets. The playing field must be leveled through multilateral talks on free trade.

Andean trade and investment relations with the United States was valued at \$18 billion in 2003—a relatively modest sum, but, as Jeff Schott noted, an important base. Since most Andean products already benefit from ATPA, an Andean Free Trade Agreement will not be about *improving* market access but rather about *securing* this access. Because the Doha Round and FTAA will dilute the benefits of a free trade agreement with the Andean region, this agreement will only provide a head start to those countries that do not negotiate bilaterally. It will also help establish pro-trade economic and legal conditions in advance of the FTAA and Doha liberalizations. It will thus lay the groundwork for improved trade with the United States and the rest of the world.

The Andean free trade agreement should look to the North American Free Trade Agreement (NAFTA) example with regard to labor and environmental standards. NAFTA stipulates incentives for sound labor practices and environmental stewardship rather than

“**Andean trade and investment relations with the U.S. was valued at \$18 billion in 2003.**”



CAF President Enrique García, Andean Community Secretary General Allan Wagner



**“The Andean region  
is the world’s leading area  
for hydrocarbon growth  
potential.”**

citing penalties for the opposite. Schott noted, however, that these mechanisms are not as well funded as they should be, and the Andean free trade agreement should avoid this tendency of underfunding good laws and standards.

In conclusion, then, the free trade agreement is not an end in itself, but rather a tool to achieve economic success. Consequently, Marta Lucía Ramírez advised, Andean countries should each prepare themselves strategically to maximize this success and look to improve their respective policy frameworks in order to reap new benefits.

## **ENERGY POLICY IN THE ANDES**

Panelists generally agreed that supply security, foreign investment, and structural reform pose the biggest challenges to the Andean region’s energy sector. They emphasized that the Andean region is the world’s leading area for hydrocarbon growth potential and identified obstacles to consolidation of this position.

Ramón Espinasa began by noting that geographical proximity and interregional political links should make development of Andean countries’ hydrocarbon reserves a priority for the United States. Latin America in general, and the Andean region in particular, is strategically important to the continued flow of hydrocarbon resources (primarily oil) into the United States. As U.S. oil imports have increased 2.5 times over the last 15 years, Latin American oil exports now account for 80 percent of the Western Hemisphere’s oil exports to the nation, and the Andean Community produces half of this supply. U.S. demand for imported oil could increase by two-thirds before 2020; the challenge for the Andean region lies in its ability to mobilize reserves and enhance production capacity.

Picking up this theme, Ramiro Galarza declared that Andean countries currently have a poor collective capacity for the level of production that will be needed to keep up with global oil demand. Regional cooperation in the energy sector will be key, but this type of collaboration is difficult because the Andean countries differ widely from one another on both the regulatory and legislative levels.

With 4.6 billion barrels in proven crude oil reserves and another 26 billion barrels in potential reserves, Ecuador must pay particular attention to its energy policy, noted Jaime Varela. Of particular concern are the facts that the country’s indigenous communities oppose petroleum development, and that Ecuador’s value-added tax (VAT) is a costly and highly politicized risk for the energy sector.

The Ecuadorian government could address these (1) by partnering with NGOs and industry to address the concerns of the indigenous communities, and (2) by recognizing its responsibility in guaranteeing investors of the adequate functioning of the country's institutions and legal system, while providing security for people and assets.

## **LATIN AMERICA IN THE GLOBAL ECONOMY: THE CHALLENGE OF INDIA AND CHINA**

As a region, Latin America is too focused on itself and recognizes only the United States when it takes a more global perspective, noted Shahid Javed Burki. But international production, demand, and economic patterns are changing dramatically, and China is poised to become the second largest trading country in the world. The Chinese transformation is unprecedented in world economic history and represents the first time that a relatively poor country is on the verge of becoming a major world economic power. This gives it unique characteristics that influence demand patterns—huge amounts of surplus labor and massive rural-urban migration. The fact that China has invested so heavily in intellectual and human capital means that it is able to compete favorably in the international market for both cheap manufactured goods and technologically advanced materials. Consequently, China's growth over the next 20 years is projected at a rate of 7 percent per year, and the country is likely to see its share of world output rise to 14 percent (\$6.7 trillion), driven mainly by growth in the high-tech sector. In contrast, Burki pointed out, India represents neither a challenge nor an opportunity for the Andean region.

Horst Grebe stated that, before being overtaken in 1982 by China, Latin America was an important region both politically and economically. Since then, however, China's share of world trade has more than tripled. This situation will likely continue, and Latin Americans would be well advised to pay attention to it. Moreover, Grebe noted, the savings rate in Latin America was a paltry 16 percent compared to China's 38 percent.

Ira Shapiro suggested that the ten-year-long process of integration that accompanied implementation of the FTAA might be renewed in the face of changing world realities. China is becoming an engine of Asian, and even global, growth. The number of preferential trading agreements is growing "exponentially," and Latin America should deepen its formal ties in Asia in order to compete.

**“ Latin America is too focused on itself and recognizes only the U.S. when it takes a more global perspective.”**

**“The Chinese transformation represents the first time that a relatively poor country is on the verge of becoming a major world economic power.”**

The Andean countries are negotiating trade agreements on five fronts: with the United States, Europe, Mercosur, and Central America, and within the Andean Community itself. This multi-pronged approach has stretched negotiating capacity to the limit, which, according to Allan Wagner, explains the sluggishness to engage China and India in trade agreements. If Latin America is to meet the challenge, it will need to do so on the basis of quality, not price, since China and India will always have more surplus labor. Wagner acknowledged that there have been some problems with the trade aspect of South American integration, but noted that there is much more cooperation in infrastructure matters.

A lesson to be learned from China, Burki pointed out, is that its meteoric rise has come about under a non-democratic regime, and one that has not paid heed to the International Monetary Fund or the Washington Consensus. Where Latin America has subscribed to the dogma of a minimalist state, China has strengthened its own state to finance investment.

# VIII Annual Corporación Andina De Fomento (CAF) Conference

## Trade And Investment In The Americas

September 8–9, 2004  
Washington, DC

### AGENDA

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#### Wednesday, September 8

Room 562 of the Dirksen Senate Office Building  
First Street NE, between Constitution Avenue and C Street NE

**5:00 p.m. *Opening Remarks***

**L. Enrique García**, *Corporación Andina de Fomento*

**5:15 p.m. – 7:15 p.m. *The Politics of the Andean Region***

**Eduardo Gamarra**, *Florida International University*

**Yolanda Kakabadse**, *Fundación Futuro Latinoamericano*

**Heraldo Muñoz**, *Permanent Mission of Chile to the United Nations*

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

**José Miguel Vivanco**, *Human Rights Watch—Americas*

*Chair: Peter Hakim, Inter-American Dialogue*

#### Thursday, September 9

Room B-369 of the Rayburn House Office Building  
Independence Avenue SW, between First Street SW and South Capitol Street

**8:30 a.m. – 9:00 a.m. *Welcome by Congressional Hosts and Opening Remarks***

**L. Enrique García**, *Corporación Andina de Fomento*

**César Gaviria**, *Organization of American States*

**Cal Dooley**, *U.S. Representative (D-CA)*

**Phil English**, *U.S. Representative (R-PA)*

**Jerry Weller**, *U.S. Representative (R-IL)*

*Chair: Peter Hakim, Inter-American Dialogue*

**9:00 a.m. – 10:30 a.m. *Managing the Andean Economies: What Needs to Be Done?***

**Roberto Junguito**, *Former Minister of Finance of Colombia*

**Guillermo Perry**, *World Bank*

**Mauricio Yopez**, *Minister of Finance of Ecuador*

*Chair: Fidel Jaramillo, Corporación Andina de Fomento*

**10:30 a.m. – 11:00 a.m. *Conversation with U.S. Trade Representative Robert Zoellick***

*Chair: Mack McLarty, Kissinger McLarty Associates*

- 11:00 a.m. – 12:45 p.m. *Challenges to Democracy***  
**Bernardo Álvarez**, *Venezuelan Ambassador to the United States*  
**Fernando Cepeda**, *Universidad de los Andes*  
**Gustavo Fernández**, *Former Minister of Foreign Relations of Bolivia*  
**Beatrice Rangel**, *Zemi Communications*  
**Ana María Sanjuán**, *Universidad Central de Venezuela*  
*Chair: L. Enrique García, Corporación Andina de Fomento*
- 12:45 p.m. – 1:30 p.m. *Lunch***
- 1:30 p.m. – 3:00 p.m. *Energy Policy in the Andes***  
**Ramón Espinasa**, *CAF/IADB*  
**Ramiro Galarza**, *Viceminister of Finance of Ecuador*  
**Jaime Varela**, *President of Chevron Texaco of Mexico*  
*Chair: Horst Grebe, Minister of Economic Development of Bolivia*
- 3:00 p.m. – 4:15 p.m. *Free Trade and the Andean Region***  
**Ivonne A-Baki**, *Minister of Trade of Ecuador*  
**Tom Petri**, *U.S. Representative (R-WI)*  
**Jeffrey Schott**, *Institute for International Economics*  
**Regina Vargo**, *Office of the U.S. Trade Representative*  
*Chair: Marta Lucía Ramírez, Former Colombian Minister of Defense*
- 4:15 p.m. – 5:30 p.m. *Latin America in the Global Economy:  
The Challenge of China and India***  
**Shahid Javed Burki**, *EMP Financial Advisors*  
**Horst Grebe**, *Minister of Economic Development of Bolivia*  
**Ira Shapiro**, *Greenberg Traurig*  
**Allan Wagner**, *Andean Community*  
*Chair: Claudio Loser, Inter-American Dialogue*
- 6:00 p.m. – 8:00 p.m. *Closing Reception at the Organization of American States  
(17th and Constitution Avenue, NW)***  
**L. Enrique García**, *Corporación Andina de Fomento*  
**César Gaviria**, *Organization of American States*  
**Allan Wagner**, *Andean Community*

# VIII Annual Corporación Andina De Fomento Conference

## Trade And Investment In The Americas

September 8–9, 2004  
Washington, DC

### PROFILES OF SPEAKERS

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**Ivonne A-Baki** has served as Ecuador's minister of international trade, industry, fishing and competitiveness since 2003. She was ambassador of Ecuador to the United States and an advisor to the president of Ecuador in peace negotiations with Peru.

**Bernardo Álvarez** is the Venezuelan ambassador to the United States. He previously served as vice minister of hydrocarbons in Venezuela's Ministry of Energy and Mines.

**Xavier Becerra** is a member of the U.S. House of Representatives (D-CA). He serves on the House Committee on Ways and Means and is a member of the Trade and Social Security Subcommittees. Becerra is a member of the Congressional Hispanic Caucus and chairman of its Telecommunications and Technology Task Force.

**Shahid Javed Burki** is chief executive officer of EMP Financial Advisors. He was vice president for Latin America and Caribbean at the World Bank.

**Fernando Cepeda Ulloa** is professor of political science at the University of the Andes. He was Colombia's minister of government and minister of communications.

**David de Ferranti** is vice president for Latin America at the World Bank.

**Cal Dooley** is a member of the U.S. House of Representatives (D-CA). He serves on the House Committee on Resources, and is the ranking minority member on the House Agriculture Subcommittee on Operations, Oversight, Nutrition and Forestry.

**Phil English** is a member of the U.S. House of Representatives (R-PA). He serves on the House Committee on Ways and Means and is a member of the Trade Subcommittee. English is also co-chair of the Brazilian Caucus.

**Ramón Espinasa** is a consultant to the Corporación Andina de Fomento (CAF) and the Inter-American Development Bank. He was the chief economist of Petróleos de Venezuela from 1992 to 1999.

**Gustavo Fernández** is former minister of foreign affairs of Bolivia. Previously, he served as minister of the presidency and minister of integration.

**Eduardo Ferrero** is the Peruvian ambassador to the United States. He was Peru's minister of foreign affairs and ambassador to the Organization of American States.

**Ramiro Galarza** is vice minister of finance of Ecuador. He was subsecretary of political economy at the ministry and also director of research at Ecuador's Central Bank.

**Eduardo Gamarra** is professor and director of the Latin American and Caribbean Center at Florida International University.

**Enrique García** is president and CEO of the Corporación Andina de Fomento. He was Bolivia's minister of planning and coordination and head of the economic and social cabinet.

**César Gaviria** is secretary general of the Organization of American States. He was president of Colombia.

**Horst Grebe** is Bolivia's minister of economic development. He previously served his country in several posts including minister of labor. Grebe was also executive director of the PRISMA institute.

**Peter Hakim** is president of the Inter-American Dialogue.

**Fidel Jaramillo** is vice president for development strategies and senior economist at the Corporación Andina de Fomento.

**Roberto Junguito** served as Colombia's minister of finance and public credit from 2002 to 2003. He was also executive director for Colombia at the International Monetary Fund. Junguito currently works as an economic researcher at FEDESARROLLO.

**Yolanda Kakabadse** served as Ecuador's minister of the environment and is executive president of Latin American Future in Quito. She was president of the World Conservation Union and executive director of the Nature Foundation–Ecuador.

**Thomas F. (Mack) McLarty III** was President Clinton's special envoy to Latin America and his chief of staff. He is now president of Kissinger McLarty Associates.

**Heraldo Muñoz** is permanent representative of Chile to the United Nations. Previously, he was secretary general of government and ambassador to the Organization of American States.

**Guillermo Perry** is the chief economist for Latin America and the Caribbean at the World Bank. Perry served as Colombia's minister of finance and public credit, minister of mining and energy, and director of the General Directorate of National Taxes.

**Tom Petri** is a member of the U.S. House of Representatives (R-WI). He is vice chairman of the House Transportation and Infrastructure Committee where he chairs the Highways, Transit and Pipelines Subcommittee. Petri is the vice chairman of the Education and Workforce Committee.

**Marta Lucía Ramírez de Rincón** served as Colombia's minister of defense and as minister of foreign trade, as well as ambassador to France. She is a private consultant in international strategy.

**Beatrice Rangel** is managing director of Zemi Communications and vice president and senior advisor to the chairman at the Cisneros Group of Companies. She was Venezuelan minister of the secretariat from 1991 to 1992, and general director of the Ministry of the Secretariat before that.

**Miguel Rodríguez** served as Venezuela's minister of planning and as president of its Central Bank. He is now a professor of economics at the Instituto de Estudios Superiores de Administración in Caracas.

**Ana María Sanjuan** is director of the Center for Peace and Human Rights at the Central University of Venezuela.

**Jeffrey Schott** is a senior fellow working on international trade policy and economic sanctions at the Institute for International Economics. Schott was a senior associate at the Carnegie Endowment for International Peace and an official of the U.S. Treasury Department.

**Michael Shifter** is vice president for policy at the Inter-American Dialogue.

**Jaime Varela** has served as president of ChevronTexaco of Mexico since January 2002. He is also the director of the American Chamber of Commerce of Mexico. From 1996 to 1999, Varela served as president of the International Oil Committee.

**Regina Vargo** is assistant United States trade representative for the Americas.

**José Miguel Vivanco** is the executive director of the Americas division of Human Rights Watch. He was the founding executive director of the Center for Justice and International Law.

**Allan Wagner** is secretary general of the Andean Community. He previously served twice as Peru's minister of foreign affairs and as ambassador to Spain, the United States, and Venezuela.

**Jerry Weller** is a member of the U.S. House of Representatives (R-IL). He serves on the House Ways and Means Committee and the Committee on International Relations where he is on the Western Hemisphere and the Asia and Pacific Subcommittees.

**Mauricio Yépez** is minister of finance of Ecuador. He previously served as president of Ecuador's Central Bank and chief negotiator of the free trade agreement between the United States and Ecuador.

**Robert Zoellick** is the U.S. trade representative. He served as under secretary of state for economic and agricultural affairs and White House deputy chief of staff in the administration of George H. W. Bush. Zoellick was also executive vice president of Fannie Mae, the largest housing finance investor in the United States.









**Corporación Andina de Fomento (CAF)** is a multilateral financial institution that promotes the sustainable development of its shareholder countries, as well as regional integration. Its shareholders are the five Andean Community countries—Bolivia, Colombia, Ecuador, Peru and Venezuela—as well as Argentina, Brazil, Chile, Costa Rica, the Dominican Republic, Jamaica, Mexico, Panama, Paraguay, Spain, Trinidad & Tobago, Uruguay, and 18 private banks in the region. CAF serves the public and private sectors providing multiple financial services to a broad customer base comprised of shareholder countries, corporations and financial institutions. Its policies and operations incorporate social and environmental criteria. As a financial intermediary, CAF attracts resources from industrialized countries to Latin America, serves as a bridge between international capital markets and the region, and promotes investments and business opportunities. Enrique García is president and CEO of the Corporación Andina de Fomento (CAF).

**The Organization of American States (OAS)** is the world's oldest regional organization, dating back to the First International Conference of American States, held in 1890. The OAS Trade Unit was created in 1995 to assist the 34 OAS member countries with matters related to trade and economic integration and, in particular, with their efforts to establish a Free Trade Area of the Americas (FTAA). José Miguel Insulza is secretary general of the Organization of American States.

**The Inter-American Dialogue** is the premier center for policy analysis, exchange, and communication on issues in Western Hemisphere affairs. The Dialogue engages public and private leaders from across the Americas in efforts to develop and mobilize support for cooperative responses to key hemispheric problems and opportunities. Peter Hakim is president of the Inter-American Dialogue.

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