

## NO MORE MESSIAHS?

Latin America, free trade and the integration landscape



By Peter Orne

**T**hey attack the free-market driven reforms of the past decade, excoriate the IMF and rail at the continuing poverty and inequality of tens of millions of Latin Americans, sometimes with an intensity that might earn a nod from Subcomandante Marcos, the leader of Mexico's Zapatista rebels. When their left-leaning liturgies are especially potent, masses of supporters take to the streets.

A labor leader in Brazil, a paratrooper in Venezuela, an army colonel in Ecuador, a coca farmer in Bolivia—in power or in opposition, messiah-styled leaders are revisiting Latin America, reigniting the populism that has been a part of the region's political landscape for 80 years now.



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A Free Trade Area of the Americas report

## Brazil ambassador, USTR differ on timetable

ATLANTA, Georgia, Feb. 7, 2003—In an address to two dozen Latin American newspaper editors and distinguished guests meeting at the Metro Atlanta Chamber of Commerce, Brazil's ambassador to the United States, Rubens Barbosa, called US moves in 2002 to broker bilateral deals within the Free Trade Area of the Americas agreement a "difficult point in the negotiations" that could slow the major trade agreement's completion by 2005.

"Brazil has been always accused of drag-

ging its feet, of being reluctant on the negotiations. I dare to say it's not Brazil who is making difficult these negotiations," Ambassador Barbosa told Central and South American editors and members of the US financial, academic and business community meeting in Atlanta. "We want to negotiate a real free-trade agreement, not a semi-free-trade agreement. We want to have fair trade. We want to have fair rules in the WTO, in the FTAA, rules that are not turned against us for protectionist reasons

by companies or by governments."

Brazil and the United States were selected as co-chairs during the two-year home stretch of the 34-nation FTAA negotiation process, which began in 1994 and is scheduled to be completed in 2005.

In separate remarks, US Deputy Assistant Trade Representative Bennett Harman said prospects for the FTAA are "good—the FTAA is on track" and called the co-chairmanship between Brazil and the United States "a brilliant move. It ensures that there is a certain ownership of the process by the two major players. And we're off to a great start in that cooperation."

But co-piloting the negotiations doesn't mean the United States and Brazil will agree on progress and terms. The biggest sticking point for Brazil is the bilateral negotiations the United States began negotiating in 2002 on market access for goods. Mr. Harman said the United States is taking into account the size and the level of development of individual countries or groups of countries, from Central America to the Andean trading group. These bilateral agreements within FTAA have been coupled with reforms, investments, and changes in institutional structure to "enhance rule of law, investor certainty, and transparency of process and to reduce opportunities for corruption," Mr. Harman said. "If you look at the US-Chile agreement, it gives you, I think, a sense, that the US is prepared to negotiate an ambitious and comprehensive trade agreement."

But Ambassador Barbosa said a similar agreement would be unacceptable to Brazil and its regional trade-bloc partners Argentina, Paraguay and Uruguay. "Mercosur is against this," the ambassador said. "We have already said in public that if the benchmarks and precedents are included, Brazil will have a very difficult situation, because of the difference in the size of the country.... We have many other interests in this whole exercise."

At the same time, both Ambassador Barbosa and Mr. Harman said the positions of the other's country in the FTAA negotiations is understandable. "That's to be expected," Mr. Harman said, "and we welcome Brazil strongly defending its interests in the negotiations. We would expect them to. President Lula has been quite clear that he is committed to the FTAA. He wants to negotiate a good deal for Brazil."

Ambassador Barbosa said disagreements over free-trade negotiations do not suggest a strain in US-Brazil relations. "After four years in Washington, one thing I learned is that, especially in South America, when countries do not agree with the United States, they are seen as against the United States. This is not the case. The fact that you don't agree with the United States doesn't imply that you are against the United States. We are working together. We want to work together. We want to have this free-trade area, but we have different positions, and this is normal." ☉



Amb. Rubens Barbosa: "We want to have fair rules...that are not turned against us for protectionist reasons."



Dep. Asst. US Trade Rep. Bennett Harman: "We welcome Brazil strongly defending its interest in the negotiations."

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In February, World Times hosted two dozen senior Latin American newspaper editors in Atlanta to examine the issues that most concern them. Their conclusion: National and local priorities aren't always represented in the Western news services, and there's a need for more in-depth coverage to meet the information needs of readers.

Globalization, for example, has increased demand for analyses on economic integration, worker migration and fast-changing political landscapes, in addition to new insights on the chronic ills of poverty, violence, corruption, weak institutions and social inequality. Neighboring nations must compare notes to develop common policies as they take advantage of the global economy and integrate into the larger world community.

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Sincerely,

Axel Leblois  
Publisher

This *WorldPaper* White Paper is part of an ongoing series of region-based International Inquiries.

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# Latin American leaders bank on old and new dreams

NO MORE MESSIAHS?  
*Continued from the cover*

Notorious among them is President Hugo Chávez Frias, at the center of tensions pitting Venezuela's poor, who support him, against its business class, who want him out. This August, Chávez faces a revocatory referendum halfway through his elected term, but the result, which is expected to be contested by the losing side, could mount a fatal challenge to Venezuela's democracy.

In Bolivia, Evo Morales, the leader of the coca farmers from the Chapare region of Cochabamba and a runner-up in last year's elections, threatens President Gonzalo Sanchez de Lozada, who escaped a brief shoot-out near his office in February shortly after introducing an IMF-backed payroll tax. If Morales takes power, he promises to renationalize former state companies, raise trade barriers and legalize widespread coca growing. He has exploited deepening racial divisions for political gain, potentially preparing the way for modern Latin America's first Indian government.

"Even though most educated Bolivians probably know that Morales's plan is old-time populism, many voted for him out of sheer desperation," says Felix Rioja, a Bolivia-born economist at Georgia State University. "Other malcontent groups have joined with Morales in the opposition."

The political alternatives offered by Chávez and Morales are sweeping and their populist support is undeniable, but their revolutionary approaches feed off the discontents of the globalization era and present the specter of future chaos, all of which is anathema to foreign sources of investment capital.

Is there a middle ground between the Latin American street and the forces of the global economy? Is there room for leaders to emerge with populist or messiah appeal who won't tip the ship of state? Between Venezuela to the north and Bolivia to the south, all eyes are on Brazil, where 180 million people in the hemisphere's second-largest economy are testing a possible answer.

"Is Lula a threat, or is he a benediction for Brazil?" asks Daniel Samper, *The WorldPaper's* associate editor for Western Europe and a journalist in Spain and Colombia. "Not only that, what does he mean for Latin America? Lula is not a messiah, but I would say that around Latin America there are more people who are optimistic about his election than there are

those who are pessimistic." (See p. 13.)

Luiz Inácio Lula da Silva, a former labor leader born a peasant, became president of Brazil last October in a popular upsurge at the polls. After his election, however, he surprised both critics and supporters with measured steps to maintain his predecessor's macroeconomic policies.

Both Lula da Silva and Ecuador's new populist president Lucio Gutiérrez, a former army colonel sworn in this January,



nous people should be solidified. It's a true revolution because the upper classes are not ruling anymore."

Peru's Felipe Ortiz de Zevallos, editor-in-chief of Apoyo Group, views Lula as a "landmark, a very important figure to have in this central-left position, as a true representation of the poor. In Peru, we have a tradition of believing in miracles. Every year, in October, a million people parade for an entire week all over the city. Everyone pays homage. But globalization has



**Is there room for Latin American leaders with populist appeal who won't tip the ship of state? Presidents Lucio Gutiérrez of Ecuador (upper left) and Luiz Inácio Lula da Silva of Brazil (lower right) offer a middle ground that is counterposed by President Hugo Chávez Frias of Venezuela (upper right) and far-left opposition leader Evo Morales of Bolivia (lower left).**

made successful visits to Washington to meet with President George W. Bush. While they have disappointed more radical supporters seeking revolutionary-styled change, most Brazilians and Ecuadorians are patiently giving them a chance.

"The last opinion polls show that the population is not expecting as much in the first years of government," says José Roberto Campos, managing editor of *Valor Econômico* in Brazil. "We were very close to a financial collapse last year. Everyone is aware the situation is not going to change overnight."

In Ecuador, the people seem resolved. "Our government is one of the most populist," says Jaime Mantilla, editor of *Hoyin Ecuador*. "We feel the coalition of indige-

revolutionized these expectations."

What Lula da Silva means for the rest of Latin America is anyone's guess. "Lula's victory has been complex for all of us trying to understand the region as a whole and actually make us think deeply if we are seeing a new pattern," says Celso Pinto, editor-in-chief of *Valor Econômico* in São Paulo.

Dr. Jennifer McCoy, director of the Latin America and Caribbean Program at the Carter Center in Atlanta, sees an aberration in the making. "Brazil may be even an outlier in terms of the disillusionment that's widespread throughout the region. Even in the midst of a severe financial crisis, they went through a very democratic process. (See p. 11.)

Are Brazil and Ecuador merely soft exceptions to the hard-left trends in Bolivia and Venezuela? The answer could determine the fate of the region.

With or without messiahs, many Latin American and Caribbean nations may get their Second Coming after all. Negotiations for the 34-nation Free Trade Area of the Americas agreement are more or less on schedule for implementation in 2005.

Of course, some economies seem better prepared than others. In December, Chile negotiated a strong bilateral deal with the United States in the context of the FTAA, though critics point to the unresolved matters of US farm subsidies and anti-dumping laws.

If it works, the FTAA could solidify export bases and provide capital liquidity to economies still so vulnerable to external shocks. "Exports could one day generate these international reserves," says Myriam Quispe-Agnoli, a Peruvian-born economist at the Federal Reserve Bank of Atlanta. (See p. 7.) The outcome, however, of the treaty will be different for each nation. "The idea of having FTAA as the entrance gate for the paradise of free trade is a bit in contradiction," warns Pinto of *Valor*.

"Free trade is not a panacea," says Dr. William Cline, senior fellow at the Institute of International Economics in Washington. "It does not guarantee growth nor a reduction in poverty. But if the sociopolitical conditions are in place, it seems to me that the opportunities for trade offered by the FTAA are well worth pursuing." (See p. 8.)

While the messiah phenomenon is revisiting Venezuela and Bolivia, bringing with it serious risks to the sociopolitical status quo, in Argentina, where more than half the population has slumped into poverty since last year's debt default, no new messiah has risen. A candidate from the traditional Peronist party seems sure to win the presidential election this April. Whether better off or newly impoverished, most governments of the Americas still see little alternative to joining the global marketplace. It is fundamental to their economic growth.

While some nations may continue to teeter precariously on the edge of potentially explosive populism, for the moment, new leaders in Brazil and Ecuador appear to embody something distinctly unmessianic within that trend: a middle ground. Should Lula da Silva and Gutiérrez be even mildly successful, a new generation of indigenous and elite political leaders may view the old leftist liturgies paired with moderate moves as a new kind of scripture for the biblically long road ahead. ☉

Panamanian sees devil in details

## US subsidies, constituencies shadow FTAA outcome

By Rafael Carles

**I**believe, along with many experts, that on January 1, 2005 there will be no FTAA.

It is enormously complicated for 33 countries to come to such an agreement. The level of sensitivity in the next round of negotiations will be very high.

Countries will need to negotiate, for example, "pigs for telephones, or for computers"—that is, access to some markets in exchange for access to other markets.

No country will be able to see another country's list until it delivers its own, a sort of "pay-per-view." What some countries are going to do is deliver an inflated list—"full of fat"—to be able to see the list of other countries and from then on give concessions.

The United States and Canada are the only countries that have their lists more or less developed and are in harmony with the present reality in terms of tariffs. In terms of subsidies, however, that is where the United States harms Latin America. The United States already said the issue should not be taken up within the FTAA negotiations, but rather before a panel of the WTO.

But this is a sort of double standard. On the one hand, the United States has been saying it is in favor of the idea of the FTAA, but on the other hand, the issue seems to



have a political background. As the US election draw nearer, President Bush will have to choose between gaining friends in Latin America and keeping his friends in key political states such as Florida and Virginia.

The United States is hoping the FTAA will help it retake the initiative in Latin America, which Bush promised a prominent place during his presidential campaign. But it is likely Latin Americans will demand trade concessions from the United States on products such as citrus, sugar, steel and textiles, among others, that affect

states that are crucial for Bush and the Republicans' reelection in 2004.

Achieving a free-trade agreement with the entire continent would obviously be a great victory for Bush, but any tariff concessions on steel, for example, would provoke a negative reaction in Virginia, a Democrat state that actually voted for Bush in 2000. US Trade Representative officials, however, think the main obstacle will be the citrus and sugar industries in Florida, the state that landed Bush in the White House.

The key player for the consolidation of the FTAA is Mercosur. And the key player within Mercosur is Brazil. Some observations:

1. If Lula becomes a player, there will be an FTAA, because neither Panama nor Central America nor the Caribbean Islands will have anything to say about it.

2. If Argentina becomes stronger, Brazil's position will definitely become stronger, and that will aid Brazil in its desire to force the United States to give more concessions.

3. Chile is already set. It is part of APEC, in addition to having free-trade agreements with Mexico and Canada and its recent bilateral agreement with the United States.

4. Central America will negotiate with the United States before 2004.

5. Costa Rica already has agreements with Mexico and Canada.

6. Guatemala, Honduras and El Salvador already have an agreement with Mexico.

7. Comunidad Andina (Colombia, Peru, Venezuela, Bolivia and Ecuador) will become stronger with Mercosur.

8. If the Mercosur agreement with the European Union moves forward, the attraction of the North American agreement will be lost, and FTAA will be weakened. ☉

Rafael Carles is managing editor of *La Prensa* in Panama.

US home to 3rd-largest Hispanic population

## Mexican argues for workers' rights within agreement

By Remedios Gomez Arnau

**T**he FTAA has a very important link with migration issues. Those who advocate for the FTAA should also advocate for addressing the migration issues in the United States.

If we consider the main purpose behind the promotion of a free-trade area is to expand the current domestic markets, and we look at the changes that have been going on in the United States because of the increased labor immigration from Latin America, it is just as important to open the foreign markets to fully incorporate the new US labor immigrants.

As the 2000 US Census and other surveys have shown, the Hispanic population of the United States grew so fast during the past decade that since last July this group is now the largest minority here. This minority is composed of US-born people of Hispanic origin but also of immigrants that can be here legally or, in an important proportion, illegally or unauthorized, as we prefer to call it. Half of these unauthorized immigrants arrived in this country without visas, and they began working without permission.

This group of unauthorized labor im-

migrants contributes to the growth of the US economy because of their real demand in the American labor market. If there were no demand, they wouldn't be employed. But even though these labor immigrants contribute to the economy, they are unable to participate as full consumers in the American market, which also curtails greater expansion of the US domestic market. In the United States, many times it is necessary to provide a social-security number or an American identification to be able to contract and pay for certain services, something that only American citizens or legal residents authorized to work can have. So, we have a large proportion of these labor immigrants that are left out of a US market, which keeps many companies from expanding the numbers of their consumers.

Many of these immigrants simply cannot open a bank account or buy house insurance or life insurance. They cannot obtain credit cards. They cannot apply to get loans to buy a car, a house, or establish an enterprise. Or they simply cannot contract a telephone just because of the result of their authorized status in this country. They don't have the social security number of the adequate ID. In consequence, they cannot be full consumers in the market of



an economy that, according to President Bush's last State of the Union address, is in need of having more consumers in order to continue its growth.

For many of the jobs performed by these workers—construction, landscaping, hotel and restaurant services, homecare services, poultry and meatpacking, carpet industry—there are simply no visas available. To address the migration issue at the same time the FTAA is being negotiated will allow a larger expansion of the current size of the market.

According to the Center for Economic Growth, the US-Hispanic buying power will grow at a compound annual rate of 8.7 percent while the comparable rate of growth of non-Hispanics is 4.8 percent. The estimated Hispanic buying power in 2005 is

\$764 billion. This amount will exceed in that year the estimated African-American buying power—\$760 billion. Between 1990 and 2007, the Hispanic population will increase 124.6 percent, compared to the 13.1 percent for the non-Hispanic population, and the 23.1 percent for the total population. The majority of Hispanics living in the United States are of Mexican origin—almost 60 percent.

In 2002, they already comprised 13.5 percent of the country's population, with a disposable income of \$580 billion, almost the size of the GDP of Mexico last year. The United States has a Hispanic population of 37 million, which is the size of the third-largest Spanish-speaking country in the world—after Mexico, which has 100 million, and after Spain, 40 million. So, we could say that one Hispanic country is residing right here inside the United States. In Georgia, the rate of growth of Hispanic buying power during 1990 and 2002 has been 711 percent. Georgia is also ranked 9th in Hispanic market size among the top 10 US states, becoming one of the most attractive Hispanic markets in North America. ☉

Remedios Gomez Arnau is the consul general of Mexico in Atlanta.

Business view includes skepticism

# Pact rests on a field of untested assumptions

By Dr. David Bruce

The Free Trade Area of the Americas agreement links in several ways to the question of the success of economic opening and reform in Latin America. Freer trade was seen under the Washington Consensus as a route to greater efficiency at home and hopefully competitiveness abroad. The latter would be augmented by improved access to export markets. All this assumed that the other reforms of the Washington Consensus would be successful.

By the measures of sustained economic growth, greater equity and employment, the record has been discouraging.

Unfortunately, there is little consensus about the reasons why. Some reforms have been incompletely or inefficiently implemented. Often, corruption has clouded the picture; the fruits of privatization, for example, went into private bank accounts rather than facilitating the transition of the workforce to new private-sector jobs.

The second-generation reforms are still in their infancy. They need to include maintaining prudent macroeconomic policy, effectively managing capital flows, reducing poverty and inequality, increasing domestic savings rates, and strengthening institutional foundations.

That strengthening must involve im-



proving the capabilities of legislatures, courts, regulatory agencies and nongovernmental watchdog groups. At the same time, the FTAA negotiations are calling on the hemispheric countries to develop strategies to balance regional integration and global engagement as they grapple with confusing options. How can they do so with a lack of experienced experts dedicated to evaluating trade agreement consequences?

Global conditions are not the same as they were during previous decades when Latin American countries followed import-substitution industrialization strategies. Demand for exports logically moves up and down with growth in the target importing

countries. These cycles happen regularly, but their timing can be critical for any country's balance of payments. Similarly, the Washington Consensus policies have been applied in the context of dramatic changes in global finance because of the technological advances that facilitated the growth of 24-hour financial markets and rapid information flows regarding the economic performance of countries. In recent years, such conditions have contributed greatly to the large flows of foreign direct and portfolio investment into emerging markets. At the same time, capital can now be moved quickly out of those same markets whenever a concern of risk arises, whether the concern comes from solid facts or just perceptions.

Perception is a key word when also talking about the public reaction to a possible Free Trade Area of the Americas agreement. As with the debate leading up to the enactment of NAFTA, there seems to be more heat than light being generated about FTAA. Much of the research about economic impact of regional integration is based on untested assumptions.

**As with the debate leading up to the enactment of NAFTA, there seems to be more heat than light being generated about FTAA**

Before NAFTA, the unions raised alarms based on their calculations of projected job losses. Supporters discussed the potential "net" job gains. Despite such uncertainties, the majority of economists saw the long-term benefits of NAFTA as obvious. These include more growth and more jobs, and this should apply to FTAA as well. Indeed, more jobs should be created, but many of those who get them will probably not be the same people who lose jobs in the short run.

In many Latin American countries, FTAA is viewed by a large segment of the general public as just a scheme to serve the needs of US business. Most concerned are

small companies and farmers, though many big companies also do not look forward to the competition. At the same time, many American companies (certainly labor unions and small

farmers) do not see FTAA as a benefit for the United States. At a minimum, the United States Government will have to make major concessions on barriers and subsidies related to agriculture for many Latin American countries to come to the conclusion that the net benefits of FTAA outweigh the disadvantages.

Less attention to date has been given to FTAA in the United States. Now that the countries have begun to put market-access specifics on the table, some US groups will probably begin to increase their activism against FTAA, making concessions to Latin American countries much more difficult. The political divisiveness of these questions for the United States is perhaps not fully appreciated in Latin America.

In the 1980s and early 1990s, democracy was breaking out in Latin America. Attention then turned to economic affairs. Politics is back on the front burner. Politicians have struggled with economic policy. They are not sure whether to lead or follow their constituents. In particular, weak economic performance has created a challenging environment for political processes.

In Argentina, a president resigned. In Venezuela and in Ecuador, military men were elected after previously "intervening" in politics from the barracks. In Mexico, over 70 years of one-party rule came to an end. Despite some very positive achievements of economic opening, in Brazil a workers-party candidate won the presidency after trying three times before. This does not sound much like consensus and has created a dramatically different environment for free-trade negotiations than existed when the process began in 1994. ☐

David Bruce is a professor in the Institute of International Business at Georgia State University.

## For free trade to work, Latin America must reinvent wheel

The problems of macroeconomic instability in Latin America—they started on October 14, 1492 when the natives realized they had a big problem, a cultural problem. The differences are quite marked between north and south. There is a great cultural difference that is very important, sensitive and a barrier to commercial understanding between the hemispheres.

The spirit of the FTAA should be that each country be specialized in what it does best. To achieve something like that in Latin America, we must reinvent the wheel. We must look at intensive labor processes, such as agricultural production, but at the moment we're perpetuating poverty and enriching the rich. The poor will continue to be poor. Cheap labor is just a sophism. It generates employment, but only for the lowest and most unskilled workers. The necessary labor to produce costs 10 times more.

Colombian coffee is a case in point. In industrial markets, the prices of coffee have gone way up. Look at Starbucks, for example. Those who knew how to market cleverly understood they didn't have to sell coffee but rather the image of coffee. They were earning 150 percent more, yet the countryside kept suffering from the problems we're all familiar with.

We also must look at the issues of trade barriers and protectionism, the issue of subsidies on both sides. We have all sorts of subsidies. In Latin American countries, perhaps we could continue them. The solution is for the United States to do away

with subsidies, and the Latin American countries to keep them.

Growth should be achieved through more exports. There is a huge difficulty here in terms of the structure of air transport. For example, when you have perishable agricultural products, they must move very



quickly by air to the markets, but Latin America does not enable a good development of cargo transport. Moreover, the logistical cost in developing nations is high. Moving a ton of product in the United States costs 7 cents. In Latin America, it costs 70 cents.

A Colombian mission had planned to come to the United States, to Atlanta, but the meeting had to be canceled because more than half could not pay for the visa. I think that's an issue that should be explored. In the United States, everything is determined by one's credit rating. If you have a bad credit rating, you shouldn't have access. But here in the United States, Latin Americans are not in a database that says whether they have a good or a bad credit rating.

Dr. William Cline mentioned that greater investment in Latin America could be achieved. There's a low return on investment in the United States. But my question is: Where would we invest? In Brazil, where there is uncertainty? In Argentina? What industries? What sectors? If we don't look at the roots, it will be difficult to attract investors. ☐

—Jose Ignacio Gonzalez is president and CEO of Perishables Group in Atlanta.

Emerging Asia considered

# In search for capital, structural reforms continue

By Myriam Quispe-Agnoli

Latin American countries remain increasingly dependent on foreign capital inflows. In the 1990s, net capital flows in Latin America increased from \$12.7 billion, in 1990, to \$72.7 billion, in 1998. After 1998, however, net capital flows declined continuously. Although foreign-direct investment did show some resilience until it began to decline in 2002, it has followed a similar trend.

While the opening to international capital markets offers new sources of financing for Latin American countries, they have also become more vulnerable to international economic conditions. The current decline in capital flows reflects investor uncertainty in the major financial centers.

Another source of vulnerability is the mismatch between the openness of current and capital accounts of the balance of payments. In Latin American countries, the trade account has not opened up as much as the capital account. The mismatch between the two becomes a problem when there are sudden capital outflows and other accounts need to generate international reserves to compensate for the outflows.

Exports could generate these international reserves in most Latin American countries. (The exceptions are the oil exporters.) Export capacity is not as dynamic as in other regions. Comparing the annual growth rates of export volume and value of Latin American countries with emerging Asia, even though the export volume and value have increased on average over 10 years in both groups, the Latin American economies still lag behind the Asian economies. Emerging Asia's export



**Buenos Aires burning:** Demonstrators took to the streets last year after the Argentinean government announced it would default on repayment of billions in loans. With the steady appreciation of the peso and other favorable signs, Argentina is on the road to recovery.

share, as a percentage of GDP, is almost four times larger than Latin America's.

Yet another source of macroeconomic vulnerability is the composition of exports. Latin America's exports rely heavily on commodities, such as agricultural products and minerals. Because of the production characteristics of these goods, these types of exports cannot react in the very short term to negative external shocks to generate foreign reserves. Furthermore, the terms of trade of

these goods present higher volatility than other goods with greater value added.

The terms of trade remain subject to higher volatility in Latin America. The real exchange rate in Latin American countries remains quite volatile compared with emerging Asian and advanced industrialized countries. In the terms of trade, the average volatility of the real effective exchange rate of Latin American countries is twice that of the emerging Asian countries.

These are some of the challenges that Latin American countries need to address in their external accounts in order to stabilize their flows of international reserves.

Domestically, the structure of government accounts also explains the vulnerability of Latin American countries to shocks. For example, if there is a recession, government expenditures should increase in order to stimulate aggregate demand and counterbalance a slowdown in the economy. Flexibility in government revenues and expenditures would respond to shocks to the economy. But Latin American countries do not enjoy this policy option because tax revenues and government expenditures are generally procyclical and lack the flexibility to adjust to economic cycles. This leaves very little room for an active fiscal policy, which forces governments to adjust during recessions.

Looking at the ratio of public external debt as percentage of total external debt, we can make two observations. First, the aver-

age public portion of the external debt has been declining in the past 20 years in Latin America and emerging Asia. But this ratio is higher by 20 percentage points in Latin America compared with emerging Asian nations. Second, the large portion of government debt in foreign currency is a source of vulnerability. For example, any depreciation of the domestic currency will affect the payment capacity of the government.

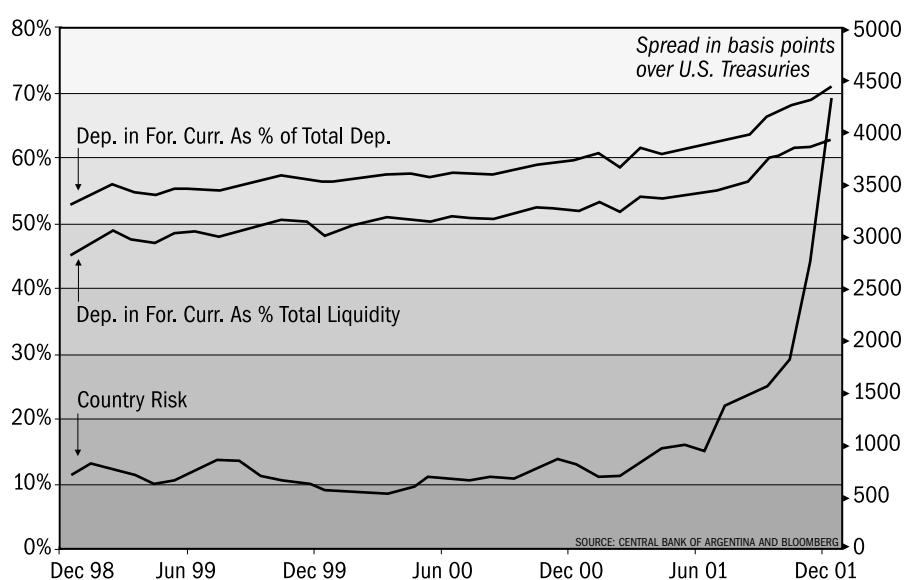
One of the reasons that governments need to look for external sources of financing is the lack of opportunities in the domestic financial system. The shallowness of the financial sector imposes constraints not only upon financing for the private sector but for the public sector as well.

Given current turmoil in the region, is it possible to implement structural reforms while at the same time aiming to solve unemployment and poverty?

These objectives complement each other. For economic growth, it is necessary to invest in human capital and therefore investment in health and education services and in training programs to improve workers' skills. These investments will improve the productivity of the labor force and their opportunities to raise income and living standards and enhance the possibilities of sustainable economic development.

Myriam Quispe-Agnoli is an economist at the Federal Reserve Bank of Atlanta.

## ► DOLLARIZATION AND COUNTRY RISK IN ARGENTINA



Partial dollarization may be one way to capture the signal from depositors about the credibility of the economic policy. The figure covers the period from December 1998 to December 2001, when the peso was 1 to 1 with the dollar. Depositors were keeping more than 50 percent of their deposits in dollars. At the first signals of uncertainty in March 2001, depositors began to switch from deposits in domestic currency to deposits in dollars, expressing their concern about the sustainability of Argentina's economic policy.

Latin America's comparative advantage

# Trade, growth and poverty reduction in connection

*Dr. William Cline is a senior fellow at the Institute of International Economics and the Center for Global Development in Washington. He addressed the participants in "No More Messiahs?" at the Metro Atlanta Chamber of Commerce on February 7, 2003.*

**W**hat is the relationship between growth and poverty reduction and the Free Trade Area of the Americas agreement? Growth, of course, must be presently addressed in an adverse environment. The international environment is difficult, and domestic turmoil, especially in Argentina and Venezuela, have greatly aggravated matters. Brazil has faced financial-market uncertainty from social and political change. Yet, in the region there is an acute need for growth and reducing poverty.

I think the FTAA offers an important opportunity for contributing to growth and poverty reduction. Latin Americans, of course, must decide, first, whether they want to be integrated into the global economy. If the answer is yes, then the next step is to cut a balanced deal on this agreement.

Latin America did achieve economic growth in the first half of the 1990s, but the second half has been an abbreviated version of a lost decade of the 1980s, what Guillermo Calvo at the Inter-American Development Bank has called the sudden stop in the capital markets.

If one is concerned about poverty, then growth is critical to achieve. International studies suggest that for each additional percentage point of growth, the number of people in poverty declines by about two percent. Latin America has 150 million people in poverty at the \$2 a day threshold. If the region can grow at 4 percent instead of at 2 percent, that's an extra 6 million people lifted out of poverty.

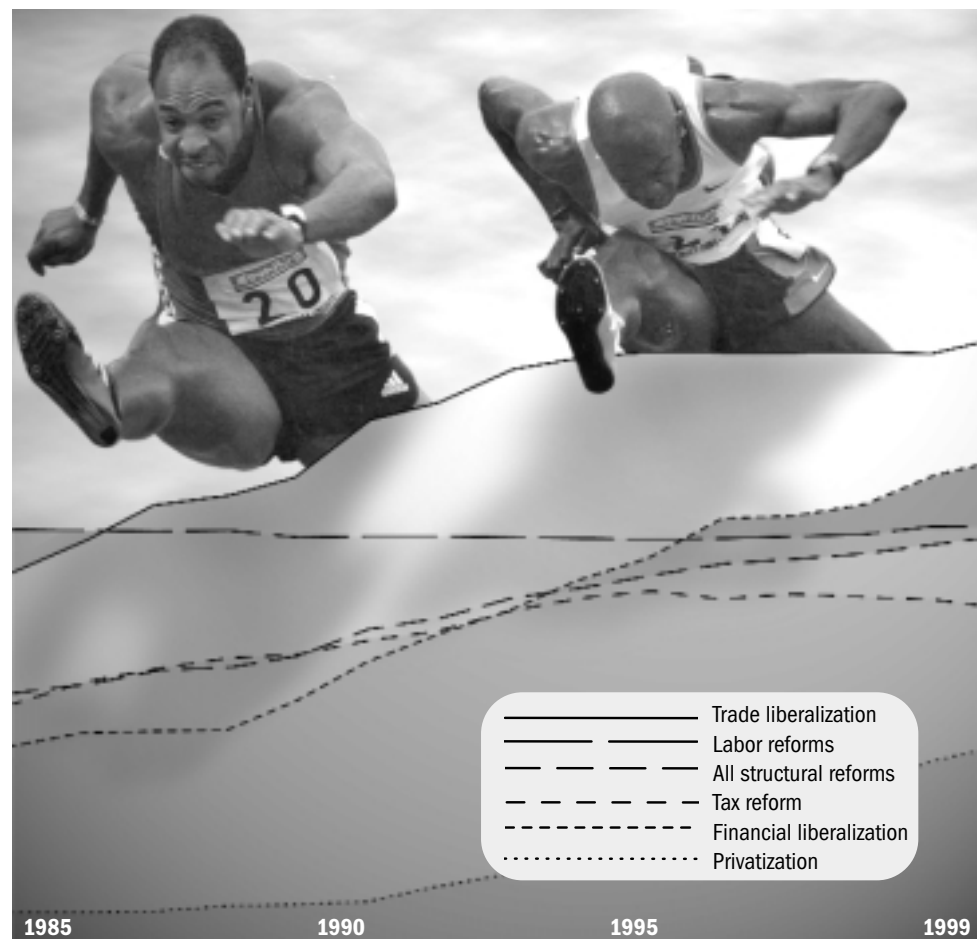
Now, what is the role of trade in growth? There are several reasons to believe that more dynamic export growth, and more open economies, would give a boost to Latin American growth. If you do a scatter diagram of developing countries over the past 20 years—with GDP growth on the vertical axis and real export growth on the horizontal axis—you get a very clear upward-sloping line. That upward-sloping line says that each 3 percentage points of additional export growth is associated with 1 percentage point of additional GDP growth, which is very powerful when you think about it, especially when exports are only a fraction of the economy. If exports are growing at 15 to 20 percent, which you sometimes get in East Asia, it's far easier to achieve growth rates on the order of 5 to 7 percent than if you have much slower export growth.

One reason this works is that exposure to the international economy forces technological advance, forces competitiveness and efficiency in the domestic productive structure. In Latin America, I think there's

another very important reason why an export expansion is a strong supportive factor for growth. These economies are very vulnerable to a low export base—not if you're talking about Costa Rica but if you're talking about Brazil (it used to be true even of Mexico, but that has changed). Because exports are such a small fraction of GDP, it means that if there's a shock, and the foreign savings which were 2 percent of GDP go down to zero or are even negative, then the proportion in the adjustment in the imports and the exports that you have to make is much greater, because the export base is

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**Running a better game: Anier García, left, of Cuba races Allen Johnson of the United States in a 110-meter race in Yokohama in September. In the Western Hemisphere's macroeconomic competition, 15 years of Washington-prescribed structural reforms haven't helped Latin America's 150 million poor. Hope lies in equitable market access through a 34-nation free-trade agreement.**

small. That means these economies are very vulnerable to external shocks. If there were stronger export bases, they would be less vulnerable. So that's an additional reason why exports matter to Latin America.

Does trade help reduce poverty? Standard economic theory says yes—that Latin America should have comparative advantage in unskilled labor products vis-à-vis the United States. Unskilled labor is much cheaper in Latin America than it is in the United States. The textbook would therefore say that if you opened trade it should boost wages of the unskilled workers in Latin America because they'll have better markets for their products in the United States.

The story is complicated if you throw in a China or an India because they really have a lot of unskilled labor, and Latin America has a lot of land. But even with that compli-

cation, the fundamental comparative-advantage story nonetheless gives you the answer that it should be unskilled workers who tend to benefit in Latin America from more open trade.

Agriculture, in particular, is an area where trade can reduce poverty. The industrial-country protection or subsidization has the effect of depressing global agriculture prices. If they're removed...the product of what the developing world sells would go up by 10 percent. The result of this is that you could reduce the total number of poor globally by about 200 million,

ment with Chile is quite sweeping in financial services, intellectual property and a whole array of areas.

Now of course Brazil and other Latin American countries must decide whether they want such sweeping liberalization. There remains a considerable desire to have the option for infant-industry protection. It seems to me that history has taught us that an open strategy rather than a protective strategy is more effective for creating efficient industrial growth, and the right decision is to opt squarely for globalization.

Now, Latin America has every right to expect market access in the United States. US agriculture, for example, is protected. The average tariff in agriculture is 11 percent. If you consider the tariff-equivalent effect on foreign suppliers to the US in agriculture of US subsidies to US agriculture, this adds another 23 percent to US protection, which means the total protection in US agriculture is 34 percent (tariff-equivalent). That needs to go.

Latin America should also seek to lock in assurances against process protection to the United States, whether it's countervailing duty or antidumping. There's some room for encouragement that the steel safeguards have gone to a considerable length to exempt developing countries, including in Latin America, and that moreover the steel safeguards, which many would argue, and I think it's correct, were a tactical step to assure passage of fast track, that those coverage areas have been rolled back already. I would not be too disheartened about the prospects for guarding against process protection just because of the steel experience.

Finally, there is a context of course in which the FTAA will be happening, and that is the global liberalization in the WTO. The United States has very sweeping proposals to the extent of liberalization there. Nonetheless, FTAA will be valid and contribute value for a considerable time. It's unlikely that the current Doha trade round will generate anything that is nearly as close to free trade as an FTA, and there is an advantage to being a first mover, of getting into the FTAA early and getting ahead of the running in of the liberalization that occurs under Doha even if there is sweeping liberalization in Doha.

Trade is not a messiah; it's not a panacea. It does not guarantee growth, it does not guarantee a reduction in poverty. The traditional fundamental ingredients must also be present. There must be balance and a realistic exchange rate, and there must be political and legal institutions that assure continuity and assure investors that their property will not be confiscated. If the sociopolitical conditions are in place, however, the opportunities for trade offered by the FTAA are well worth pursuing for Latin America as a means of getting on track toward higher growth and poverty reduction. ☉





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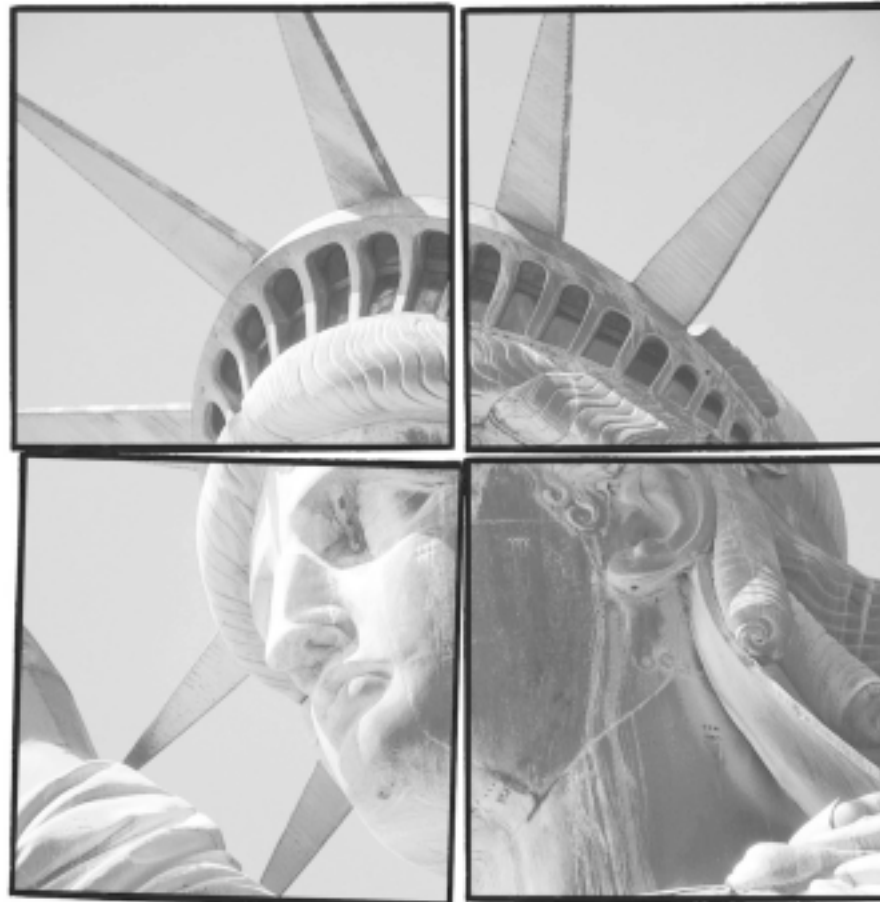
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## Meaning of democracy is in equality

Dr. Jennifer McCoy, Director of the Americas Program at the Carter Center in Atlanta, moderated the workshop "Challenges of Democracy, Human Security and Civil Society in Latin America."

Rising expectations and frustrated expectations from Latin American citizens might come in part from a definition or conception of democracy in Latin America that is different from that in North America, one with a bigger emphasis on social and economic equality, rather than the heavy emphasis on liberty and freedom in North America. There are democratic deficits in the region, including state capacity to deliver services, inconsistent rule of law, the question of the quality of political leadership and the increase in violence on many different levels.



Is it a problem of political leadership, or is it a problem of the nature of the system? For example, Fernando Henrique Cardoso of Brazil and Vicente Fox of Mexico were two of the best prepared political leaders and still faced a lot of constraints that stymied some of their goals by the structures of federalism and other constraints. Workshop participants felt Brazil may be even an outlier within Latin America, in terms of all these deficits of democracy, because even in the midst of a severe financial crisis they went through a very democratic process. There's a lot of optimism there. On the other hand, Venezuela did not elicit a lot of optimism from the group.

A presentation from the Centers for Disease Control on violence in the region highlighted the new Inter-American Coalition for the Prevention of Violence, which finds that in Latin America violence is the first cause of death. Somewhat surprisingly, the highest causes of death are not political violence but suicide (the highest) and then homicide.

Inequality is one of the risk factors for violence—and of course social inequality is a major problem in Latin America. We discussed the problem of the export of violence, particularly coming from the drugs and the demand for drugs from the United States, the export of gangs that are formed in the United States and then return to Jamaica, and the export of small arms, which increases violence. Ⓜ

Sweeping for regional attitudes

# Latin Americans gauge state, world, selves

A Pew Research Center survey chaired by former US Secretary of State Madeline Albright has tapped the attitudes of more than 38,000 people in 44 nations. Bruce Stokes, a principal analyst for the project, presented results for the eight Latin American countries surveyed.



We tried to get a sense through a variety of questions about how people felt about their own lives today, how they felt about the state of their nation, and how they felt about the state of the world at that moment. The data from Latin America is broadly reflective of what we saw all over the world, which is that people are much more satisfied with their own lives than they are with the nation and the world. In Latin America, the satisfaction with the nation and the world are roughly the same; if anything, people are slightly more satisfied with the state of the world than the nation.

	OWN LIFE	NATION	WORLD
Guatemala	71	7	10
Mexico	59	16	15
Honduras	59	11	13
Venezuela	50	8	22
Argentina	45	3	10
Brazil	42	11	12
Peru	37	3	11
Bolivia	30	7	9

	MADE PROGRESS	LOST GROUND	DIFF.
Honduras	56	28	+28
Mexico	47	27	+20
Guatemala	51	33	+18
Brazil	45	38	+7
Bolivia	38	42	-4
Peru	33	44	-11
Venezuela	23	57	-34
Argentina	19	60	-40

	OPTIMISTIC	PESSIMISTIC	DIFF.
Brazil	73	8	+65
Venezuela	62	18	+44
Honduras	55	11	+44
Guatemala	53	17	+36
Mexico	49	15	+34
Bolivia	52	20	+32
Peru	46	24	+22
Argentina	36	22	+14

The column on satisfaction with the state of their own lives raises some interesting questions. Why is it that Guatemalans are so satisfied with the current state of their lives? There's a high incidence in Guatemala of people saying, at one point last year, that they were not able to have enough money to buy food or to buy healthcare. So clearly when people are asked about the satisfaction with their own lives, in parts of the world, their answer does not necessarily reflect their economic state. It's more understandable that Argentineans and Bolivians might have less satisfaction with their lives given the overall economic conditions in their countries.

We asked people to give us a sense of where they were in the ladder of life. You show people a scale of 1 to 10 and ask them where they would put themselves on that scale today. We then asked them where they thought they were five years ago. And what we found was that in a number of countries there was a sense of progress and in a number of Latin American countries there was a sense of backsliding. And the countries where the backsliding was most prevalent are Argentina and Venezuela, where there was a strong sense that life had gotten worse in the past five years. There was a strong sense in Honduras that things had gotten better.

We then asked people where they thought they hoped to be five years from today on this scale. What you find almost everywhere around the world is that no matter how bad people think things are today, they tend to be fairly optimistic about the future, and in many countries, the worse people think things are today, the more optimistic they are about the future. This doesn't bear out in the Argentinean case here, where they are only mildly optimistic about the future. But certainly in Brazil and Venezuela, there are examples of people being very optimistic about the future.

	NOT ENOUGH MONEY TO...		
	BUY FOOD	PAY FOR HEALTH CARE	BUY CLOTHING
Bolivia	67	64	65
Peru	65	68	68
Venezuela	53	55	55
Honduras	53	53	50
Brazil	45	51	52
Guatemala	44	48	42
Mexico	44	45	43
Argentina	38	46	51

	CRIME	AIDS AND DISEASE	CORRUPT POL. LEADERS
Honduras	93	93	84
Guatemala	93	82	84
Argentina	88	71	90
Peru	82	79	82
Brazil	82	72	71
Mexico	81	78	73
Bolivia	69	66	70
Venezuela	65	69	58

	MILITARY	NATIONAL GOVERNMENT	NEWS MEDIA	RELIGIOUS LEADERS
Honduras	83	64	89	83
Mexico	75	64	84	57
Venezuela	51	37	62	63
Bolivia	49	54	81	63
Brazil	43	34	75	51
Peru	38	27	66	66
Guatemala	31	25	75	71
Argentina	20	7	51	38

We then asked people, to get a sense of deprivation in their lives, if at any time in the past 12 months did they not have enough money to buy food and pay for health care and buy clothing. A large number of people in many these countries, close to half the population, said that at some point in the past year they had felt that sense of deprivation. We've shared this data with the UNDP and the UN in general, and they say their own surveys bear out roughly the same sense of deprivation, so we're fairly confident that these are accurate.

We asked people all over the world what they consider to be their top national problem. What was striking all over the world is that in 35 of the 43 countries where we were allowed to ask this question either crime or corruption was the No. 1 issue. This was certainly the case also in Latin America, where crime was the most important problem in Honduras, Guatemala, Brazil and Mexico. Corruption was the No. 1 problem in Argentina. It was very striking to us that there was such a concern with lawlessness, which raises some long-term governance issues about the challenges facing democratic governments in the future whether they can deliver on providing greater security.

We asked people whether they thought certain institutions were having a good influence on the country. In Latin America, the news media is almost universally considered to have the best influence on society. It's particularly appreciated in Mexico, Honduras and Bolivia, and is considered to be the most influential institution in Argentina. We also found a range of support for the military, from a high of 83 percent in Honduras to a low of 20 percent in Argentina. National governments get a real range of support, from a low of 7 in Argentina, 37 in Venezuela and 27 in Peru, to a high of 64 in Mexico. Religious leaders are fairly strongly supported relative to other institutions. Ⓜ

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No more messiahs—but many old issues

# Despite decade of openings, chronic problems persist

*The WorldPaper's Associate Editor Daniel Samper addressed Latin American editors and distinguished guests at a dinner hosted by the Federal Reserve Bank of Atlanta on February 6, 2003.*

A few days before this International Inquiry began here in Atlanta, one of the organizers sent a survey to the Latin American editors asking two questions: What are the main issues, those subjects you would like to talk about in your country? And second, What are those Latin American countries you would like to hear or know more about?

The five top issues in our countries that the editors want to talk about are the following: No. 1: poverty (63 percent), No. 2: corruption (45 percent), No. 3: social and economic inequalities (36 percent), No. 4: stagnant economies (30 percent), and in 5th place came five different topics with the same percentage: unemployment, weak model of state, violence and terrorism, political instability and low foreign investment. As you can see, poverty was the main concern in terms of subjects to write or read about for our editors.

Then for the second question: Which Latin American countries are of most concern to you? No. 1: Argentina (72 percent), No. 2: a tie between Mexico and Brazil (54 percent), and No. 4: Colombia and Venezuela together (45 percent). After that came Chile, Ecuador, El Salvador, the Dominican Republic and Central America. As you can see, Cuba wasn't there, nor was Peru.

Some 10 or 15 years ago, the answers wouldn't be different. Poverty wouldn't be No. 8, it would be No. 1. Corruption would also be high, No. 2 or No. 3. Social and economic inequalities would be there, in the first places, and the stagnant economies would also be there. Of the countries, of course, Argentina has had a lot of headlines because of the economic and social disintegration that's going on, but Argentina has been in the headlines for many years. Mexico and Brazil, of course, Colombia, because of circumstances that have been increasing in years. Probably it was not No. 4 at that time, but maybe 5, 7, 8, and Venezuela maybe wouldn't be there 15 years ago but it's there right now, because they're having a real problem in the past months. Cuba maybe wouldn't be there, because of the Berlin Wall and the disintegration of the Soviet Union. This is not a scientific survey, but just a guess.

Among those subjects, there are two you would have found there. First, human rights, and political freedom would have been there, too. If you went back 30 years, democracy would have been the No. 1 problem. So, it shows you that some things have not changed, but some have changed a little bit at least. Democracy is not, right now at least, a real problem. We don't have those dictatorships that we used to have



**Daniel Samper: "Integration is allowing the lion to lie with the sheep. That's beautiful, but it brings a country to not bet with the sheep."**

years ago.

What does it show? The landscape 10 or 15 years ago was similar to the one we have right now. It shows that things have not changed very much after a decade of markets opening, and the benefits that this opening of markets have left for the poor are neither very stable nor very novel. On the contrary, now we have 44 percent of Latin Americans living in poverty. Inequalities are similar or even wider than 10 years ago, before the markets opened their doors. And traditional democracies are faltering. There's a new political landscape that comes out from political parties that can be seen in Venezuela, Ecuador and Brazil.

But let's go back to that decade of open markets. There are many happy stories about success: for instance, on the frontier, in Mexico, Mexican companies doing maquila, bringing in material from the

States and then exporting it. There are many happy stories about opening markets. But there are some sad stories, too, and these are the stories that Latin Americans would like to talk about. In Colombia, for instance, 100,000 hectares of cotton disappeared. We're starting to import cotton from the United States, and the Colombian cotton was a very difficult enterprise to sustain, and thousands of agricultural people could not live on it anymore. So they're out of business and out of work.

From the meeting we had this morning, we got some of the concerns about the Free Trade Area of the Americas, the FTAA. Among those concerns, obviously there is some distrust and sometimes even anger against the possibility of FTAA expanding too heavily without any consideration throughout the Americas. In Quito, we heard about the protests in November

against the possibility of FTAA being signed without very cautious steps. And in Mexico, at the end of January, thousands of peasants asked the government to renegotiate the NAFTA agreement in terms of a more fair treatment of the agricultural production of Mexico. According to the figures that were published at the time, the value of their crops fell 60 percent, and 80 percent of them are in extreme poverty. And they attribute all this to the opening of markets without caution.

The possibility of having a new agreement on free trade in all the Americas, a kind of super-NAFTA, brings both happiness and sadness to many people. Some businesses can and will grow with this agreement, but there are many people who will suffer. What will Latin America need to negotiate on better terms? First, not on a country-by-country basis but by blocks or by sectors. Second, integration should take place at different speeds. You cannot have integration at the same velocity in all sectors. And third, there should be cohesion funds, like you can find in Europe, that have been very important for the European experience of integration and at the same time closed a little bit more the inequality gap.

This morning, there were more figures, facts and countries—I'm just kind of summarizing all this—but I will end with an anecdote. A colleague of mine who is very much pro-integration once was asked, what is integration? Because you don't find a very big country like the United States integrating with a very small country like Paraguay, for instance. And he said, integration is allowing the lion to lie with the sheep. That's beautiful, but it brings a country to not bet for the sheep. ☉

## In Colombia, the terrorists no longer know what they want

At the end of the 1980s and the beginning of the 1990s, the space held by the drug cartels was occupied by the guerrilla groups. Their job was to take over and take care of the drug labs. But once they gained power over the large geographic areas, they began an industry that was not only involved in contraband but the harvesting of crops and the sale and purchasing of drugs. The areas where the guerrillas are moving are very remote from the urban centers. There's a minimal military presence.

It's estimated the guerrillas manage a total income of \$4,000 million annually. The guerrilla groups have three strategies to cover more territory, including assassination and eliminating undesirables. Anyone who's against them, they kill them. Because of collective assassinations, there has been a displacement of 2.7 million inhabitants to the urban areas. Because of so many more people in the cities, they have no other way to survive. Using car

bombs at shopping areas and at schools, the guerrillas generate fear to negotiate with the government. They have blown up electrical supplies, bridges and water supplies. To put this in num-

bers, the government, using the few resources it has for public financing, spends millions on repair work.

The guerrillas want to bring the government to the point where they can negotiate, but the guerrilla groups don't even know what they want. The groups took this time to rearm and increase their numbers three times, but no one even knew what they wanted. So at the end of the last government, that was the situation. The new president has dedicated a tremendous amount of energy on this. The infrastructure needs to be replaced. With

regard to cost of the war in the past four years, the guerrilla groups have destroyed 300 groups of people. But in the past few years, the guerrillas have lost their political front. ☉

—Antonio Morales, Editor, *La Republica*, Bogotá, Colombia



## Participant from Colombia killed at guard post



Clara Inés Rueda

**C**lara Inés Rueda, financial editor of *El Tiempo*, one of the most prominent newspapers of Latin America, died in a typical Colombian accident. On Sunday, April 13, she was returning with her fiancé after having lunch at a famous country restaurant near Bogotá. For simple carelessness, the effect of alcohol or fear (often those who stop cars on Colombian highways are not the police but disguised criminals), Clara Inés and her fiancé did not stop at two police posts. In the past, they had an incident at a gas station.

The tragedy happened at the last post. When the couple's car continued on, a police agent fired on it, causing the almost instantaneous death of the journalist. Her fiancé, who was the driver, sped on in search of a hospital, but it was already too late.

In a normal country, the police usually do not kill citizens that continue on when not seeing a road post. Nor drunk drivers. But the conditions in Colombia are such that people are always afraid—those who are stopped on the highway as well as the policeman who sees a vehicle flee.

Clara Inés Rueda, 32, had studied journalism and economics, and had continued her studies at Stanford University. But she loved her country and returned to work in it. On February 5-7 of this year, she participated in the "No More Messiahs?" meeting sponsored by World Times to examine trade in the Americas, where she was one of the most prominent participants.

Three months later we are mourning the death of a beloved colleague and a brilliant journalist. ☹

—Daniel Samper Pizano

# Economic visions compete and converge

## ► ON WASHINGTON CONSENSUS

**T**he term Washington Consensus has both contributed to policy reform and suffered much criticism. I think that John Williamson [who coined the term in 1990] himself would say the term was unfortunate by implying that this was something imposed on Latin America by the Washington powers. I'm not sure that he would have called it that with the benefit of hindsight, but it is undergoing an evolution, sort of an addressing of second-generation problems.

The content of the original Washington Consensus is very difficult to agree with because it is a sensible way of running an economy. It emphasized fiscal balance and a competitive exchange rate. It did say it better get governments out of the business of producing goods. It did not say you should totally ignore the poor. It did not have an extreme neoliberal bent that the government should have no social safety net, and those who attributed it that kind of character are giving a misleading impression.

Two or three things in general tended to go wrong with it in that it didn't go far enough. For example, on competitive exchange rate, it pretty much left it open. How do you achieve that? And so some countries made choices that wound up being unviable. I'm not sure you can blame that on the Washington Consensus.

On fiscal balance, it did not really drive home the importance of achieving surpluses during the good years so there would be a cushion for the bad years. That is a lesson that has been learned. It did not address the important area of labor-market rigidities. I think the policy debate now is trying to identify what was left out of the Washington Consensus and where should we go from here. ☹

—Dr. William Cline

## ► THE MEANING OF PORTO ALEGRE

**I** have been following the World Social Forum in Porto Alegre since the first edition in 2001, and the changes have been quite remarkable. The first edition had 20,000 and the one this January was 100,000, so this is something that has created a perplexity among Brazilians and around the world, because nobody can explain why this has grown so fast.

You can't associate the event with one organization or nationality. It doesn't have any leader or anyone who speaks on behalf of it. If you are a journalist who wants to speak to someone from the forum, that's a problem, because you cannot find one. There is a faceless leadership.

The other thing you have is the change of the mood of the event. At the beginning, it was militant, with a lot of anti-American slogans as well as anti-terrorist slogans. But

in this last edition, this was completely different. Iraq was mentioned only one day. Everyone was against the war, but this wasn't a key issue. The key issue was creating new ways of participating in politics.

All the big names that went there, they just repeated the same speeches. Fritjof Capra went to make a speech about his book, and he was supposed to speak to 15,000. He never had the chance before to speak to more than 1,000 people, so when he arrived at the stadium he looked surprised to realize that he wasn't playing basketball. He was supposed to talk about something very abstract, like philosophy and sociology, for 15,000 people.

What's next is a huge question mark, because no one can tell what will be the key issue. ☹

—Carlos Castilho



Antonio Morales and Clara Inés Rueda of Colombia and Carlos Castilho, *The WorldPaper's* Associate Editor for South America, at the Southern Center for International Studies in Atlanta. "Social issues are now political issues," Castilho said. "It's the first time we're discussing this so broadly." "You have to think how to satisfy social needs," Rueda said, "and I think that's what all Latin America and even Washington are thinking about now."



Participants in "No More Messiahs," World Times's 25th-anniversary International Inquiry, met at the Federal Reserve Bank of Atlanta. Top row, left to right: Laura Eastment, Massachusetts; Alejandro Vargas, Costa Rica; Celso Pinto, Brazil; Jose Roberto Campos, Brazil; Felipe Ortiz de Zevallos, Peru; Rafael Carles, Panama; Ana Carolina Alpirez, Guatemala; Axel Leblois, Georgia; Rumi Cevallos, Peru; Keith Frazier, New York. Bottom row, left to right: Carlos Castilho, Brazil; Jose Bassim, Spain; Daniel Samper, Spain; Antonio Morales, Colombia; Clara Inés Rueda, Colombia; Christine Leblois, Georgia; Peter Orne, Massachusetts.

# Brainstorming solutions across the integration landscape

► **SURVEY: TROLLING FOR LOCAL PERSPECTIVES**

A week before the “No More Messiahs?” International Inquiry, World Times surveyed participating Latin American editors about their top national issues and learned something profound: None of them made any comment about current international tensions. The issues most important to them are entirely within borders or across Latin America: poverty, violence, terrorism, corruption, weak institutions, unemployment, inflation, wealth distribution, vulnerability to capital flight and difficult entrée into the global economy. In nations where more than half the population may live at or near the poverty level, the battlefronts overwhelmingly remain at home.

On February 6th, 2003, the editors presented a context for these issues in their respective countries to the US and Georgia financial, business and academic communities at the Southern Center for International Studies. They group loosely into a framework of local, regional and global information needs that helps shape an editorial agenda for *The WorldPaper's* Association Publications:

- macroeconomic conditions,
- social inequality and education opportunity,
- human security in Colombia, Guatemala and beyond,
- weak institutions and corruption, and
- leaders, democracy and the changing political landscape. ☉

► **REVIEW: CASTING A REGIONAL EDITORIAL AGENDA**


Participating editors had a very positive response to the meeting, according to a World Times post-conference survey. They would support a yearly meeting in Atlanta as part of a regular briefing and brainstorming program on trade issues. They would also participate in one or two meetings each year in a specific Latin American country on a more focused topic.

The overwhelming response emphasizes the need for a specific *WorldPaper* Latin American editorial service, including relevant indexes measuring progress in the region's countries. The editorial content would be defined by a Latin American editorial board. Several editors

expressed interest in participating on such a board.

To support and fund this and other regional research and editorial developments, World Times will create a not-for-profit organization based in the United States. Over the next two years, the foundation—a forum for international editors on global issues—will plan regional, multi-year International Inquiries in Latin America, the Middle East, Asia and Africa. The foundation will oversee creation of boards comprising editors native to each region, which will define the research and editorial program on a yearly basis. The foundation will actively engage editors to participate in the programs from their home countries. ☉

*“Integration in Latin America is incredibly complex because of the huge differences among the countries. The economy of Colombia is seven times larger than the economy Ecuador, for example. So how can we integrate if we don't have equality and an equal base? The base is that we share the problem of poverty, marginalization, weak institutions. What would be the method we could apply in Latin America so we could seek an equality to talk about among peers?”—Jaime Mantilla, Founding Editor, Hoy, Ecuador*

<p><b>COUNTRY</b> Name <b>Title</b> <b>Publication</b> <b>TOP FIVES ISSUES</b></p>	<p><b>BRAZIL</b> Celso Pinto Editor-in-Chief <i>Valor Economico</i> Poor income distribution Education Vulnerability to world markets Security Inflation Argentina, Mexico, Chile, Venezuela</p>	<p><b>BRAZIL</b> Carlos Eduardo Lins da Silva Executive Editor <i>Valor Economico</i> Inflation Frustrations over raised expectations Economic stagnation Legislative action on fiscal reform Social inequality Colombia, Venezuela, Argentina, Mexico</p>	<p><b>COLOMBIA</b> Antonio Morales Editor <i>La Republica</i> Terrorism Drug trafficking Poverty Social inequality Corruption Venezuela, Brazil, Ecuador, Argentina</p>
<p><b>COUNTRY</b> Name <b>Title</b> <b>Publication</b> <b>TOP FIVES ISSUES</b></p>	<p><b>COLOMBIA</b> Clara Inés Rueda Financial Editor <i>El Tiempo</i> Violence Social inequality Poverty Corruption Uncertainty Brazil, Argentina, Venezuela, Ecuador</p>	<p><b>COSTA RICA</b> Alejandro Vargas Editor <i>El Financiero</i> Corruption No mission statement for the nation Lack of well-paying high-skilled jobs Percentage of poor rising Business leaders playing politicians Venezuela, Argentina, Brazil, Mexico</p>	<p><b>ECUADOR</b> Jaime Mantilla Founding Editor <i>Hoy</i> Inability to compete Dollar-pegged currency US subsidies Low foreign investment No room to maneuver Colombia, Latin America, Peru, Bolivia</p>
<p><b>COUNTRY</b> Name <b>Title</b> <b>Publication</b> <b>TOP FIVES ISSUES</b></p>	<p><b>GUATEMALA</b> Ana Carolina Alpirez Editor <i>El Periodico</i> Corruption Impunity Insecurity Human-rights violations Economic stagnation Mexico, Colombia, Brazil, Peru</p>	<p><b>MEXICO</b> Luis Mercado Publisher <i>El Economista</i> Poor rule of law Political infighting Poverty Large unions resisting modernization Corrupt political class Argentina, Brazil, Chile</p>	<p><b>PANAMA</b> Rafael Carles Managing Editor <i>La Prensa</i> Poverty and unemployment Foreign debt Poor rule of law Slow economic growth Low investment Colombia, El Salvador, Dominican Rep., Chile</p>
<p><b>COUNTRY</b> Name <b>Title</b> <b>Publication</b> <b>TOP FIVES ISSUES</b></p>	<p><b>PERU</b> Felipe Ortiz de Zavallos Founding Editor <i>Apoyo Group</i> Weak institutions Lack of education Unfriendly investment climate A culture resisting progress Poverty Brazil, Mexico, Argentina, Colombia</p>	<p><b>PERU</b> Rumi Cevallos Financial Editor <i>La Republica</i> Poverty Unemployment Foreign debt Fiscal deficit Instability Argentina, Brazil, Chile, Mexico</p>	 <p><b>WORLD TIMES, INC.</b> 225 Franklin St., 26th Floor, Boston, MA 02110 Tel.: +1.617.439.5400 • Fax: +1.617.439.5415 E-mail: info@worldtimes.com www.worldtimes.com • www.worldpaper.com</p>

# “Atlanta” isn’t Spanish for “hub,” but it should be

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