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FEATURED Q&A

Will the Next US President Make Changes To NAFTA?

Q According to a recent Zogby/Inter-American Dialogue poll, 42 percent of likely US voters believe that the North American Free Trade Agreement (NAFTA), passed in 1993 with Canada and Mexico, should be revised and another 17 percent believe it should be withdrawn entirely, while only 21 percent believe it should be left unchanged. Will NAFTA be revised in the next US administration, and if so, what sort of revisions to the agreement are possible or likely? How would Canada and Mexico?

bring the US and other countries out of their current recessions and that it therefore needs to be encouraged rather than demonized. At the end of the day, I predict that although the three governments might well sit down to discuss ways of improving NAFTA, especially as regards dispute settlement and excluded sectors, there won't be either a wholesale repudiation of the agreement, nor any fundamental changes to the environmental and labor side agreements (which is what the Democrats are ostensibly unhappy about)."

Continued on page 3

A **Board Comment: Andrés Rozental:** "The North American Free Trade Agreement has undergone several modifications since it entered into force almost 15 years ago. These changes have mainly been to phase-in periods and some minor adjustments. To 'revise' NAFTA the way Barack Obama and the quoted public opinion polls suggest would, of course, require the consent of the two other parties to the Treaty, namely Mexico and Canada. Many analysts and public officials in both countries have dismissed the rhetoric around free trade and protectionism as more of a political campaign issue than a real worry that NAFTA has hurt the US economy or that a new Administration would pull out of one of the most successful free trade arrangements in existence. On the contrary, most serious economists agree that international trade will be one of the driving forces to



Bush Signs Andean Trade Preference Act Extension

US President George W. Bush, flanked by top administration officials, on Thursday approved the extension of the Andean Trade Preference Act, but still promised to suspend Bolivia until it "fulfills its obligations." See story on page 2.

Photo: White House.

Inside This Issue

FEATURED Q&A: Will NAFTA be Changed After a New US President Takes Office?	Alleged Colombian Drug Kingpin Awaits Extradition to US
1	2
Trial Begins Against Former Argentine President Menem	Nokia's Mobile Device Sales in Latin America Fall 28 Percent
2	3
Bush Signs Andean Trade Preference Act Extension	Inter-American Development Bank Helps Uruguay Upgrade Port
2	3

NEWS BRIEFS

Bank of Jamaica Announces New Lending Plan

The Bank of Jamaica (BOJ) on Thursday announced that it had decided to offer a temporary lending facility to domestic financial institutions, the *Jamaica Gleaner* reported. "The facility is strictly intended to provide liquidity to these institutions for overseas margins and repo payments on Government of Jamaica global bonds during this period of dysfunctional money markets," the BOJ said.

Judge: Defense Lawyers Can Argue Entrapment in *Caso Maletin*

A Miami judge ruled on Thursday that lawyers for Franklin Duran, the defendant in the "*caso maletin*" scandal involving an alleged \$800,000 illegal campaign contribution to Argentine President Cristina Fernandez, could argue entrapment, reported Bloomberg News. US District Judge Joan Lenard said there was enough evidence for defense attorneys to make the case that Duran was subjected to "persuasion, coercion and manipulation" by Guido Alejandro Antonini Wilson, the courier caught with the suitcase, and that Antonini may have acted under FBI pressure.

Hypercom Names Bounaira to Head Mexico Office

Arizona-based **Hypercom Corporation**, an electronic transaction provider for banks and other financial institutions, on Thursday named Samia Christine Bounaira its Managing Director in Mexico. Bounaira is responsible for sales, service and customer support in the country, and takes over for Jaime Arroyo. She joins Hypercom from **Oberthur Technologies**, where she was sales director for Mexico and Central America.

Political News

Alleged Colombian Drug Kingpin Awaits Extradition to US

Mexican authorities on Thursday started proceedings to extradite an alleged Colombian drug trafficker to the United States, the AP reported. Ever Villafane Martinez faces charges in Florida for allegedly shipping thousands of pounds of drugs into the country. Villafane, who is

Villafane had been on the lam until police in Mexico arrested him in August.

currently being held near Mexico City, escaped from a prison in Colombia in 2001. He had been on the lam until police in Mexico arrested him in August. Villafane, an alleged leader of Colombia's Norte del Valle cartel, is accused of representing the drug ring in its transactions with Mexico's Sinaloa cartel.

Trial Begins Against Former Argentine President Menem

A trial began Thursday against former Argentine President Carlos Menem for his alleged involvement in a weapons smuggling scheme, AFP reported. Menem, who held office from 1989 to 1999 as a Peronist, is expected to be absent from much of the trial due to health reasons, according to the report. The ailing former president—he turned 78 in July—is accused of being involved in the illegal sale of weapons to Ecuador and Croatia between 1991 and 1995, violating a UN arms embargo on Croatia and other weapons bans. Now a senator, Menem faces up to 12 years in prison if he is convicted, according to the report. Seventeen former government officials—including Menem's defense minister and air force chief—also stand accused in the trial. "We didn't have a clue about the final destination of the arms," former Defense

Minister Oscar Camilion told reporters Thursday, according to the AP.

Economic News

Bush Signs Andean Trade Preference Act Extension, With Bolivia Caveat

President George W. Bush on Thursday signed the Andean Trade Preference Act Extension in Washington. The legislation (HR7222) extends the Generalized

Systems of Preferences, which is designed to help developing countries expand their market presence and strengthen their economies, and the Andean Trade Pact, which has waived duties on imports from Bolivia, Colombia, Ecuador, and Peru since 1991. "With this bill, our nation is showing our commitment to economic growth in our hemisphere—and to a global system based upon free and open trade. And I want to thank the United States Congress for passing this bill with strong bipartisan support," Bush said. Congress passed the legislation unanimously under the cloud of the US financial meltdown last month and in a rush before a recess, despite calls by some legislators to eject from the bill the inclusion of Bolivia, which had just expelled US Ambassador Philip Goldberg from the country. Bush said Thursday the bill he signed allows the US to suspend trade preferences with countries that "do not live up to their promises." "Unfortunately, Bolivia has failed to cooperate with the United States on important efforts to fight drug trafficking. So, sadly, I have proposed to suspend Bolivia's trade preferences until it fulfills its obligations," Bush said at the signing ceremony. [Editor's note: see related Q&A in the October 3, 2008 [issue](#) of the *Advisor*.]

Company News

Nokia's Mobile Device Sales in Latin America Fall 28 Percent In Q3

Finnish mobile phonemaker **Nokia** announced Thursday that its mobile device sales in Latin America fell by 28 percent during the third quarter of 2008 compared to the quarter before, its biggest QoQ change among all regions of the world, the company said in an earnings release. At 11 million units, Nokia sales in the third quarter still increased in Latin America by some 15 percent compared to the same period a year ago, however. Nearly three times as many Nokia phones were sold in Latin America as in its North America geographic area, according to the company. Overall, Nokia reported third quarter net sales of 12.2 billion euros (\$US 16 billion) globally, down 5 percent year on year. [Editor's note: see related Q&A in the October 15, 2008 [issue](#) of the *Advisor*.]

Inter-American Development Bank Loans Uruguay \$40 Million For Port

The Inter-American Development Bank is providing Uruguay with \$40 million to upgrade the Port of Montevideo, a key commercial center in the Southern Cone. The upgrade aims to enhance the port's efficiency and reduce maritime and river transportation costs. The project will expand the port's cargo handling capacity by building a new multipurpose wharf and deepening the access channel to allow access to larger vessels. Montevideo's port ranks fourth in the region in terms of container traffic after Santos in Brazil and Buenos Aires and Rio Grande in Argentina. Authorities want the port to become "the logistical center for regional distribution," in the Southern Cone. Montevideo is already a main hub for refrigerated containers in the region and its operations have a strong transnational impact, as more than half of its activity involves the trans-shipment of containers from neighboring countries, according to the IDB. More than 70 percent of the volume of Uruguay's total exports and imports move through the country's maritime and river transportation system. The National Ports Authority, an autonomous

Featured Q&A

Continued from page 1

A **Guest Comment: Jeff Vogt:** "John McCain and Barack Obama have staked out opposing positions on trade policy generally, and NAFTA specifically. The former has presented himself as an uncritical booster of the current trade regime, while the latter has criticized current US trade policy as unresponsive to the needs of the American worker. For Senator Obama, one (small) part of the solution is to revisit (at least) the labor and environmental provisions of NAFTA. If elected, President Obama would likely open a dialogue with the Harper Administration in Canada and the Calderon Administration in Mexico to gauge the possibility of renegotiating var-

“People are dissatisfied for good reasons, but opening NAFTA would divert us from the real issue, which is the future of North America.”

— *Robert A. Pastor*

ious aspects of the agreement. It is unclear, however, whether the Canadian and Mexican governments would agree to reopen NAFTA to strengthen the weak labor and environmental side agreements. For Mexico, I would suspect that a comprehensive review of the agricultural provisions would be a high priority. While some of the problems in Mexican agriculture are domestic, the trade agreement certainly contributed to the rural crisis. A revival of the moribund North American Development Bank may be

agency of the Ministry of Transportation of Uruguay, will carry out the project. The IDB loan is for a 25-year term with a four-year grace period, at an adjustable interest

another enticement to bring the Mexican government to the table. As for Canada, softwood lumber trade has been a long-standing and unresolved issue. Additional concerns remain on the agreement's provisions on energy and natural resources. It remains to be seen whether the three nations will be able to come to an agreement on these and other issues. For the AFL-CIO, what is most urgently needed here (and for North America generally) is an economy designed to generate new and well-paying jobs. For too long, workers have faced declining real incomes even as productivity has increased. And now, hundreds of thousands of workers are losing their jobs, and our financial sector is in a shambles. There are many reasons for this crisis, some of which are trade-related. Strengthening NAFTA's worker rights and environmental provisions, funding and reforming the NADB, adopting a just, sensible immigration policy, and addressing other pressing concerns for all three countries could be a constructive step toward implementing a much broader North American economic strategy to put our countries back on track."

A **Guest Comment: Robert A. Pastor:** "American support for NAFTA and free trade has fluctuated during the last 15 years, but until the recent economic decline, a plurality or a majority has been in favor, perhaps because NAFTA quadrupled trade and quintupled foreign investment. All three countries benefited but not everyone in them, and the income gap between Mexico and its northern neighbors widened. As with the current financial crisis, the market enlarged, but there was a failure of governance. Trade was important but not enough. People are dissatisfied for good reasons, but opening NAFTA would divert us from the real issue, which is the future of North

Continued on page 4

rate. Local funds for the project total \$13 million. [Editor's note: see related Q&A in the July 7 [issue](#) of the *Advisor*.]

Featured Q&A*Continued from page 3*

America. In a competitive world threatened by terrorism, we need Canada and Mexico as partners. The new President should meet his two counterparts, draft a social charter to lift labor and environmental standards, and devise common plans to address problems of development, infrastructure, and security at the borders and the perimeter. For eight years, Mexican and Canadian leaders have been waiting for a serious dialogue with the US President on ways to better coordinate our economic, security, and environmental policies—goals shared by the majority of Americans, Canadians, and Mexicans. If the new President approaches these issues with a spirit of cooperation and a seriousness of purpose, the Mexican and Canadian leaders will do so as well, and North America will become a model for the world."

A Guest Comment: Carlo Dade: "Although NAFTA did not emerge as an issue of debate or comment during the just concluded Canadian federal elections, public sentiment in favor of NAFTA appears to be soft, according to a public opinion survey this summer by Angus Reid, with 52 percent of respondents saying Canada should do whatever is necessary to renegotiate the terms of the commerce deal but only 18 percent saying Canada should continue in NAFTA under the current terms and 11 percent believing that Canada should leave NAFTA as soon as possible. However, in both Canada and the US one has to be careful to separate 'abstract' survey responses from the more focused and informed public discussions that will occur if, or as appears more likely in the case of NAFTA and an Obama administration, when the renegotiation questions become an immediate and real event. While it appears almost certain that Obama is keen to open some sort of discussion about NAFTA, it is unclear as to how serious or deep an exercise this will be. One could hope that this would be nothing more than a dog and pony show timed for the mid-term congressional

elections. But what is clear from the US presidential candidates' debate Wednesday night is the issue of renegotiating NAFTA will be tied to US energy security. According to data from the US Department of Energy the top five oil exporters to the US are Canada, Saudi Arabia, Mexico, Venezuela and Nigeria. A cursory perusal of that list would convince most Americans, even those in the rust belt, that it is not in their interest to do anything that might negatively impact the flow of oil from the only two countries on that list that could be described as friends. For Canada, issues on the table with any NAFTA re-negotiation, discussion or review would have to include improved dispute resolution, limits on foreign investment in media—which would be popular with all three opposition parties—and the issue of oil exports. Under the NAFTA agreement's prohibition on discriminatory export controls for oil, Canada is prohibited from cutting exports to the US unless distribution in Canada is cut by the same amount. For Canada and the US ending of NAFTA would not necessarily mean the end of free trade. The US-Canada Free Trade agreement was only suspended when NAFTA was signed. Should NAFTA end both sides may have the option of reviving the dormant FTA. Given the current global energy situation, this may be some solace for Canada but certainly not for the US or Mexico."

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