

INTER-AMERICAN DIALOGUE'S

LATIN AMERICA ADVISOR

BOARD OF ADVISORS

- | | |
|--|--|
| Diego Arria
Director,
Columbus Group | Peter Hakim
President,
Inter-American
Dialogue |
| Genaro Arriagada
Board Member, Banco
del Estado de Chile | Donna Hrinak
Director for Corporate
and Govt. Affairs,
Kraft Foods Inc. |
| Joyce Chang
Global Head of
Emerging Markets
Research, JPMorgan
Chase & Co. | Jon Huenemann
Principal,
International
Department,
Miller & Chevalier |
| W. Bowman Cutter
Partner,
E.M. Warburg
Pincus | James R. Jones
Co-chair,
Manatt Jones
Global Strategies LLC |
| Rui da Costa
Managing Director,
Latin America & the
Caribbean,
Hewlett-Packard Co. | John Maisto
Director,
US Education Finance
Group |
| Alejandro Delgado
Economist for Latin
America, Africa, the
Middle East & Mexico,
General Motors | Nicolás Mariscal
Chairman,
Grupo Marhnos |
| Dirk Donath
Managing Director,
Eton Park Capital
Management | Thomas F. McLarty III
President,
McLarty Associates |
| Jane Eddy
Managing Director,
Corporate & Govt.
Ratings Group,
Standard & Poor's | Carlos Paz-Soldan
Partner,
DTB Associates, LLP |
| Marlene Fernández
Former Bolivian
Congresswoman and
Ambassador | Beatrice Rangel
Managing Director,
AMLA Consulting LLC |
| Wallace Gardner
Vice President,
Worldwide Sales,
Chubb & Son | José Antonio Ríos
Chairman,
Global Crossing
Latin America |
| Javier Garza
Chairman and CEO,
Grupo Domos
Internacional | Andrés Rozental
President,
Rozental & Asociados |
| | Everett Santos
President,
DALEC LLC |
| | Roger Scher
Head of Latin American
Sovereign Ratings,
Fitch Ratings |

FEATURED Q&A

What Are the Prospects for the US-Colombia Free Trade Deal?

Q US congressional Democrats, led by Speaker of the House Nancy Pelosi, angered the White House last week when they blocked President George W. Bush's attempt to force a vote on a free trade agreement with Colombia. What are the prospects for the trade deal now? Is compromise still possible? What are the chances for a vote this year?

A Board Comment: Carlos Paz-Soldan: "The Democratic leadership in Congress has frequently indicated its unwillingness to vote on the US-Colombia free trade agreement (FTA) during this election year. The White House's decision to submit the FTA for congressional consideration on April 7 under Trade Promotion Authority (TPA) rules tested that resolve. In response, the House leadership moved three days later to approve a rule that postponed action on the FTA indefinitely. The House action, intended to play to the domestic political audience, has had the unintended consequence of taking US trade policy into uncharted waters. Concerns have now been raised abroad that the US may no longer be a reliable trade partner. Perhaps attempting to mute international reaction, House Speaker Pelosi now says that the FTA vote has simply been 'delayed' and that she is prepared to join in a 'good faith effort' to find a way to approve the FTA. If this is true, then what is the new timeframe for consideration of the FTA? How will that

timeframe affect other pending FTAs? Which other pieces of legislation must be enacted before a vote on the agreement? Ms. Pelosi has not said. Although an FTA vote might be tied to renewal of Trade Adjustment Assistance or to another stimulus package, election year rhetoric as well as the House postponement have awakened the anti-trade sentiments of several key Democratic constituencies. It is therefore unlikely that the FTA will be considered until after the current US electoral cycle is over."

Continued on page 4



Experts: Region Vulnerable to Global Economic Woes

(L-R) Brian O'Neill, Enrique Garcia, and Nora Lustig said at the Dialogue Tuesday that Latin America is in a good position to weather global economic turmoil, but remains vulnerable on many fronts. See *Special Advisor Report* on page 3.

Photo: Elisabeth Burgess.

Inside This Issue

FEATURED Q&A: What Are the Prospects for the US-Colombia Free Trade Deal?	1
Morales Dismisses Autonomy Drive as Project by Wealthy Minority	2
Close Political Ally of Colombian President Uribe Arrested	2
Argentine Markets Decline on Concerns of Renewed Farmers Strike.....	2
AIG Investments Raises \$692 Million for Latin Equity Fund	3
Special Advisor Report: Region Vulnerable to Global Economic Distress on Many Fronts...	3

Featured Q&A*Continued from page 1*

A Guest Comment: John Magnus: "The Colombia deal could still get a vote. Normal political rules will apply. The president will have to learn of, and then decide whether to meet, the price demanded by a congressional leadership that does not regard implementing this agreement as desirable in its own right. Congressional leaders will be in the uncomfortable position of appearing to hold a trade deal—entailing few changes in applied US trade policies—hostage in pursuit of (mostly) non-trade-related priorities that are not popular enough to be enacted over the president's objections. The administration will be in the uncomfortable position of putting a price tag on the national security benefits it has said are dependent on implementing the Colombia agreement. No one will enjoy these discussions. No less important is the impact of the House action, which dramatically exposed the fragility of TPA, on other trade initiatives. It is commonly accepted that presidents may have to 'pay' to win up or down votes under TPA. But the idea of having to pay to obtain such votes undermines TPA fundamentally. The architects of TPA reckoned that unless Congress surrenders control over both the timing and the final wording of implementing bills, executive branch negotiators will lack the credibility needed to get trading partners to negotiate seriously. Did last week's blow-up effectively hand a 'get-off-the-hook-free' card to WTO members reluctant about moving the Doha Round negotiation to a new plateau during 2008? Could it adversely affect discussions with Korea during the run-up to a (supposedly) TPA-advantaged congressional vote on the US-Korea FTA? There could be negative fallout even if the president finds enough in his wallet to buy a Colombia vote."

A Guest Comment: Stephanie Burgos: "The prospects of Congress passing the US-Colombia FTA this year are

minimal, but the chances of a deal that benefits development in Colombia are nil. Trade can only be an engine for poverty reduction if trade rules benefit vulnerable populations, but the Colombia FTA fails this test. By forcing Colombia to fully open its market to subsidized US agricultural exports, the deal threatens the livelihoods of small farmers who produce food for the domestic market. Unable to compete, they will have few options but to grow illicit crops. As the world faces a global food crisis, a deal that locks in policies which undermine domestic food production is a mistake. Poverty and inequality in rural areas have fueled Colombia's armed conflict for more than four decades and led to an expansion of illicit coca cultivation. The Colombia trade deal now in Congress will simply exacerbate these conditions, while the promise that it will increase foreign investment is an illusion that may not bear out in practice. Congressional Democrats are right to place no urgency on bringing this agreement to a vote, as it will not benefit development or poverty reduction in Colombia. Instead, Congress should simply extend the Andean trade preference program this year and let a new administration take up the matter of how to best strengthen US trade relations with Colombia."

Carlos Paz-Soldan is a member of the Advisor board and a Partner at DTB Associates, LLP.

John Magnus is Of Counsel in the International Trade Group at Miller & Chevalier and former Chair of the American Bar Association's International Trade Committee.

Stephanie Burgos is a Senior Policy Advisor at Oxfam America.

Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2008

Erik Brand,
General Manager, Publishing
ebrand@thedialogue.org

Robert Simpson,
Editor
rsimpson@thedialogue.org

Elisabeth Burgess,
Reporter
eburgess@thedialogue.org

Danielle Jetton,
Computer Services Coordinator

Inter-American Dialogue:

Peter Hakim,
President

Michael Shifter,
Vice President, Policy

Joan Caivano,
Director, Special Projects

Dan Erikson,
Senior Associate, US Policy

Claudio Loser,
Senior Fellow

Manuel Orozco,
Executive Director, Remittances and Rural Development Project

Tamara Ortega Goodspeed,
Senior Associate, Education

Marifeli Pérez-Stable,
Vice President, Democratic Governance

Jeffrey M. Puryear,
Vice President, Social Policy

Viron Vaky,
Senior Fellow

Subscription Inquiries are welcomed at fretrial@thedialogue.org

Latin America Advisor is published every business day by the Inter-American Dialogue 1211 Connecticut Avenue, Suite 510 Washington, DC 20036
Phone: 202-822-9002 Fax: 202-822-9553

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each Advisor and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.