

Trade and Investment in the Americas



Corporación Andina de Fomento



XII Annual Conference

Corporación Andina de Fomento (CAF)

September 2009

Corporación Andina de Fomento:

XII Annual Conference on Trade and Investment in the Americas

September 10 and 11, 2008

Washington, DC

Contents

Foreword	iii
Rapporteur's Report on the XII Annual CAF Conference on Trade and Investment in the Americas	1
Annex I: Conference Agenda	23
Annex II: Profiles of Speakers	25

The contents of this report are for information purposes only and shall not be construed as statements made by Corporación Andina de Fomento (CAF), Inter-American Dialogue, or the Organization of American States (OAS). CAF, the Dialogue, and the OAS are not responsible for the information herein, which is derived from third parties. The views expressed are the responsibility of their authors only.

Foreword

We are pleased to report on the proceedings of last year's annual CAF Conference on Trade and Investment in the Americas. The conference, the 12th since 1997, brought together some 250 people on September 10 and 11, 2008, in Washington. Over two days, U.S. and Latin American government officials, Congress members and staff, leading policy analysts and journalists, and corporate and financial leaders engaged in lively, wide-ranging discussions about the Andean region and Western Hemisphere affairs.

Two issues dominated the discussion.

The first was the incipient global economic crisis, which was then beginning to affect the economies of Latin America and the Caribbean. Participants pointed to the impending damage from diminished trade, a slowdown in investment flows, and declining remittances. They also underscored the prospect for the deepening of poverty and inequality, and the potential political consequences of economic downturn. The good news was that Latin American nations seemed better prepared to withstand these external shocks than in the past, and they appeared to be successfully weathering the early days of the U.S. recession. Yet, broad concern was expressed that the impressive economic and social gains of recent years—in increasing growth rates, lowering deficits, curbing inflation, building the middle class, and reducing poverty and inequality—could be reversed.

Second, the conference focused on the U.S. election and how it might influence U.S. relations with Latin America. The Obama candidacy and what it implied for U.S. foreign policy, globally and regionally, was given special attention. U.S. Immigration reform and trade policy were highlighted, along with issues of energy, climate change, and security.



José Miguel Insulza, Enrique García, Peter Hakim

The conference also reviewed recent political changes in Latin America, including the policy discord among the region's countries, their increased assertiveness in international affairs, and the growing diversity of their international relations.

The annual CAF conference is jointly sponsored by the Corporación Andina de Fomento, the Inter-American Dialogue, and the Organization of American States. CAF President Enrique García has provided the conference with strong leadership and intellectual direction from its inception in 1997. We are also grateful to Peter Hakim, president of the Inter-American Dialogue, whose valuable efforts have helped make this initiative a reality, and to OAS Secretary General José Miguel Insulza, who has greatly enriched the conference with his commitment and leadership over the years.

Corporación Andina de Fomento

Inter-American Dialogue

**Corporación Andina de Fomento:
XII Annual Conference
on Trade and Investment in the Americas**

September 10 and 11, 2008
Washington, DC

“Latin America’s economies continue to grow and the region is making gains on several fronts, but the long-term outlook is mixed,” Inter-American Dialogue President **Peter Hakim** told participants at the opening of the 12th annual Corporación Andina de Fomento (CAF) Conference on Trade and Investment in the Americas.

Latin America’s response to the global economic downturn, renewed calls for trade agreements, the impact of rising food and fuel prices and new political developments, led by the U.S. presidential election, were among the wide-ranging issues addressed during the annual conference, which focuses on U.S.-Latin American relations as well as trends and developments affecting the region.

CAF, the Inter-American Dialogue and the Organization of American States (OAS) sponsored the September 10 to 11, 2008 gathering. The conference brought together some 250 people, including U.S. and Latin American government officials, international economists, lawmakers, policy analysts, journalists and corporate and financial leaders. The aim of the sustained collaboration is to demonstrate the importance of U.S. economic and political relations with the Andean region, and Latin America more broadly, and to bring a detailed review of hemispheric affairs to Washington officials and opinion leaders.

Picking up on Hakim’s opening remarks, CAF president **Enrique García** recited a list of the region’s gains—and losses—in the 12 years since the first conference was held. Democratic institutions have strengthened and advances have been made in rule of law. Regional integration, once a burning concern, has lost steam and the free trade push—from Mercosur to the Free Trade Area of the Americas—has waned. “Efficiency, equity and environmental issues” still need to be addressed, he said. U.S. influence in Latin America is diminished while the region sees an increased presence of China and Russia.

“**Regional
integration, once
a burning concern,
has lost steam.**”

—**Enrique García**



Food prices

have risen so much that some who left poverty last year may be going back.



—José Miguel Insulza

Latin American economies appeared to be weathering the early days of the U.S. credit crisis, conference attendees were told. Still, the region faces significant obstacles. Inflation is on the upswing. Crime remains a key challenge.

OAS President **José Miguel Insulza** added his own note of warning. While the region's poverty rates are declining, he said, "Prices of food have risen so much that some of the people who left poverty last year may be going back to poverty."

Against this backdrop, conference participants also speculated how the presidential election might change the U.S. relationship with Latin America and the Caribbean. Energy, climate change, and security were spotlighted as areas in which countries in the hemisphere could deepen their cooperation. Insulza noted that the immigration policies of the United States and Europe are also affecting countries in the region.

BUFFER AGAINST ECONOMIC DRAMA

Participants in an economic outlook panel moderated by **Miguel Castilla**, chief economist at CAF, applauded dramatic improvements in the management of Latin America's economies. Because of this, panelists said, the region is better positioned to mitigate the impact of the global economic downslide.

"I think we're in better shape to tackle what may come, but there are still concerns," Castilla said. "Certainly countries still have expansionary policies, and that may require adjustments later on. Central bank independence is being pressured in certain countries."

Brian O'Neill, the U.S. Department of Treasury's deputy assistant secretary for the Western Hemisphere, said Latin America must capitalize on its ongoing economic expansion, which has taken the form of four consecutive quarters of GDP growth exceeding 4 percent annually. "The region has lowered fiscal deficits, strengthened bank supervision and lowered investors' perception of the risk of investing in the region," he said. The region must convert those gains into a mechanism to protect it from the global economic downturn.

There are cracks in the economic armor: U.S. demand for goods from Latin America is down and exchange rates are rising behind commodity exports, O'Neill said. "Remittances have slowed to 7 percent growth after four years of 20 percent annual growth," he added.

He said Latin America and the Caribbean must look to balance growth and inflation, maximizing the former while keeping



Brian O'Neill, Hugo Beteta

the latter under control. He called for tight monetary policy. To move forward, he noted, the region needs greater private financing of infrastructure.

Another member of the panel, **Hugo Beteta**, secretary of the Inter-American Development Bank, noted that Latin America is only investing about 2 percent of GDP—half of what is needed—in infrastructure.

Beteta said the region's annual growth in 2008 is estimated at 5.3 percent, with projections falling to 4.8 percent for 2009. While this growth is below the more than 7 percent of 2007, it reflects an ongoing stability. Beteta expected inflation, already reaching double-digit percentages in Caribbean and Central American nations, to peak at the end of the year.

He was upbeat about trade, saying that rising logistics costs, in great part due to high fuel prices, will encourage production closer to its final destination. "Good infrastructure and timely delivery and logistics will be driving forces to increase trade opportunities in the region," Beteta said.

José Fajgenbaum, the IMF's deputy director for the Western Hemisphere Department, also characterized the economies of Latin America as less vulnerable than in the past. Still, he warned, the region remains closely connected to the global economy.

Fajgenbaum credited reform policies for improvements in the region's fiscal framework, for curbing inflation and for poverty-reduction strategies. "We think this framework is now being tested in the current global environment," he said.

Increased financial supervision and monetary policy focused on controlling inflation should be adopted, he said, while stable

“ Remittances have slowed to 7 percent growth after four years of 20 percent annual growth. ”

—Brian O'Neill

“**Good infrastructure and timely delivery and logistics will be driving forces to increase trade opportunities in the region.**”
—Hugo Beteta



José Fajgenbaum, Joyce Chang

exchange rates should be maintained and public spending slowed. Like many of the speakers at the CAF conference, he called for a counter-cyclical fiscal policy.

Latin America has learned from its past mistakes, but it will still be buffeted by global economic turmoil, said **Joyce Chang**, global head of Emerging Markets and Credit Research at JPMorgan Chase. She warned that 2009 will be “a tough year” and predicted that the corporate default rate in the United States will not peak until 2010.

“Decoupling is a myth. The global market is a single unit,” she said. “Latin America has enjoyed a current account deficit, but in some countries in Latin America it will feel like recession. ... We see more bubbles coming up in emerging markets, but they aren’t mostly going to be concentrated in Latin America.”

Chang predicted that growth in Latin America will slow to 4 percent in 2008, from 5.3 percent in 2007, and said the underperformers will be Chile, Ecuador and Mexico. She expected inflation to peak between the third and fourth quarters of 2008, adding that the subsequent decline would be slow.

She said China would play a key role in keeping the region afloat. Robust growth in China—a huge commodities market for Latin America—would cushion the region against the full force of external shocks.

SURGING FOOD AND FUEL PRICES

A discussion on rising food and fuel prices concluded that the cry of “crisis” may be premature, but individual countries are feeling early effects and safety nets for the region’s poorest residents

already may be needed. The panel was moderated by Mauricio Cárdenas, director of the Latin America Initiative of the Brookings Institution,

“Everyone is in a panic about food prices,” said **Francisco Ferreira**, lead economist in the World’s Bank’s Development Research Group. Although many consumers are negatively affected, he underscored the region’s bigger role as a net exporter of food and fuel. He said the impact of surging prices is not “nil,” but the effect of rising prices will be less dramatic than others predict.

Ferreira said “prices that rise fast also fall fast” and soon should stabilize. He called for calm, urging governments to harness their fiscal surpluses to mitigate negative impact. He told the audience that widespread farm extension services, extended credit for farmers and increased cash transfer plans would help. With the latter, he warned, care must be taken to make sure the benefits go to those who most need them.

He also said taxes on the wealthy may be helpful, provided they are part of a larger progressive tax structure. Otherwise, he cautioned, a pushback against taxation—as happened in Argentina—could be the negative consequence.

Ferreira warned against distortionary government subsidies even as **Nora Lustig** of the Elliot School of International Affairs at George Washington University predicted that governments will be tempted to interfere with market forces to protect the poor.

She said central banks could raise interest rates to combat inflation, and cash transfers could be increased to reduce the impact of poverty. Lustig pointed to the success Brazil and Mexico have had with cash transfers. However, she noted that the most vulnerable countries also have the weakest safety nets.

“The poorest countries, the net importers most likely affected by the U.S. economy, do not have the instruments to deal with rising poverty,” said Lustig, formerly with the United Nations Development Programme. In those countries, outside assistance will be needed, she added.



Nora Lustig

“**Robust growth in China could cushion the region against the full force of external shocks.**”

—Joyce Chang

“Prices that rise fast
also fall fast.”
—Francisco Ferreira



Nancy Birdsall, Mauricio Cárdenas

Nancy Birdsall, president of the Center for Global Development, agreed with Lustig’s conclusion that food prices will fall back to relatively higher levels in the long run. Birdsall said the spike in food and fuel prices should serve as a wakeup call for three players: rich nations, Latin American governments, and multilateral lending institutions.

She urged the United States and other wealthy countries to “stop doing harm” with their biofuel policies. Specifically, she called on the United States to reduce its tariffs on biofuel imports and to stop touting subsidized corn-based ethanol—which costs three times as much to produce as Brazil’s sugar ethanol and diverts agro-industry from food crops. She also criticized similar policies within the European Union.

Latin American governments, meanwhile, need to put more emphasis on counter-cyclical policies, she said. “Latin America should think more about automatic stabilizers. This is about food stamps and unemployment insurance. It’s about more than just cash transfers.”

Counter-cyclical mechanisms were another challenge she presented to multilateral development banks. “The trend has been for years that they lend into the boom and they’re not there during the downturn,” she said.

Another panelist, **Augusto de la Torre**, the World Bank’s chief economist for Latin America and the Caribbean, said too much emphasis is being placed on how rising prices are affecting consumption. Instead, he said, the focus should be on how the region’s export machine is strongly benefiting from price increases.

“Half the countries have gained,” he said. Those countries “contain about 90 percent of Latin America’s population and [account for] 90 percent of Latin America’s GDP.” Latin American trade as a whole has seen a 20 percent net gain over the past five years, he said.

He acknowledged that small and poor countries, especially those in Central America and the Caribbean, have seen their trade deteriorate about 15 percent and inflation rates jump.

De la Torre called on governments to proactively keep prices in check. Increased interest rates are one tool, he said, adding that Latin America has raised interest rates faster than other regions. Still, he noted, most countries—Brazil being the exception—are missing their inflation targets. And he cautioned that the monetary policy needed to fend off inflation is not the same in every country.

He also called upon multilateral institutions to provide policy advice and technical suggestions.

In fact, the region will be judged by how well its governments address the social impact of surging prices, according to **Thomas Shannon**, assistant secretary for Western Hemisphere affairs in the U.S. State Department. “It’s much more than an issue of economics. It’s an issue of governance and an issue of leadership.”

Shannon said it is important for developing countries to diversify their energy sources in order to buffer shocks from supply disruptions. At the same time, he advocated international collaboration on food security and the removal of trade-distorting measures. He said the 2009 Summit of the Americas presents a forum in which to discuss solutions.

“This is a region that has great agricultural and energy capabilities,” he said. “There is a capability here to build an inter-American conversation that no longer has a sharp distinction between the developed and the undeveloped.”



Thomas Shannon, John McCarter, Carla Hills

“**The U.S. should reduce tariffs on biofuel imports and stop touting subsidized corn-based ethanol.**”

—Nancy Birdsall

“Latin American trade as a whole has seen a 20 percent net gain over the past five years.”
—Augusto de la Torre



Gregory Meeks (D-NY), Christopher Cannon (R-UT), Jerry Weller (R-IL)

POLITICS, PRESIDENTS AND THE UNITED STATES

Latin American elections have sparked lively debate at past CAF conferences, but the U.S. presidential election dominated at the 2008 gathering. The second day of the conference opened with a review of the U.S. relationship with the region—and possible changes after a new president is inaugurated in January.

“We strongly believe hemispheric relations have to be strengthened. In the last few years, there is a feeling that the United States has been too far from Latin America,” CAF President García said in opening the discussion. “The relationship with the United States is crucial. It’s important to design a relationship that will be positive for the people of the region.”

Three U.S. congressmen identified key issues shaping U.S. affairs with Latin America and speculated on how the Democratic presidential hopeful, Barack Obama, and his Republican counterpart, John McCain, might approach the region. All three acknowledged that free-trade momentum had weakened but said they would push for a vote on pending pacts with Colombia and Panama before Congress adjourns. They also discussed immigration reform and U.S. aid to the region, chiefly the Mérida Initiative and Plan Colombia.

U.S. Representative **Gregory Meeks**, a New York Democrat, echoed the U.S. presidential candidates’ messages of change, predicting that they were not interested in change only on the domestic front but also in foreign policy. Outside the Americas, the United States has good relationships with countries that are not democracies or that do not share U.S. values.

“We have to do that with Latin America. Latin America is too important not to do that,” he said. “We have to look at the realities of various countries and we have to look collectively to help them. We have to strengthen this hemisphere.”

U.S. Representative **Christopher Cannon**, a Republican from Utah, predicted that a bipartisan immigration reform package would get Congressional attention, regardless of which political party wins the November election. “America is fouled up by [U.S.] immigration polices,” he said. “Solving immigration is one of the things that will happen under either president.”

Cannon also discussed how information technology, including free access to the Internet, could transform poor areas of Latin America.

The administration of George W. Bush was launched against a backdrop of great expectations, with Bush scheduling his first diplomatic meeting with then-Mexican president Vicente Fox rather than Canada’s prime minister, which is traditional. But following the September 11 terrorist attacks, Latin America fell to the back burner.

“The perception was that Latin America was not important. I believe that was not a correct perception,” said U.S. Representative **Jerry Weller**, a Republican from Illinois. “Our new president, whether Republican or Democrat, has a real opportunity. Not long after the election, the president has the opportunity to attend the Summit of the Americas. He also has the opportunity to outline what I believe should be a new partnership with Latin America.”

Weller said the next administration will need to focus on trade as a way to lift people out of poverty while working to build trade capacity and infrastructure in the region. He advocated greater private-sector participation in the effort. He added that the hemisphere needs new avenues of cooperation when it comes to security. And he discussed the U.S.-sponsored International Law Enforcement Academy, with branches in San Salvador and Lima, and called for greater professionalism among police forces throughout the region.

The liveliest Obama versus McCain discussion came in a back-and-forth presentation by strategists for each of the candidates.

Dan Restrepo, Obama’s senior policy advisor for the Western Hemisphere, predicted that his candidate would turn a spotlight back on the region, appointing a special envoy to Latin America—a post that was eliminated by the Bush administration.

Furthermore, Restrepo said, Obama will open dialogue with Latin American leaders, engaging in direct diplomacy with Venezuela and allowing family travel and remittances to Cuba.

“ **A bipartisan immigration reform package would get Congressional attention, regardless of which party wins the election.** ”

—**Christopher Cannon (R-UT)**

“The next administration will need to focus on trade as a way to lift people out of poverty while working to build trade capacity and infrastructure in the region.”
—Jerry Weller (R-II)



Dan Restrepo, Adolfo Franco, Enrique García

“As president, Barack Obama will understand that we need ... to engage again but by listening instead of talking,” Restrepo said. “We don’t view ourselves as the savior of the Americas. This is not something that is ours to fix. This is something that the United States has to work on in partnership.”

He said Obama has reservations about how trade is handled but is supportive of aid initiatives such as the Mérida Initiative. Working to reduce U.S. drug demand and related issues will be part of his aid strategy, he added.

“And Senator Obama will be a firm proponent of comprehensive immigration reform,” Restrepo said.

Adolfo Franco, advisor to the McCain campaign and former assistant administrator for Latin America and the Caribbean at the U.S. Agency for International Development, said the Republican presidential hopeful supports a free-trade pact with Colombia and has no intentions of reopening terms of the North American Free Trade Agreement with Canada and Mexico.

Like Restrepo, Franco predicted that a president from his party would build new cooperation in the region. For McCain, he said, that means focusing on leaders who share U.S. values.

“John McCain wants to send the right signal to our friends and the right signal to our adversaries,” Franco said. “We need to send the message to our allies that when you side on the side of democracy, the United States is going to be there. That’s all the more reason that Senator McCain will not engage with the government of Venezuela.”

Restrepo said the best thing the United States can do for flagging Caribbean economies is foster a robust economy of its own. He added that Obama is concerned about climate change and will bring Latin American stakeholders into a regional dialogue. “We need to get back to international engagement on these [global] issues and that engagement needs to include Latin America,” he said.

Franco, meanwhile, underscored the private sector’s role in expanding Latin American economies. “Ultimately, the growth of the economy, the growth of the market, is going to be done by the private sector,” he said.

ENERGY CHALLENGES

Latin America is both an importer and an exporter of energy, creating a contradictory landscape at a time when energy prices are high. “Perhaps there is not a subject that deserves more attention in Latin America,” said **Genaro Arriagada**, former minister of the presidency in Chile and moderator of the energy discussion.

Net importer countries, led by those in Central America and the Caribbean, are struggling against rising energy prices while energy-producing countries, led by Venezuela, Brazil and Mexico, are benefiting from high fuel prices. During their expansive discussion, panelists also expressed disappointment that energy has not emerged as a driver for regional integration.

Paul Isbell, director of the energy program at Elcano Royal Institute for International and Strategic Studies and a senior fellow at the Inter-American Dialogue, said net exporters must come up with an energy policy that optimizes their reserves and output while balancing the demand for income to sustain development in their countries. At the same time, consumer countries must mitigate the threat to growth that rising energy prices pose.

He said these goals are made more challenging because of two central phenomena. The first is a renewed wave of nationalism that has politicized energy, especially in the Andean region. “It’s not useful to maintain a claim that the recent wave of energy nationalism is a disaster for everyone,” he said, “but it does complicate discussion.”

Isbell said the second phenomenon is climate change. He said there is an overemphasis on energy supplies when independence from fossil fuels is the more critical concern.

Several members of the panel addressed the drawbacks of state ownership of energy companies in Latin America. **Jeffrey Davidow**,

““ **The best thing the United States can do for flagging Caribbean economies is foster a robust economy of its own.** ””

—**Adolfo Franco**

“There is an overemphasis on energy supplies when independence from fossil fuels is the more critical concern.”

—Paul Isbell



Joel Velasco, Genaro Arriagada, Jeffrey Davidow

president of the Institute of the Americas and former U.S. ambassador to Mexico and Venezuela, said that penchant diminishes both the productivity of the companies and their appeal to investors.

“There is nothing inherently wrong with state ownership, [but] ... Latin American countries don’t really have the capacity and discipline to do it,” he said. He described Latin American energy companies as sitting along a continuum—from those like Brazil that are most open to outside investment and efficient management and those like Ecuador that are closed to it.

“Because the oil company belongs to the state, the government ... can order the national oil company to do many things that are not part of its core task,” he said. He pointed to Venezuela, where state oil company PDVSA has been placed in charge of preparing the country’s next Olympics team.

Energy companies in Bolivia, Ecuador, Argentina, and Mexico earned criticism for failing to open to outside investment. Furthermore, when energy nationalism is combined with political populism, Davidow said, domestic energy consumption tends to rise. He said consumer subsidies are usually the reason and the economic effect of the practice.

Although the panelists were generally discouraged by state ownership of energy, there was one unanimous exception. Brazil’s Petrobras was roundly lauded for diversifying its portfolio, for its transparency, for its appeal to private sector investors, and for managing energy exploration and exploitation in an efficient way.

“Ten years ago, two-thirds of imports from South America were for Brazil. Today the country produces the same amount of gas and oil that it consumes,” said moderator Arriagada, who is a for-

mer ambassador to the United States from Chile. “In 2015, they will be producing 3.5 million barrels a day.”

Joel Velasco, the Brazilian Sugar Cane Industry Association’s chief representative in North America, said Brazil is not looking at energy challenges but rather at energy opportunities. He called South America’s largest country a model for how diversification can lead to energy independence.

Velasco said 80 percent of Brazil’s energy comes from hydroelectric power even as oil production—including offshore drilling—has increased and a vibrant biofuel industry has become entrenched.

“About 45 percent of Brazil’s energy matrix has been renewable, because of hydroelectric power, but now 16 percent of all energy in Brazil comes from biofuels,” Velasco said. “And about 3 percent of the electrical energy comes from burning [sugar cane] bagasse.

“By 2016, about 10 percent will come from co-generation from the biofuel industry,” he continued. “Not only can you use sugar cane to produce sugar and to produce a fuel like ethanol to displace gas, but you can also use it to produce energy for your homes, for your businesses.”

In dissecting the elements of a successful biofuel industry, he noted that prices must stay below those of gasoline, and the infrastructure—including gas stations with biofuel pumps—must be put in place. He said U.S. ethanol prices are too close to those of gasoline, wiping out any consumer incentive to make the switch.

Velasco said Brazil’s pioneering success with biofuel comes from the country’s willingness to continue taking risks and making investment; Brazil currently is experimenting with producing diesel and jet fuel from sugar cane. He predicted that other Latin American countries, such as El Salvador, could also produce ethanol in a significant way if markets were available.

FIFTH SUMMIT OF THE AMERICAS

The 2009 Summit of the Americas was mentioned throughout the CAF conference, but a dedicated panel took an in-depth look at the goals—and potential pitfalls—of the April 17 to 19 gathering in Trinidad and Tobago. Panelists noted that this summit will unfold against a fast-changing economic and political backdrop.

Conference organizers suggested that the Fifth Summit of the Americas would be the ideal place for the new U.S. president to begin building relationships with Latin America’s leaders. The sum-

“Ten years ago, two-thirds of imports from South America were for Brazil. Today the country produces the same amount of gas and oil that it consumes.”

—Genaro Arriagada

“Summits have been criticized for their political dueling, overly ambitious agendas, and mandates that were never fulfilled.”

mit’s theme is “Securing our Citizens’ Future by Promoting Human Prosperity, Energy Security and Environmental Sustainability.”

The Port of Spain gathering comes 15 years after the first summit was launched in Miami. The summits in between often have been criticized for their political dueling, overly ambitious agendas, and mandates that were never fulfilled. The last Summit of the Americas, in Mar del Plata in 2005, was dominated by a Free Trade Areas of the Americas (FTAA) discussion that fell apart amid disagreements over U.S. farm supports and subsidies. The FTAA never became a reality.

The summit in Argentina also saw dramatic public protests in opposition to the participation of U.S. President George W. Bush.

“The last summit was tough,” said CAF president Enrique Garcia, who helped moderate the panel. “How do you rebuild trust in the region and how do you rebuild the ability to have an agenda that responds to what’s going on today?”

Luis Alberto Rodríguez, coordinator of the Fifth Summit of the Americas, said that exhaustive preliminary work is being done to guarantee that relevant issues are addressed. He also said care is being taken to ensure that the summit carries goals that are attainable. He said his country took on the job of hosting the summit because of its “strong conviction in the value of multilateral cooperation to build a stronger Americas” and the belief that an energized agenda could be hammered out.

Rodríguez expressed optimism that the summit would take the region toward peace, prosperity and transparency while defining the



Luis Alberto Rodríguez, Luis Alberto Moreno



Pamela Cox, Enrique García

Americas' place in the world order. He predicted that the encounter could be marked by a radical departure from the past.

"The challenges facing our region are widely acknowledged. Poverty, inequality and marginal existence have become the bane for many ... compounded by high food and energy prices and climate change," he said. "We will not overcome these challenges by taking a business-as-usual approach. The emphasis must shift from competing interests to fostering shared interests."

Rodríguez said there would be stronger follow-up with government ministries and multilateral institutions to ensure that goals are met. He cautioned that governments will need to build more lasting partnerships with non-governmental organizations, civil society and the private sector to meet those goals.

In response to complaints that the summits have resulted in 649 mandates over the years—many of them unfulfilled—Trinidad has proposed a tight 25-mandate limit.

"The focus on a few more selective issues is much better," said **Pamela Cox**, the World Bank's vice president for the Latin American and Caribbean region. She said the agenda should concentrate on areas where collective action is important. And she advocated "sub-grouping" agenda items so that certain issues are discussed among the subsets of countries affected.

"Environmental sustainability/climate change and energy security ... individual country programs are not going to be able to cope with either of these two problems [alone]," Cox said, calling for collaboration. She said this will be especially important with climate

“ Summits have resulted in 649 mandates over the years—many of them unfulfilled—Trinidad has proposed a tight 25-mandate limit. ”

—Luis Alberto Rodríguez

“Latin America contributes only 6 percent of the planet’s greenhouse gases but it disproportionately suffers the effects of global warming.”
—Pamela Cox

change. Latin America contributes only 6 percent of the planet’s greenhouse gases but it disproportionately suffers the effects of global warming, including hurricanes in the Caribbean, shrinking glaciers in Antarctica, and the bleaching of coral in fishing areas.

Cox said the World Bank has been doing extensive research on the cost of climate change in the region, adding that technical assistance may be an important contribution multilaterals can make at the summit.

“I think the tone should be where it all started in Miami in 1994,” said IDB President Moreno. “There were a number of things that did happen out of the Miami process that were good. There have been a lot of social policies that have been experimental and are truly innovative. We need that level of ambition as we think out the process.”

To be successful, said OAS Secretary General Insulza, the summit will need to deliver political results while avoiding divisive disagreements. He agreed that the agenda should focus on issues that have attainable results.

“I don’t think we can have a summit on immigration [for example],” he said. “We have to find issues that are hemispheric and achievable and on which there is some consensus.”

Trinidad and Tobago has proposed that a Summit of the Americas be held every three years from now on. But Insulza advocated two-year intervals between summits, especially if the meetings were scheduled around IDB or other meetings. He also said that the OAS could play a stronger role in “making the summit a real part of the inter-American system” as well as in overseeing whether mandates are being met.

POLITICAL DEVELOPMENTS: THE ANDES

Traditionally, the Andes region receives particular scrutiny during CAF conferences and the 2008 meeting was no exception. Five panelists came together to discuss political developments in the region, which has seen populism grow while democratic processes register new twists.

Moderator **Ana Mercedes Botero**, who heads CAF’s Office of External Relations, said politics in the region are complex, as are relationships among countries. She said the management styles are resulting in strong executive power and weak political parties.

Carlos Camargo, Bolivia coordinator of the Democratic Strengthening Program within the United Nations Development

Programme, agreed that the political scene is undergoing important changes. He said the region's past inability to provide a social safety net, especially during times of growth, has previously disenfranchised groups clamoring for inclusion in the political process. Campesinos and indigenous people are not only seeking greater political participation but they want to be involved in the execution of power.

This is happening as confidence in the traditional political party system has weakened, opening the door to new and unconventional representation, he added.

"There has been a loss of respect for [traditional] political parties and the political process in Bolivia, Ecuador and Peru," Camargo said. "There has been growth of non-traditional political parties and movements. This is a new and dependable form of representation and it is sustainable."

He said a dearth of national integration helped fuel the transformation.

As this has unfolded, the Andean countries have failed to develop any effective regional dialogue, Camargo added.

Rafael Pardo, former senator and defense minister of Colombia, echoed Botero's words, adding that a preoccupation with the personalities of Andean leaders has overshadowed more useful analysis of their countries' gains and losses—and the similarities found in leaders on either end of the political spectrum.

He listed common characteristics among the Andean nations. They include the personalization of power and the concentration of power in the hands of the president; the adoption of programs

“Campesinos and indigenous people are not only seeking greater political participation but they want to be involved in the execution of power.”

—Carlos Camargo



Rafael Pardo, César Montúfar

“Nationalism is being used as a theme to fortify the presidency.”
—Rafael Pardo

such as conditional cash transfers; the government's active role in the economy; the use of media to create a direct relationship between the chief executive and voters; and the resurgence of nationalism as a mechanism to strengthen the presidency.

Although leftist and populist leaders like Venezuelan president Hugo Chávez and Bolivian president Evo Morales are grabbing attention, Pardo said presidents like Colombia's Álvaro Uribe are employing the same strategies, including conditional transfers of subsidies, *caudillismo*, and the use of media—especially television.

“In Ecuador, referenda are used to validate the constitution. In Colombia, they are used to extend Uribe's mandate,” he said. “Nationalism is being used as a theme to fortify the presidency.”

Political victories for candidates like Chávez, Morales and Ecuador's Rafael Correa represent “a replacement of class elites,” according to **César Montúfar**, director of the Centro Andino de Estudios Internacionales in Quito. He said some experts theorize that such political changes only will last as long as energy prices remain high, but he believes the trend is irreversible.

“The good news is that there was no blood and no fight. It happened through electoral processes,” Montúfar said. He said the new leaders have installed a type of democracy with more direct citizen participation. But it also put disproportionate power in the hands of the executive branch, including control of the nations' natural resources. Traditional political players, including labor, have been “neutralized,” he added.

Using Ecuador as an example, he said the new constitution gives Ecuador's president the greatest concentration of power of any elected leader in Latin America and it does so without checks and balances. He noted that this is achieved, in part, by giving the executive branch of government control over strategic sectors of the economy, including energy.

“The most profound change has been the creation of a new democratic model: direct democracy,” Montúfar said. “The consequence of this change is that the system is no longer pluralist. There is a single dominant party and civil society is neutralized.”

Diego García-Sayan, a judge and vice president of the Inter-American Court of Human Rights, said there was an exception to transformation affecting the Andes nations: Peru, where economic indicators are much stronger than in neighboring countries.

Peruvian courts took action against the head of the Sendero Luminoso terrorist organization as well as against former President

Alberto Fujimori, something that would never have happened in other countries, García-Sayan said. Peru's economy is posting impressive GDP growth, poverty is declining, jobs are being created and political coalitions have been forged within the minority Congress. Still, the government is dangerously unpopular. Polls show President Alan García with support of just 24 percent of voters, and the tally drops as low as 4 percent in some rural areas.

"Social exclusion and poverty remain a reason. The benefits of economic growth are not reaching all people," said García-Sayan. "Inflation is one of the reasons."

"But there is also great social conflict, half of which has to do with environmental problems linked to mining and forestry industries," he continued. He said this results from foreign investment. At the same time, decentralization has put local and regional governments in conflict with one another, according to García-Sayan.

Ana María Sanjuán, director of the Peace and Human Rights Center (Centro para la Paz y los Derechos Humanos) at the Universidad Central de Venezuela, said her country is experiencing something unprecedented in Latin America: the development of a revolutionary process within a liberal framework—and with enough money to institutionalize changes.

She said while there is great tension between proponents of the revolution and those of the opposition, polls find that 80 percent of Venezuelans are happy with their personal situations and 53 percent are happy with their government.

“ The most profound change has been the creation of a new democratic model: direct democracy. ”

—César Montúfar



Diego García-Sayán, Ana María Sanjuán

“Eighty percent of Venezuelans are happy with their personal situations and 53 percent are happy with their government.”
—Ana María Sanjuán

“There is strong support for the Chávez coalition because of its social inclusion,” said Sanjuán. “Democracy is more important at a personal, individual level than at a legal level.”

As far as Venezuela’s international policy, there is a struggle between politics and pragmatism, she added.

“There are attempts to rebuild ties with Colombia. Venezuela is trying to develop an energetic strategy with Brazil and Argentina. And in the extra-regional area, there is also a relationship with China and one with Russia as a provider of weaponry,” she said

In Venezuela and Ecuador, meanwhile, other panelists said the military has stepped away from a political role and is, instead, taking an economic role. Ecuador’s navy, for example, also runs the oil industry.

There seemed to be consensus that Brazil, behind President Luiz Inácio Lula da Silva, could play a leadership role, bringing the Andean countries into closer cooperation. Sanjuán took some exception, saying that Brazil “has some influence in some regional dramas, but not in all.”

THE POLITICS OF LATIN AMERICAN RELATIONS

It’s difficult to be optimistic about Latin American integration, panelists of the final CAF presentation said. But the region is not single-mindedly headed in one political direction.

“Despite what press reports tend to portray ... diversity is clearly the name of the game,” said **Heraldo Muñoz**, Chile’s ambassador to the United Nations and a former cabinet member in the government of President Ricardo Lagos. “Calderón, Correa, Arias, Bachelet, Lula in Brazil, Alan García ... this is as diverse as you can have, with left, center and conservative moderates of all stripes.”

He said the region has never been politically homogeneous although, even with the current diversity, there are many common challenges. For example, while inflation is starting to rise, hyperinflation seems a remnant of the past, said Muñoz, who is also a former ambassador to the OAS. Migration is affecting countries across the region.

The countries with the deepest ties to the United States—notably Mexico, Central America and the Caribbean—are more acutely feeling the effects of the U.S. economic downturn than the South American nations that have more distant U.S. relationships. Overall, however, the United States is largely absent from the region and that is a poor position for the United States to take, according to Muñoz.



Heraldo Muñoz, Michael Shifter

“We have shared values in democracy. Latin America does not represent a terrorist threat. In fact, the United State has less trouble from Latin America than from any other region, except Europe,” he said.

Muñoz said there is no expectation that a new U.S. administration will immediately rectify problems around immigration, trade deals, and agricultural subsidies. But he said a new era of interaction could begin.

Roy Chaderton Matos, Venezuela’s permanent representative to the OAS, struck out at the U.S. criticism of governments in the region, especially Venezuela.

“Nowadays elections are more participatory, more transparent and freer than ever ... but the results are not that welcome when the winners have been classified as villains,” he said. “Insofar as elections are concerned, any winner ... is welcome by traditional powers as long as it comes from the right.

“By the same token, everyone in the neighborhood seems to be fond of the word ‘change’ unless that change takes places in Latin America.”

Chaderton Matos, who also served as foreign minister in Venezuela and as an ambassador to several countries, said “progressive democracy” has come to the region in a peaceful manner and has brought important and profound social changes.

“On our continent, as it should be, people are deciding their own destiny,” he continued.

“There is no expectation that a new U.S. administration will immediately rectify problems around immigration, trade deals, and agricultural subsidies.”

—Heraldo Muñoz

“Everyone in the neighborhood seems to be fond of the word ‘change’ unless that change takes places in Latin America.”
—Roy Chaderton Matos

Adam Isacson, director of programs at the Center for International Policy, reminded conference participants that Latin America has passed just one generation since most countries were under dictatorships, most often military dictatorship. And now, not only are they democratic but they are seeing governments formed by candidates who are not from the elite classes.

Still, he said: “You’ve got a lot of situations where institutional strength is in question, personalism is on the rise, internal checks and balances of power are being threatened.”

He said U.S. influence in the region has declined and when that happens, “there’s always the question of who is going to replace it.” He dismissed the suggestion that Venezuela would emerge as the region’s leader, saying it is simply not a big enough nation. He also discarded the idea that Russia or China would try to fill the vacuum.

“One country that is likely to benefit from a vacuum of power is Brazil,” he said.

Echoing what panelists said throughout the one-and-a-half-day conference, Isacson said the main prescription to treat the region’s weaknesses seems to be trade.

Corporación Andina de Fomento (CAF)

XII Annual Conference on Trade and Investment in the Americas

September 10 and 11, 2008 • Washington, DC

Carnegie Endowment for International Peace
1779 Massachusetts Avenue, NW

AGENDA

Wednesday, September 10

2:00 – 2:15 p.m. *Welcome and Opening Remarks*

Enrique García, *President, Corporación Andina de Fomento (CAF)*

Peter Hakim, *President, Inter-American Dialogue*

José Miguel Insulza, *Secretary General, Organization of American States*

2:15 – 4:00 p.m. *The Region's Economic Outlook*

Moderator: Miguel Castilla, *Chief Economist, Corporación Andina de Fomento*

Brian O'Neill, *Deputy Assistant Secretary for the Western Hemisphere, U.S. Department of the Treasury*

Hugo Beteta, *Secretary, Inter-American Development Bank*

José Fajgenbaum, *Deputy Director, Western Hemisphere Department, International Monetary Fund*

Joyce Chang, *Global Head of Emerging Markets and Credit Research, JP Morgan Chase & Co.*

4:15 – 6:00 p.m. *The Impact of Surging Food and Energy Prices on Latin America's Social Agenda*

Moderator: Mauricio Cárdenas, *Director, Latin America Initiative, Brookings Institution*

Thomas Shannon, *Assistant Secretary, Western Hemisphere Affairs, U.S. Department of State*

Nora Lustig, *Visiting Professor, Elliot School of International Affairs, George Washington University*

Nancy Birdsall, *President, Center for Global Development*

Francisco Ferreira, *Lead Economist, Development Research Group, World Bank*

Augusto de la Torre, *Chief Economist for Latin America and the Caribbean, World Bank*

Thursday, September 11

8:30 – 10:45 a.m. *U.S. Politics*

Moderators: Peter Hakim, *President, Inter-American Dialogue* and **Enrique García**, *President, Corporación Andina de Fomento (CAF)*

8:30 – 9:45 a.m. Panel I

Gregory Meeks, *U.S. Representative (D-NY)*
Christopher Cannon, *U.S. Representative (R-UT)*
Robert Menéndez, *U.S. Senator (D-NJ)*
Jerry Weller, *U.S. Representative (R-IL)*

9:45 – 10:45 a.m. Panel II

Dan Restrepo, *Senior Policy Advisor for the Western Hemisphere, Obama Campaign*
Adolfo Franco, *Advisor to the McCain Campaign*

11:00 a.m. – 12:45 p.m. Energy Challenges

Moderator: Genaro Arriagada, *Former Minister of the Presidency, Chile*
Jeffrey Davidow, *President, Institute of the Americas*
Joel Velasco, *Chief Representative in North America, Brazilian Sugar Cane Industry Association (UNICA)*
Paul Isbell, *Director of the Energy Program, Elcano Royal Institute for International and Strategic Studies*

12:45 – 3:00 p.m. Working Luncheon: The Upcoming 2009 Summit of the Americas

Moderators: Peter Hakim, *President, Inter-American Dialogue* and **Enrique García**, *President, Corporación Andina de Fomento (CAF)*
José Miguel Insulza, *Secretary General, Organization of American States*
Luis Alberto Rodríguez, *National Summit Coordinator and Special Envoy for the Americas, National Secretariat for the V Summit of the Americas, Trinidad and Tobago*
Luis Alberto Moreno, *President, Inter-American Development Bank*
Pamela Cox, *Vice President, Latin American and Caribbean Region, World Bank*

3:15 – 4:45 p.m. Political Developments in the Andean Region

Moderator: Ana Mercedes Botero, *Head of the Office of External Relations, Corporación Andina de Fomento (CAF)*
Ana María Sanjuán, *Director, Centro para la Paz y los Derechos Humanos, Universidad Central de Venezuela*
César Montúfar, *Director, Centro Andino de Estudios Internacionales*
Carlos Camargo, *Coordinator, Democratic Strengthening Program, United Nations Development Programme, Bolivia*
Diego García-Sayan, *Judge and Vice President, Inter-American Court of Human Rights*
Rafael Pardo, *Former Senator and Defense Minister of Colombia*

4:45 – 6:15 p.m. The Politics of Latin American Relations

Moderator: Michael Shifter, *Vice President for Policy, Inter-American Dialogue*
Heraldo Muñoz, *Ambassador of Chile to the United Nations*
Roy Chaderton Matos, *Permanent Representative, Venezuelan Mission to the OAS*
Adam Isacson, *Director of Programs, Center for International Policy*

6:15 – 7:00 p.m. Closing Reception

Corporación Andina de Fomento (CAF)

XII Annual Conference on Trade and Investment in the Americas

September 10 and 11, 2008
Washington, DC

PROFILES OF SPEAKERS

Genaro Arriagada served as minister of the presidency of Chile and ambassador to the United States.

Hugo Beteta was secretary of the Inter-American Development Bank. He served as minister of finance of Guatemala.

Nancy Birdsall is president of the Center for Global Development.

Ana Mercedes Botero was head of the Office for External Relations at the *Corporación Andina de Fomento* (CAF).

Carlos Camargo is coordinator for the Democratic Strengthening Program at the United Nations Development Programme in Bolivia.

Christopher Cannon is a member of the U.S. House of Representatives (R-UT). He serves on the Judiciary Committee.

Mauricio Cárdenas is director of the Latin American Initiative at the Brookings Institution. He was minister of economic development of Colombia.

Miguel Castilla was chief economist of the *Corporación Andina de Fomento* (CAF).

Roy Chaderton Matos is permanent representative of the Venezuelan Mission to the OAS. He was foreign minister of Venezuela.

Joyce Chang is managing director and head of the Global Emerging Markets and Global Credit research groups at JPMorgan.

Pamela Cox is vice president for the Latin American and Caribbean region at the World Bank.

Jeff Davidow is president of the Institute of the Americas. He was U.S. ambassador to Mexico and Venezuela and served as assistant secretary of state for Western Hemisphere affairs.

Augusto de la Torre is chief economist for the Latin America and the Caribbean region at the World Bank.

José Fajgenbaum is deputy director of the Western Hemisphere Department at the International Monetary Fund.

Francisco Ferreira is lead economist of the Development Research Group at the World Bank.

Adolfo Franco was an advisor to the McCain Campaign. He served as assistant administrator for Latin America and the Caribbean for the U.S. Agency for International Development.

Enrique García is president of the *Corporación Andina de Fomento* (CAF).

Diego García-Sayan is judge and vice president of the Inter-American Court of Human Rights. He was minister of justice and minister of foreign affairs of Peru.

Peter Hakim is president of the Inter-American Dialogue.

José Miguel Insulza is secretary general of the Organization of American States (OAS). He served as minister of foreign affairs and minister of the interior of Chile.

Adam Isacson is director of programs at the Center for International Policy.

Paul Isbell is director of the Energy Program at the Elcano Royal Institute in Madrid. He is visiting senior fellow at the Inter-American Dialogue and the Center for Strategic and International Studies (CSIS).

Nita Lowey is a member of the U.S. House of Representatives (D-NY). She chairs the Subcommittee on State, Foreign Operations, and Related Programs of the Committee on Appropriations.

Nora Lustig was J.B. and Maurice C. Shapiro visiting professor at the Elliot School of International Affairs of George Washington University.

Gregory Meeks is a member of the U.S. House of Representatives (D-NY). He serves on the Subcommittee on the Western Hemisphere of the Foreign Affairs Committee and on the Financial Services Committee.

Robert Menéndez is a United States senator (D-NJ). He serves on the Committees on Foreign Relations, Banking, and Energy and Natural Resources.

César Montúfar is director of the *Centro Andino de Estudios Internacionales* in Quito, Ecuador.

Luis Alberto Moreno is president of the Inter-American Development Bank.

Heraldo Muñoz is permanent representative of Chile to the United Nations. He was minister secretary general of the government of Chile.

Brian O'Neill was deputy assistant secretary for the Western Hemisphere at the U.S. Department of the Treasury.

Rafael Pardo served as senator for the Liberal Party of Colombia and minister of defense.

Dan Restrepo was a senior policy advisor for the Western Hemisphere for the Obama Campaign.

Luis Alberto Rodríguez was national summit coordinator and special envoy for the Americas at the National Secretariat for the V Summit of the Americas in Trinidad and Tobago.

Ana María Sanjuán is professor of political science and director of the Center for Peace and Human Rights at the Universidad Central of Venezuela.

Thomas Shannon is assistant secretary for Western Hemisphere affairs at the U.S. Department of State.

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

Joel Velasco is chief representative in North America for the Brazilian Sugarcane Industry Association (UNICA).

Jerry Weller was a member of the U.S. House of Representatives (R-IL). He served on the Committee on Ways and Means.

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 Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Jamaica, Mexico, Panama, Paraguay, Peru, Spain, Trinidad & Tobago, Venezuela, and 14 private banks within 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.

To order copies of this publication please contact:

Inter-American Dialogue
1211 Connecticut Avenue, NW
Suite 510
Washington, DC 20036

Tel: 202-822-9002

Fax: 202-822-9553

Email: iad@thedialogue.org

Website: www.thedialogue.org