SPECIAL PRESENTATION

"STATE OF THE AMERICAS 2008"

KEYNOTE SPEAKER:
LUIS ALBERTO MORENO, PRESIDENT,
INTER-AMERICAN DEVELOPMENT BANK

MODERATED BY:
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MR. DAN RESTREPO: I am Dan Restrepo, director of The Americas Project. On behalf of all of us who work here at the Center for American Progress, welcome to the first Americas Project event of the year, the State of the Americas 2008.

Among the Project's aims is to draw more attention and deepen understanding with respect to the United States' relationship with and place in the Americas. I have no doubt that today's discussion will do exactly that.

One year ago, we heard from OAS Secretary General Jose Miguel Insulza on the State of the Americas. In his speech, Secretary General Insulza focused on the year of elections from which the Americas were then emerging and the challenges of economic inequality facing broad swaths of the hemisphere.

Today, we gather against a similar, but fluid backdrop. Again, elections loom large, this time the ones here at home. But we are also faced with a landscape that has been full of innumerable twists and turns that have significant implications for the Americas and for the U.S. relationship with the Americas today and will undoubtedly continue that way.

We are honored and privileged to have with us a wonderful panel of experts, whom I will introduce later, who will help tackle what the State of the Americas means for the United States, but first for the context it is my distinct honor and privilege to introduce our featured speaker – Luis Alberto Moreno, President of the Inter-American Development Bank.

Luis Alberto Moreno was elected to his post on July 27, 2005 and took office on October 1, 2005. Prior to joining the IDB, President Moreno was Colombia's Ambassador to the United States for 7 years, serving both President Andres Pastrana and Alvaro Uribe, both of whom, I would note, have spoken from this podium at past Americas Project events.

Prior to coming to Washington, President Moreno enjoyed a distinguished career in a variety of public and private sectors posts in Colombia. He has headed Colombia's Instituto de Fomento as well as its Ministry of Economic Development. In a combination that we particularly appreciate here at the Center for American Progress, he has also been involved in politics, as the chairman of President Pastrana's presidential campaign, and in the media, as the executive producer of an award-winning television news program.

Rather than overwhelming you with a recitation of the many, many additional accomplishments in President Moreno's distinguished career, I will leave you with one last anecdote. Anyone who has heard me speak about the United States' relationship

with and place in the Americas knows that I am particularly fond of highlighting the interconnections that increasingly define the region.

Today, I have a personal example. On very the day that Luis Alberto Moreno came into this world – and I won't give away the year – among his first visitors in a hospital in Philadelphia, Pennsylvania, were two students – one from Colombia, the other from Spain – who a number of years later would move permanently from Colombia to the United States and become, among many other things, my parents. If the world is not a small place, the Americas certainly are.

Ladies and gentlemen, the president of the Inter-American Development Bank, Luis Alberto Moreno.

LUIS ALBERTO MORENO: Good morning. I would like to thank the Center for America Progress for the invitation to speak to you today. It is an honor to be part of such a distinguished panel discussing "The State of the Americas 2008."

I will organize my comments around two broad themes: first I will share some observations about the state of the Latin America region today, and then I will reflect on the opportunities for growing the partnership between Latin and North America.

Overall, I think there is cause for cautious optimism about the state of Latin America, though, of course, there are short and long-term challenges. These will undoubtedly test the strength and adaptability of Latin American societies and institutions.

The downturn in the U.S. economy means a bumpy road ahead for Latin America and the Caribbean. But unlike previous economic crises, the region is much better prepared to cope because of the solid achievements of the past five years.

Between 2002 and 2007, the region grew on average by 5 percent per year; a rate not experienced since the 1970s. Inflation was held at moderate levels in most countries, while healthy fiscal and external balances reached historic highs in some cases. Consequently, unemployment as well as levels of absolute and extreme poverty have fallen for four consecutive years up to 2007.

Strong demand and high prices for the region's mineral, agricultural and energy exports is one reason for this positive state of affairs. Demand for Brazilian and Mexican manufacturing has also been robust, while maquila industries have prospered in low wage economies such as Nicaragua, Honduras and Dominican Republic.

At U.S. $125 billion, 2007 was a banner year for foreign direct investment. Inward FDI doubled in the major economies, particularly Brazil, Mexico, and Chile. Non-traditional investors are very busy. Indian companies, for instance, perceive great opportunities in Latin America. Arcelor Mittal is expanding its Brazil steel production; the Tata group's Tata Consulting Services has established an information technology

development centre in Brazil, while Fiat will make Tata trucks in Argentina for the regional market.

In early 2008, India's Jindal Steel and Power received Bolivian congressional approval for its U.S. $2.1 billion investment to develop an iron ore mine and establish a 1.7-million-ton capacity steel mill. This constitutes Bolivia's biggest ever foreign investment.

Another critical factor is the quality of the institutions – ministries of finance and economy and central banks – that have designed and implemented macroeconomic and fiscal policies supporting growth while preserving fiscal discipline.

It is these institutions that will play a fundamental role in elaborating policies to address the impacts of economic downturn. Governments in countries such as Mexico and Brazil are already putting into place programs to increase public spending; with increased proposed expenditure targeted at much needed infrastructure improvements. Others, such as Peru and Bolivia, have healthy fiscal balances that will allow continued public expenditure at levels established over the past three years.

In addition, many governments will be able to factor strong domestic demand into the policy options to counter economic downturn. This demand derives from a steady increase in the size of Latin America's middle class; a consequence of growth, greater prosperity, and effective poverty reduction.

Of course, we must recognize that individual countries will cope differently; those that have not fully benefited from recent growth may face additional strain. So there is no place for complacency. My staff at the IDB together with our partner countries remains vigilant in the case of all eventualities.

In concluding my remarks on Latin American economic perspectives, I would like to raise some important questions. Until recently these would have been purely hypothetical in nature.

What policy mix best combines poverty reduction with increased middle class demand – associated with rising prices of consumer items as well as basic goods such as bread, milk, electricity?

As the emergent middle class increasingly influences economic policy, how will this impact on politics and the way in which this public policy is formulated and implemented? For example, will this growing middle class strengthen the governance processes that have taken root throughout the region over the past decade?

Latin America is engaging creatively with its development challenges. This process has resulted in a diversity of social innovations that have taken root region-wide and further afield.

The Chilean government has pulled off a feat that has eluded many rich countries with ageing populations; namely, a landmark overhaul of its already much copied private insurance system.

Conditional cash transfer schemes – tested and calibrated in Mexico's Progresa and Oportunidades programs; adapted in the Honduran PRAF and Nicaragua's Red de Protección Social, and introduced into Brazil as Bolsa Familiar – are recognized anti-poverty social protection programs that now have gone global.

New York City, for example, has recently introduced a modified conditional cash transfers scheme to enhance opportunities for children of poor families. Egypt has modeled its scheme on the Brazil experience, while Eastern European countries are studying the applicability of conditional cash transfers to their distinct situations.

At a more local level, the model of violence prevention undertaken by Viva Rio in Rio de Janeiro, subsequently replicated in East Timor, is now being implemented in Port-au-Prince as part of the pan-American support to Haiti's reconstruction and transformation.

I am delighted to be able to confirm that the Bank has been involved to a varying extent in the development and financing of all of the examples mentioned.

There are also noteworthy examples of pan-American relationship building. The participation of Latin American militaries and police in the Brazilian led United Nations stabilization force in Haiti has triggered unprecedented levels of collaboration. A battalion of military engineers from various countries have worked together under a rotating command. Regular policy discussions between Latin American defense establishments now occur at the civilian and military level. In this light, Chile's help in restructuring the Guatemalan national police is not surprising.

Intra-regional trade has also strengthened. Chile's has free trade agreements with the Central American countries not just the U.S. One result has been a 75-percent expansion in trade with Guatemala between 2006 and 2007 to over U.S. $250 million.

Economic and trade relations between Argentina and Brazil are part of a diverse and growing partnership. In 2007 the two countries carried out U.S. $24.8 billion in trade; a record amount.

But as large as trade expansion is, equally significant is Argentina's recognition that it could learn from Brazil "serious investment policy" after Brazil's recent oil and gas discoveries. This changing attitude makes feasible the participation of Petrobras, the Brazilian national oil company, in the exploration for oil in Argentine waters.

Latin America is now the home of world-class companies. Petrobras is a world leader in deep water oil and gas exploration technologies; CEMEX has grown into a

world powerhouse in ready-mix cements and building materials; and Televisa is the largest media company in the Spanish-speaking world.

Finally, Latin America's vibrant culture not only knits together a region with great diversity, but also contributes significantly to confirming the identity of the 44 million Hispanics now living in the United States.

Latin culture also shapes the way of life of the non-Hispanic U.S. population: just as the U.S. introduced baseball into Latin America, so the Hispanic population ensures the commercial future of major league soccer; the U.S. exported Coca-Cola and now gets Corona and Dos Equis in return; the U.S. that broadcast Madonna now listens to Shakira; and the country that popularized Donald Duck is now tuning in to Ugly Betty.

Notwithstanding Latin culture's significant imprint, there appears to exist a dangerous gap exists between the reality of U.S.-Latin American relations and the perception of the U.S. population about Latin America.

Recent polls indicate that the Latin American region is one of the least important to U.S. national interests; that the region is stagnating rather than modernizing; that Latin American governments are more hostile than friendly; and that nearly twice as many U.S. citizens think NAFTA was bad for the U.S. rather than good for it.

Yet, Latin America is the region of the world with the greatest impact on daily lives of Americans, whether we're talking about oil, trade, immigration, or the environment.

Mexico is a more important source of oil than Saudi Arabia. The U.S. exports $225 billion to the region, four times more than it exports to China. And the 44 million Hispanics in the U.S. constitutes the country's biggest ethnic block.

Growing numbers of U.S. citizens are buying property in Mexico and Central America, Panama, Costa Rica, and increasingly, Nicaragua, are favored over Florida or Arizona as retirement destinations.

Some see that Latin America has dropped off the U.S. policy agenda. I believe things are different. I detect the foundations that are for a creative policy, expanding partnership opportunities for the Americas. U.S. policy no longer needs to be reactive, as it was during the '80s and '90s, when financial crises affected the U.S. banking system and Central American wars were seen as a security threat.

U.S. policy can, and should, respond to Latin America – to a Latin America that is maturing everyday. Immigration and trade are two great challenges. Discussion on Latin American policy has been largely absent, as we all know, from the presidential primary processes. The exception is U.S. immigration policy. Yet, as President Calderon said recently after the Super Tuesday presidential primary last week, the most radical and anti-

immigration candidates have been left behind, and have been put in their place by their own electorate.

The hope is that a broader and a more comprehensive view of the immigration problem can now be defined on the basis of an understanding of the mutual benefits, from increased flows of goods, services, and investments. A lot has happened on trade since NAFTA in 1994. There are now free trade agreements with Central America and the Dominican Republic, Peru, and Chile, the later achieved after 13 years of bilateral discussions and two rounds of negotiations.

Trade agreements with Colombia and Panama are pending congressional approval. The actions taken to move forward these agreements will be keenly followed throughout the region, from Mexico to Argentina.

The other area I would like to mention is poverty reduction. The U.S. was instrumental at the IDB in its debt relief discussions that granted $4.4 billion from the banks own resources for 100 percent cancellation of IDB debts to the five poorest countries in the region, namely Bolivia, Haiti, Honduras, Guyana, and Nicaragua.

The Millennium Challenge Corporation has continued this poverty focus with compacts signed with Honduras, Nicaragua, and El Salvador for over $850 million, and Guyana and Paraguay with threshold agreements, and Peru and Bolivia granted eligibility.

The bipartisan Social Investment and Economic Development bill introduced into the Senate in 2007 links poverty reduction with economic opportunities and expanding the middle class, and I sure hope to see that this gets acted by both Houses of Congress, as it will be a very important message, I believe, for Latin America.

Notwithstanding such efforts, Latin America is largely absent from the international debates on major development issues of the 21srt century. The international donor development policy framework has shifted. Today, it prioritizes the Millennium Development Goals and pathways out of poverty for the bottom billion. With mainly middle-income countries, Latin America and the Caribbean have less leverage in such poverty debates. The region's underperformance on poverty reduction is partly identified as government inability to implement the right policy mix. Such situations are perceived to be beyond the influence of the donors.

With poverty issues framed by a focus on Africa, bilateral aid programs with Latin America have been cut. U.S. private philanthropy also looks to Africa, rather than to Latin America. Institutional and intellectual resources have thus shifted focus towards the poorest countries in Africa.

Latin America's relegation to the sidelines is happening at precisely the moment where the region has a central role in confronting the greatest challenge facing us today, how to integrate within a coherent development policy framework, poverty reduction for

the poor with measures to address climate change and protect the environment. This question puts Latin America's biodiversity center stage and recognizes its value, for example, in terms of carbon captured by Latin American forests and the ecosystems that will have, among others, pharmaceutical benefits.

With 16 percent of the land area of the planet, Latin America has five of 10 countries, namely Brazil, Colombia, Mexico, Ecuador, and Peru with the greatest biodiversity. It is home to 27 percent of the world's mammal species, 40 percent of known reptile species, 43 percent of known bird species, and 47 percent of known amphibians, and 34 percent of known flowers and plants.

At the IDB, we take sustainable energy and climate change as central, and it is really a response to the Gleneagles Summit call for the creation of an investment framework on climate change, clean energy, and sustainable development. Grant financing supporting our initiative that we call SECCI is supporting a range of cutting edge initiatives, including the development of a climate change strategy in Mexico, rural – (unintelligible) – initiatives in Honduras, and technical assistance for biofuel development in El Salvador, as well for improving the energy efficiency of public buildings in Mexico, the latter in collaboration with the Clinton Foundation.

SECCI is also supporting the implementation of a green coal strategy in El Cerrejón, the world's biggest open coal mine that includes the conversion of heavy machinery to run on biodiesel.

This is a beginning. The challenge I leave with you today, before all of you, is one of how to situate Latin America and the Caribbean center stage in the elaboration of a coherent development policy that integrates climate change, renewable energy, and sustainable development for poverty reduction.

I want to suggest that this is a joint challenge for the Americas, on which North and South collaborate together by mobilizing their considerable and creative financial, institutional, and intellectual resources and capabilities.

Thank you very much.

(Applause.)

MR. RESTREPO: Thank you very much, President Moreno. Before giving you all a shot at asking President Moreno questions in the audience, we're going to have a back and forth with the panelists. I want to try absorbing what we've just heard, which was a fabulous overview and tour of the horizon of the issues that define the Americas today and define the U.S. relationship with the Americas.

I'm going to try – off the bat here very quickly – going to introduce the three panelists to my right, and do the one or two sentence version of their bios, so we can listen to what they have to say, rather than what they have done.

And I'm going to start with Adrean Rothkopf, who is the managing director for North and Central America and the Caribbean at the U.S. Chamber of Commerce. It's quite a mouthful and there's even more in the next sentence. She is also the executive director of the Association of American Chambers of Commerce in Latin America.

And Adrean, you're just back from Haiti, and wanted to ask your impressions of that. It's clearly a place where the Americas have come together to help one of their own to deal with security issues, to deal with poverty issues, health, environment – and also has the whole basket of issues that President Moreno was just talking about which are in stark display in Haiti.

So if you could share a little – your impressions of the situation, as it currently is in Haiti. Is there reason for optimism in a country that has been saddled with problems since the day it declared its independence as the second free republic in the Americas?

MS. ADREAN SCHEID ROTHKOPF: Well, first, I'd like to start by saying thank you very much for inviting me to be here today and to be part of this panel. It's a great group of people and I'm delighted to have an opportunity to address the group.

As you mentioned, yes, I did just return from a very brief trip to Haiti. I was there from Thursday through Sunday morning, and had the opportunity, along with one of my colleagues from the Chamber, to meet with President Preval, a number of his cabinet ministers, a number of representatives from the private sector, including our AmCham folks who organized the trip itself.

We met with members of the HOPE Commission, members of their new investment organization, and so on and so forth. And the – I think everybody here – I look around the room and I see a number of people who are really dedicated to the Americas, and I don't really think that we need to go into a lot of background about the current situation in Haiti. I think everybody knows what's going on, and I agree that the U.S. has shown a commitment to the country, the multilateral institutions, including – especially the Inter-American Development Bank have shown a strong commitment to the country.

You ask if there is reason for optimism, and the purpose of our meetings was actually to talk about the HOPE legislation, for which we currently have the set of preferences, and to talk about what their hopes were for a potential HOPE II. And we also talked to them about what they could do domestically, in terms of creating the conditions for economic growth and job creation.

And the conversations, of course, are difficult because you're dealing with difficult issues, and even though we were going from meeting to meeting, you can't escape the reality of Haiti, even if you are only going to government buildings or nice restaurants. You drive down the street, and what I was struck with was how many people were on the streets and just walking around. And it's just the reality of the lack of

employment and the poverty that you see, but I did feel that there was reason for optimism.

We did feel that people were thinking through not just what the situation was, but what needed to be done, and what they could do themselves to get where they needed to be, of course, recognizing the valuable contribution of the U.S. government, the people of the United States, the multilateral organizations, the other countries that are supporting them security-wise. But certainly, we felt security was improved and I think that that's well known that the situation has improved. It's still not so great, but overall, yes.

MR. RESTREPO: Excellent. I'm going to go from one extreme – at least in terms of size of economy – to the other, by posing my next question to Leonardo Martinez-Diaz, who is a political economy fellow at the Global Economy and Development Program at the Brookings Institution and serves as the deputy director of the Brookings Partnership for the Americas Commission, and is a member of the Brookings Latin America Initiative.

And I'm going to ask you about Brazil and how – obviously, actually the Brazilians have been playing a very important role in the security apparatus or what has helped bring security to Haiti or an improved sense of security. But panning out and considering kind of the broad landscape of the state of the Americas, as we enter 2008, the role of Brazil in that landscape and the U.S.-Brazil relationship and how those fit together, so that very small nugget of information – discuss.

MR. LEONARDO MARTINEZ-DIAZ: Well, first of all, thanks to you, Dan, and to the Center for the invitation. I remember when President – former President Cardosa went to the UK not long ago, somebody asked him about Brazil's point of view and about Mexico, and whether Mexico could contribute any new ideas to the debate. And he said, "Mexico, no, too close to God," he said dismissively. "Brazil's issue is that it's perhaps too far from God in a sense that we have a very different set of issues when we talk about a U.S.-Brazil relationship."

I think to really understand Brazil, you have to look at how it's changing, not just its regional role, but also its global role. Brazil today is one that is really trying to leverage some of the influence it has in global energy and agricultural markets. It's a country that I think for the first time is really stepping into a role that is not just regional, but global. You see Brazil's leadership role in Haiti, with the UN force there. You see Brazil trying to attain important positions, more voice, and more vote in major international organizations, from the IMF to the UN Security Council.

And I think, very importantly, you see Brazil also as becoming a bridge, or attempting to become a bridge, between developed and developing countries, all of which is relatively – Brazil has gone through a series of evolutions about thinking of its own role to the world, but now, I think we really see a qualitative difference in how it's pursuing those things. And perhaps the most – the way I would characterize Brazilian foreign policy today is get along with everybody, but don't get too close to anybody.

It's really a smart strategy of diversification, the Americas or the European Union, the U.S., certainly, Asia, increasingly Africa, have really a very complex set of relationships that you can then maneuver and work to your advantage. That's the Brazil we are trying to approach today from the U.S. point of view. It's a complex relationship. It's a mature relationship, and I think there are three main areas where there are real opportunities for a U.S.-Brazil relationship.

The first, I think, is often overlooked and that's global governance. As I mentioned, Brazil is really trying to play an important role in the WTO, in the G-20 group of finance ministers, central bank governors, in the World Bank. They're heading – they're spearheading this effort to make some of these institutions more representative. And the U.S. really has, I think, an important ally in Brazil, in terms of helping these institutions become more representative and to transcend what people are calling now a crisis of relevance and a crisis of legitimacy. And Brazil, I think, can become an important partner in that process.

The second area is certainly trade. Brazil's leadership in the group of 20 this time in the WTO is really important; really a deal a Doha, or any other round, would require Brazil at the table. The FTAA will require a deal with Brazil. And here's where you get to the complicated political economy questions, where you get into California computers and electronics versus Brazilian orange juice and soybeans and vice versa. How do you transcend that? We can talk about that more in the Q&A, but it's a key piece of the entire relationship.

And finally, you have energy, not just oil. Certainly, the Tupi discovery places Brazil potentially as a major oil exporter, which from the U.S. point of view, it's important because Mexico's reserves are maturing and Venezuela's are politically sensitive. Brazil could become a major supplier.

And the second one, which is tied to climate change, of course, biodiesel and ethanol. The key here will be how do you cut a deal with Brazil, so that you can have a corn-based ethanol industry in the U.S., but also supplement that demand in the U.S. with Brazilian ethanol and how do you use that to stabilize supply and price?

I think there's enormous opportunities there and that the relationship with Brazil has never really been more promising. We can talk about more of the details in Q&A. Thanks.

MR. RESTREPO: Excellent. Thank you. And now, I've saved the simplest and most straightforward question for Michael Shifter, who's the vice president for policy and director of the Andean program at the Inter-American Dialogue, a sub-region that is simple, straightforward, and has no implications for the United States or our current agenda in the Americas. No, but in all seriousness, looking at the varied Andean region today, what are the three things that jump out at you that should be – that are priority

items, if you will, or priority dynamics shaping the state of the Americas today and the U.S. relationship with the Americas today?

MR. MICHAEL SHIFTER: Well, first of all, thank you, Dan, for the invitation and it's a pleasure to be here at the Center, to be with friends, and to be with President Moreno. He'll always be Ambassador Moreno, but President Moreno, Master Moreno – thanks for giving me the easiest assignment because everything is calm and under control in the Andes.

But I think I would start really with where President Moreno and his excellent overview of the region as a point of departure, which is that that there is this sort of overall climate of growth. And it's true of the Andean countries as well, economic growth, but at the same time, you have enormous frustration, discontent, and governance problems, which are probably more acute in the Andean countries as a whole than other parts of the hemisphere. And – so then the question becomes what can one do to try to strengthen democracy and to try to address some of the big risks and challenges to governance, consolidating governance?

One of the issues that attracts me is drugs. Drugs is a problem also for the Caribbean and also for Brazil, but in the Andes, it's both in terms of production and trafficking. It contributes a lot to crime, which is very high and gotten out of control in many countries. It contributes a lot to corruption. And these make governance – progress on governance, that much more difficult.

The United States has an important role and responsibility that I think they could do a lot better job in dealing with the question of drugs. It's obviously a global problem, a global phenomena, but that's something to me for the next administration to try to look at a little bit more seriously. It goes beyond looking at Mexico or looking at Colombia or looking at Venezuela. It really is a much, much larger, more systematic concern.

The second is this question of trade. Obviously, there's a free trade agreement now with Peru and the Colombia agreement. The only word I'll say about that – and I think this is important in terms of how the rest of the region is seeing the United States on this decision of whether the Congress will approve the free trade deal with Colombia – is that many – I know a number of colleagues in Latin America who have a lot of serious questions about free trade, and a lot who have serious questions about the Uribe government in terms of human rights questions and dealing with labor officials and alike that are all legitimate.

But even among those colleagues that I have, they find it puzzling and baffling that on this issue, the United States would not support – would not ratify the deal with Colombia because this has been such an important issue from Washington's point of view because Colombia has received $5 billion in U.S. aid since Plan Colombia started under – thanks to Ambassador Moreno in 2000. And it's just sort of – they asked themselves the question, well, if the United States doesn't follow through on this, what

will they follow through on? And I think that's an important question just in terms of credibility, which is a central issue.

And finally, I think we do have the question of political polarization and the problem of Venezuela and the problem of Chavez. I think 2008 is going to be a very, very important year. I think the referendum on December 2nd was a turning point. And I think the situation has changed politically in Venezuela, and I think the question, for Venezuela most of all – but also, I think, for the region because Venezuela does have a – under President Chavez, it does have a much broader regional ambition and reach in project, and clearly, the price of oil enables him to have that, to propel some in that direction.

But I think the question really is: Is this going to be both a stable and democratic process in Venezuela? I think the opposition remains extremely weak, extremely fragmented, but I think there is growing discontent and frustration with the performance of the Chavez government. And that presents some interesting scenarios that I think will be a test for U.S. policy. It will be a test for the next administration, which I think we'll have the opportunity to start new because I think there've been a lot of mistakes under the current administration.

So I think that that offers an opportunity to refocus some of the policy towards Venezuela and towards Chavez, but I think it's going to be, in some ways, more challenging because I think the internal dynamics will become even more turbulent perhaps, and pose a greater challenge.

And just a final word and obviously, in the case of Venezuela, the U.S. has a major interest in oil, where we get 13–14 of our oil imports from Venezuela. It's a major producer. Venezuela sells some 60 percent of its exports to the United States. So there's a very, very close sort of connection, dependence there on the economic and trade side, and yet there's political tension on the other side. So that's the dilemma for the United States. It has been, and it will continue to be, although I think there's an opportunity to at least try to remove some of the belligerence and try to introduce a better tone in the relationship.

And in Bolivia and Ecuador, both of them are going through constitutional assembly processes. I think they're finding that they've encountered some resistance, both President Morales and President Correa, although President Correa really hasn't even presented the main – the policy questions of his constitutional assembly, of his new constitution.

So there I think the real test is the capacity to reconcile countries that are divided. Obviously, politics as usual doesn't work in those countries. There's a crucial need for a change and new participation of new groups, but the question is how to move forward, while at the same time, trying to keep some of the confrontation and conflict under control. And I think that's a real test. And I think the U.S. can be helpful again on trade policies. President Moreno mentioned the Millennium Challenge account. Those kinds

of policy instruments, I think, could be useful, but to keep that overall objective very clearly in mind.

MR. RESTREPO: I'll throw a question out to all three of you to bring this a little closer to – I guess to paraphrase Cardosa, who was paraphrasing someone else, "a little closer to God," and that is that President Felipe Calderon is in the United States at the moment, and is somewhat interestingly not going to pass through this city during his travels, presumably a trip that was scheduled for the relative safety and orderly moment – political moment after Super Tuesday, where everything would have been resolved and he wouldn't be in an electoral mass. And interestingly, he has only gone to states that have already had their primaries or caucuses. But what are we to make of Calderon not coming to Washington? Is there anything to make of that or is that just happenstance? Go ahead.

MS. ROTHKOPF: If I may. I think that the reality is that we are possibly making too much of the fact that he's not coming to Washington, and maybe you are a little self-centered here in Washington – (laughs). But first, I'd like to say that the fact that he hasn't come to Washington on this visit doesn't mean that he hasn't met with President Bush. They've met before, most recently in Montebello, as part of the North American Leaders' Summit. As President Bush announced in his State of the Union, they'll meet again April 21st and 22nd in New Orleans for the next North American Leaders' Summit.

The reality is, had he come to Washington, it would have undermined the purpose of his trip because what he wants is he wants the U.S. to address the immigration issue. And unfortunately, and very unfortunately, we are not at a point where we're ready to do that. We need to do that. We need to have comprehensive immigration reform. And I think it's a good sign, as you mentioned in your remarks, that we're starting to think about it more seriously, but I don't think we should make too much of the fact that he's not coming to Washington.

MR. MARTINEZ-DIAZ: I think he didn't come for two reasons. The first is that he knows that the president cannot deliver on the most important issue, as was said, immigration. And the second is expectations management. After all, President Fox promised the world, in terms of a U.S.-Mexico bilateral relationship, and then it didn't materialize, and I think he paid a price for that. So it's certainly about trying to bring expectations down.

But the more interesting point is what he is doing when he is in the U.S. He's meeting primarily with immigrant communities around the country. And what that tells me is something quite important in the immigration debate, and that is that the debate is moving down from the federal level to smaller sub-national units. In the U.S., that's because the federal government didn't pass a package of that sort. So now, it's the states, and even down to the cities and municipalities that are taking action by passing their own legislation. And from the Mexican point of view, what he's trying to do with the Mexican government, I think he's trying to do, is to set up a network of consulates and

other kinds of offices in the U.S. to try to aid immigrants in different ways. And so what you see is really the vacuum is being filled by others when Washington did not.

MR. SHIFTER: Yes, I would basically agree with that. I don't think he's here because I think all the hotels were filled in Washington – (laughter) – and it was very hard to get a room. But, no, I think that look, the immigration issue is just – we're at a moment where nobody, as Adrean said, I think it's just politically very, very hot, and nobody really wants to deal with it. And I think obviously, where he is, that's the association. Mexico is a proxy for this immigration debate and it sets off, I think, more intense passions than almost any other issue.

And it has, I think, the potential really to roil inter-American relations more than any other issue. And while you can't avoid it, you have to deal with it, there are better moments than other moments. And given what's happening in both political parties, I think that was probably a very wise movement on his part not to come here now.

MR. MARTINEZ-DIAZ : Not to mention that Lou Dobbs would have a field day. (laughter)

MS. ROTHKOPF: He will anyway.

MR. RESTREPO: Yes, exactly. I'm sure he's following the trip with great interest. I'm going to back up to something Michael said earlier in terms – on the FTA, and particularly the Colombia FTA, and this notion that I think a number of us have encountered talking to colleagues in Latin America, of if the U.S. won't follow through on this, what – how is it that they can be reliable, given that the U.S. has been unreliable on a number of other fronts in the region over the last several years.

How much of that, though, is an elite dynamic? How much of that is the people we talk to versus the people, if you will, in Latin America and even in Colombia? And this is – the question that I have kind of pondered and don't really have an answer to – it's a hard one to get your head around in terms of finding data that supports – but is this just an elite phenomena that people who we're most comfortable talking to, because we've been talking to them for a long time on trade and other issues, are telling us that this is of paramount importance, or is it actually a broader phenomena that is reflected throughout Latin American society?

MS. ROTHKOPF: Well, I certainly couldn't have said it any better than Michael did in terms of what we're hearing from folks in the region about the importance of voting for the agreement. And the reality is that if we do vote for it, we'll send a signal of support. If we don't vote for it, it's not going to make things any better.

I do think that the one thing we have to keep in mind when you ask whether it's just an elite phenomenon or if it's a broader reflection of what the people in the region are thinking, we need to remember that the reason that we've pursued these trade agreements is not just because our government has decided that that's the strategy we're

going to pursue. We've pursued them because that's what the countries of the region have asked us for, and they've – for the most part and there are exceptions – but for the most part, they've been widely accepted by the countries where we have the trade agreements with.

And so I would say, yes, it's true that it's hard to get clear data on this, but I would argue that the people of the region want the trade agreements, and that the people of the region will take it as a negative signal if we don't vote for them, while at the same time, it's not going to address some of the issues of concern. It's only going to show that we can't be kept to our word.

MR. MARTINEZ-DIAZ: I think before a very broad spectrum of Latin American society was willing to give free trade the benefit of the doubt, and I think it was really a very generalized feeling that it was a good thing. I'm not so sure now. Maybe my views are colored more by the Mexican experience, but right now, this is the last phase of the NAFTA liberalization scheme schedule.

And we're getting to the really sensitive sectors. We're getting to milk, beans, corn. And NAFTA is very unpopular in Mexico, not because of trade itself, the agreement itself, but because the Mexican government, I think in part, didn't use the time it had, 10 years, to prepare. And as a result, a lot of people are now falling through the cracks, and the safety nets are not in place to protect that, and that the backlash is against globalization or free trade agreements in general. And that's why I'm afraid that it's not just about free trade. You need to have the infrastructure to prepare for it.

MR. RESTREPO: It is not a distinctly Mexican phenomena, as we have all come to learn in our own political dynamics – Michael, any thoughts on how much of this is elite driven, and how much of it's popular driven?

MR. SHIFTER: Well, I think the analytical sort of comparisons are more – maybe more elite, though I think if you go to a place like Colombia, every Colombian is aware – I think Ambassador Moreno will confirm – that Peru got a free trade agreement. They're thinking, we've been the major ally of the United States on every major question. Peru has had a more complicated relationship with the United States. People are – I think, at all levels of the society – are aware of that comparison.

And I do think it depends – this question of attitudes towards trade and globalization varies from country to country. And to the extent we have any good data, the polls show in Peru, it was widely supported. I think in Colombia, it's marginally. There's a more modest support. In Ecuador, it's rejected. You can go from country to country and try to get a feel for public opinion, of course. As you mentioned, the worst case is here. The problem is the United States, where it's – where the attitudes are more and more critical and negative.

I also think – maybe just one more point on the trade thing, and this is not exactly your question, but I think it's – there is a sort of what can – what worries me a little bit,

even in a place like Peru, and some of these others trade deals, is there is – which was the problem with Mexico – is there is sort of these deals are oversold a little bit and raise expectations beyond what they should. I'm worried in Peru that the Peru deal has sold this as the magic bullet that's going to solve poverty and reduce inequality. I think it's positive, but it's no substitute for the important social reforms and social policies that need to take place. And I think that's true of Mexico. And I think that's a real risk in pushing these, but sort of keeping them in their proper perspective.

MR. RESTREPO: I'm going to ask one last set of – one question to the panel before inviting President Moreno back up and opening it to what undoubtedly will be the more interesting questions from you all, and that is – it's a two-part question, one we tend to – in this town, in the naval gazing way that we do, skip over the fact that there is most of this year still ahead of us and start thinking about 2009.

But what can the current administration, given its track record, do? What should it be doing with respect to Latin America and advancing U.S. interests in the region? So name one thing that they're not doing. And then also forward-looking, what can the next administration do – because I think a lot of people will recognize that in a lot of ways, the current administration is damaged goods on the global stage, and the rebuilding of the U.S. reputation in the hemisphere, as well the world at large, will undoubtedly have to wait for a new occupant of 1600 Pennsylvania Avenue.

But first, what can the current administration, given the hand that they have, that they've dealt themselves, do and then – so one thing then. And then one thing further out, that if you were advising whomever walks in on January 20th, 2009, what should the first thing they do to advance U.S. interests in the region? And I'll start with Michael.

MR. SHIFTER: Well, I think, first of all, whoever is going to be the president on January 20th is going to have to deal with the Colombian free trade deal. There is an agreement that's signed. It's not going to – you have to do something with it. And the question is sometimes, one gets the sense that there's a lot of more partisan problems here in Washington that somehow prevent more serious treatment and consideration of that deal.

And I think that one of the things the administration should do is to try to reach some sort of accommodation with the Democrats in Congress to see what possibly – how to move forward on this. And I think a lot of the sort of the partisan rancor and squabbling sort of prevents that. And I think there should be a special effort to try to overcome that because I think it's going to – whoever is going to be the president is going to have to deal with it. It's going to be on the desk. We have an agreement. What do we do with it? And so it's not going somehow – as difficult as it is, it's not going to disappear.

And I also think the Merida Initiative, in whatever form – I know there's a lot of debate about it – but I think that is an important sign. I think the United States has tremendous responsibility in the Mexico situation because of the violence, because of the

drug consumption demand that's driving a lot of this, and I think that's an important signal. And if that's done right and done well, I think that could be an important sign.

The first thing to do when they come in, closing Guantanamo might be, I think, viewed very sympathetically and very favorably. It doesn't make a Latin American policy, but I think the symbolism would be very important and would probably be very welcome.

MS. ROTHKOPF: I think my advice for this administration overall would be the same as my advice for any incoming administration, which is to focus on having a mutually respectful and productive relationship. I agree with what Michael said with regards to the FTA and the Merida Initiative. I think we do need to focus on opening markets. We traditionally have focused on strengthening democracy. That's a good area to continue with. Drug flow, there's lots of issues in terms of violence, and President Moreno spoke earlier about the energy issues. I think we need to focus on the energy issues that we share. So those are just some initial ideas.

MR. MARTINEZ-DIAZ: Two things that I think are not being done now that could be done, the first is to try to do what the Clinton administration did, which is to have an envoy for the Americas, to have somebody close to the president who can speak for Latin American policy, who is in touch with everybody on the ground, who can help, act as a coordinator, as a central point within the larger bureaucracy. I think that would be quite helpful and it would also have symbolic value.

The second thing is to try to – this is an endless battle – to try to get our aid – our bureaucratic aid infrastructure to work better, to get, for example, the Millennium Challenge Corporation to lend more to those countries where we have a really big footprint in terms of aid, Central America, and also to try to help USAID develop better evaluation mechanisms and so on.

Going further, the two big pieces of advice I would have are first of all, look for what is working in Latin America and support it. Look for – President Moreno suggested several of these – the transfer of payments, transfer of programs. Pick those experiments in the laboratory that is Latin America that really seem to be producing results and back them. How can we engage with them constructively? And this might not mean billions of dollars in infrastructure, but it might be – it might mean a few hundred or tens of millions of dollars that might actually go a very long way.

And the final thing I would say is help Latin American countries prepare for crises. The worst – turning back the clock in Latin American development has come when there is financial crises in Argentina, Brazil, Mexico, or increasingly, climate shocks, serious – and we see this in Southern Mexico, we see it in Central America and we'll see more of it. We need to help those countries build some sort of protective cushion against these shocks because I think we're going to see a lot more of them.

MR. RESTREPO: Excellent. Thank you. I'm now going to turn it over to you all with a couple of ground rules. One, we're going to take a couple of questions at a time. If folks can identify themselves when they're asking a question, and also form your question as a question, rather than a statement that kind of tails off with a "Right?" So keep them to questions, identify yourselves. We'll take two or three at a time. You can direct them to anybody on the panel or to the panel in general.

Q: (Inaudible) – from American University. My question is that since we talked about being close or not so close to God, whether that relationship is not that important as much anymore because of the growing influence, let's say, of China and China investments in the region; also the growth of – the influence of the European Union with some of the countries in Latin America.

So how do you see the somewhat diminishing importance, influence, of the United States, in part, because of the neglect of the current administration, but also because of the growing influence of other players who are investing, indeed, in the region very heavily, so that somewhat inexorably, the U.S. is becoming, not irrelevant, but not as important. And that's also why maybe Latin America can survive more easily the current recession in the U.S. because they now have other customers, other clients.

MR. RESTREPO: Another question. I think I had one all the way in the back.

Q: Carlos – (unintelligible) – from the George Washington University. I'd like to ask President Moreno and the members of the panel why have we lost attention completely on the capabilities of the national states as such, managerial, administrative? We have now 25 years of emphasis on the private sector. We celebrate the growth of economies and trade. We are not at all mourning the loss of capabilities, such as the capability of providing public security and so on and so forth.

MR. RESTREPO: Another question, or do you all need more time to think of questions? All right – sorry, we now have – (unintelligible) – all the way up and down the room.

Q: Maria Velez de Berliner with Latin Intelligence Corporation. The situation between Venezuela and Colombia right now, particularly the threat of Chavez of beginning a skirmish or something on the border with Venezuela, I would like to hear the opinion of the panel as a whole.

MR. RESTREPO: President Moreno, do you want to start with the second question, or actually, with whatever question you'd like from that group?

MR. SHIFTER: Third question (laughs).

MR. MORENO: The expert in the – Michael is the expert in the Andes, so I would defer to him on that question (laughs). In terms of influence and all the regions that are playing an influence on Latin America, I think if you were to ask Latin American

policymakers, they are happy with the kind of relationship in terms of how they see Latin American issues vis-à-vis the U.S., I think. And the U.S. has been recently very good at understanding that this is a more mature relationship and it's a very complicated one, as opposed to the past in that countries are very different today. This is a big minestrone soup with all kinds of potatoes and tomatoes and all of that, and they're all in different shapes and forms. And I think it's very difficult for any one universal policy.

Then you have some of the pointed issues, which are very complex, which are around immigration and trade, which do matter throughout Latin America, and also the fact that you have, over the last five years, very positive economic developments and true reductions in extreme poverty, at least, not as good as we would like them, but certainly, they have been positive. This makes the whole Latin America picture change significantly.

Interestingly enough, I saw a number that – I think it was in 2004 – of all the foreign direct investment coming out of China, about 50 percent went to Latin America. And as I mentioned earlier, you see the same coming from India and from other parts of the world, and you see more and more Latin America looking at transpacific trade, which is certainly the biggest area of growth. And if you look at South America, especially, about a third of the trade of South America today goes to Asia, and that's something relatively new. And you can go to countries like Brazil or to Argentina, where trade with China alone can be number two or number three, depending on the types of products. So this begins to, I think, pose a different kind of challenge, as we understood it before.

In terms of building up institutions, which was a question that was made, I think this is a hugely important part. I believe that development cannot happen without – or absent institutions and all the work we've – certainly, from the perspective of the IDB, we've devoted a lot of work on just capacity building and institutional building. We see more and more a job going from, let's say, the national level to the sub-sovereign level or being the state governments or major cities. And in terms of public security, there is almost a paradox. If you look at the crime rates in 1985, which were perhaps at the height of the debt crisis, they were roughly about 18 homicides per 100,000, if you were to add some of the larger or, let's say, all of the Latin American capitals.

That number today is about 22–25, depending on the kinds of cities that you include. This has become a very important issue. It has to do with transnational crime associated with drugs in many cases, but it's also associated with gangs that are multinational in nature, meaning from different Latin American countries. We're beginning to do this in just about every major city throughout Latin America, and is a central problem that did not exist before. I know the panel's thoughts on that to some extent.

And on the other issue, I would leave to Michael, who's the expert. Thank you.

MR. RESTREPO: Michael, do you want –

MR. SHIFTER: Can I – I'd like to speak to (Emilio's?) and then the last question, but I think Emilio's question is a great one. And I think the worst mistake that the next administration, whoever it is, can make is to say that somehow – that the problems or the challenges in Latin America with the U.S. is simply a product of the Bush administration's eight years and Iraq and distraction and other things.

The world has changed in fundamental ways, and the big question is whether – can the next administration understand that and adjust to that? The United States is not as important as it used to be. A lot of countries – you talked about Brazil, Mexico, Venezuela – have much more complicated international relationships, have more options than ever before, the role of China, India. We can go on and on. And I think that really forces a different mindset in how the U.S. deals with Latin America, independent of whatever one thinks of the performance of the Bush administration.

And the real sort of the – what has to be resisted is the idea that somehow, well, we're coming in fresh and everything. We can go back to the way it was in the year 2000, and I think that's a real serious mistake. So I agree with you, but – that the U.S. is less important, but as President Moreno said, still the biggest market for Latin America, still the place where immigrants go – and everyday it's – obviously, there are many connections that are very profound. The United States still is the major destination for Latin Americans and it's still important, but not as much as it has been. And so I think the challenge is to understand that transformed landscape, which I think is a major question.

On Maria's question, I think that there is – like Mexico and the United States – and I don't want to overdo this comparison – but neighbors have complicated relationships, and there were resentments and mistrust and problems, but also I think between Venezuela and Colombia, the connections are so profound in terms of migratory patterns and how many Colombians live in Venezuela and economic relationships. What is it, $5 billion, $4 billion a year, $5 billion dollars in trade between the two countries? So I think that's sort of a shock absorber in some ways, a sort of a shock absorber to prevent things from getting out of control.

As I mentioned in my remarks, I think President Chavez is facing some real serious domestic problems, and one might understand some of these – this language in those terms, in that context, that I think there are some sectors of his constituency where that plays pretty well, the anti-Colombian card.

I think it's risky; I think it's dangerous. But I think at the end of the day, there's just too much at stake. And I think Colombia can't – just like [Venezuela] can't change it's oil market easily from the United States, I don't think we can get out of the very, very strong trade relationship with Colombia. And I think those kinds of realities will tend to keep things from getting out of control.

MS. ROTHKOPF: I think President Moreno and Michael really covered things pretty well, but as somebody who focuses pretty in depth on NAFTA issues, just want to

throw out a couple of items because – in regards to the first question, I would agree that we are becoming less important. I think that's a good thing for the region to develop ties with other countries, with other actors. But just by the nature of geography, we are always going to be important. And to specifically talk about our neighbor to the south, and also our neighbor to the north, which sometimes gets excluded in these conversations, but Canada and Mexico are our first and third largest trading partners. They account for 35 percent of our goods exported in 2006.

So every single day, NAFTA partners conduct $2.4 billion in trilateral goods trade. That's $1.7 million a minute. So we're always going to have a close and important relationship. And because of that close and important economic relationship, I think it just adds to the need for us to address some of the other concerns that are not going to go away, which are the immigration concerns.

And we really do need to address the immigration issue, and I did leave that off of my list of things for the next administration to do. I realize it's a little politically sensitive right now and we're not going to see comprehensive immigration reform before the next election. But we can't underestimate the importance of it.

MR. MARTINEZ-DIAZ: On the China and new actors' question, I think it's a good thing. I think in foreign policy, as in capitalism, competition is good in the sense that because there's new players in the region, now U.S. foreign policy is starting to think hard about Latin America. I can tell you there is a lot of corporate leaders in the U.S. who are thinking about well, how can we reengage with the region? How can we help with the understanding of Latin America? How can we think more constructively of our ability to engage there? And how can we build soft power in Latin America? It's not something the Chinese are very good at yet, but they could. And this, I think, helps us refocus and rethink our position there.

That second question on institutions, I think, is really important. We went, I think, during the heyday of the so-called Washington consensus, the idea was well, less government is good, and so we should push that. And now, I think we've come to a new consensus, which is government doesn't have to be bigger, but it does have to be smarter. And I think you see this in every Latin American country, and certainly, the work that the Inter-American Development Bank and the World Bank and many others are doing is geared towards that idea. How do you help government become more effective, both in terms of public service delivery, in terms of managing these flows of money and people and so on?

I think, though, in the long run, there is no easy solution to build these things. They're organic. They have to be really – they have to develop from within, and all we can do is help here and there, help empower citizens by increasing transparency, by helping more people understand their institutions and speak for them and protect them, but in the long run, they have to come from within.

MR. RESTREPO: A question from Alec?

Q: Alec Watson from Hills & Company. And I'd like to ask Luis Alberto first, but the others as well, if they would talk a little bit about the question of competitiveness, global economic competitiveness of Latin America. As you look at this rapidly evolving global economy, and God knows where it's going, and you try to think about where the Latin American countries will be, understanding there's a great difference among them, of course, what implications are there? Are there dangers that you end up with highly sophisticated small minorities in some countries, and they are very competitive globally, but the rest of the country's left behind? Do you see the countries, or many of them, largely being natural resource providers? Can they move up the technology ladder, et cetera? As you look out to the future, what kind of – where does your imagination take you on this issue?

MR. RESTREPO: I know there are two others right next to – right there and then we're going to the row – I guess it's two rows back and then to the other side of the room.

Q: I'm Heldu Mentino (ph). I'm from Haiti. I'm an intern at the Inter-American Dialogue. My question is in less than 10 years, the U.S. intervened twice in Haiti to restore stability. In my view, it seems like the root cause of the instability wasn't fully addressed during the first intervention. Now, what is the likelihood for the root cause to be addressed with this mission in Haiti now?

And my next question is to you, President Moreno. How can the IDB help Haiti to strengthen its institutions because for me, one of the obstacles to development in Haiti is the weakness of advanced decisions. How can your institution help us with that?

MR. RESTREPO: I think we're going to go to right there, two rows back.

Q: Isabel Long (sp) from the Sierra Club. I would like to hear more about poverty and global warming. For years, in Latin America, we focus on fighting poverty for obvious reasons, and I would like to hear more about how we deal with both, and if you think that there will be support from the civil society, as well as from the governments of Latin America.

MR. RESTREPO: Next question is from Peter, yes, right there.

Q: Peter Quilter of the Foreign Affairs Committee of the House. We've gone an hour and a half talking about the Americas without mentioning the OAS, and rather than read too much into that, I thought I'd make it a question to the panel. Are they part of the problem, part of the solution, or should I not have asked? (Laughter.)

MR. RESTREPO: In fairness, I mentioned it in my introduction – (laughs) – and I'm going to warn the panel that in answering these questions, you should also consider it your last shot at saying something because we're going to wrap up, using these as our exit questions. And we will start with President Moreno.

MR. MORENO: In the question of competitiveness that Alec was mentioning, certainly, this is a fundamental issue. Latin America in terms of, for instance, technology is still far behind many other regions of the world. Just to give you an example, if you were to add all the research and development in both universities, governments, and private sector throughout Latin America, it's probably a number around $11 billion. Korea alone is probably like $14–$15 billion. We're certainly lagging behind there.

I think little by little, a lot is pushed by Indian companies in terms of processing. I think countries such as Brazil, like Chile, like Mexico, have a good opportunity to jump start. There's a lot of thinking about this in many countries, but I think towards the future, if you were to say, the world begins to incorporate the millions of people both in India and China, there's going to be a tremendous push for food production. And I think few areas of the world have the capabilities Latin America have to become really a source of food production. And in this regard, there's very interesting cases.

Look at Argentina alone. Argentina went in almost seven years from about 30 million tons of grains production; they're at about 110 million tons of grains production today. And that was all done, to some degree, by mechanizing better, by introducing some technology. And I think that's really a frontier area and an area of opportunity, which will be true for the bigger countries such as Brazil, of course Argentina, to a lesser extent, perhaps Peru and Colombia as it relates to South America.

But I think in terms of overall competitiveness, there's tremendous burdens today associated with the quality of infrastructure. I think Latin America today invests about 4 percent of GDP in terms of – actually lower, more like 3 percent of GDP in infrastructure. China has been investing for the last number of years close to 9 percent of GDP. That huge gap is going to cost Latin American growth and you see it in all kinds of areas.

And so in terms of the pure regulatory side, I think there's some progress there, not of course, at the speed many would like, but I do believe that there's been increasingly progress and I think all these indexes that come out of the World Economic Forum and others that are doing business reports that the World Bank does, all of these have begun to help to insert that into the national dialogues.

In terms of Haiti, we – first of all, at the IDB, we don't have quite the expertise that, say, the World Bank has in terms of dealing with fragile states. And Haiti is a very unique case. We went through a process of debt relief. We are now in a state where we're basically just doing grants to Haiti, and maybe after the year 2009, we'll begin to do some blending of ordinary capital and some grants as well. But on that, clearly, what we – the way we're thinking about this is to really put capacity on the ground, to have very good competent people in our local office that can engage the Haitian government to begin to do the kinds of hard work, which is really what it's all about in institution building.

We have been focusing recently a lot on infrastructure. We're doing some of the major roads today in Haiti. We have been concentrated a lot on the energy side. And we're starting to do some things in education. For instance, we will be doing a program with this One Laptop per Child Program that has been developed by MIT. We're doing this in collaboration with the Canadian government. We're trying to work together more and more with all the donors. I think this is a very important component of how we can do this right. And for instance, last year, we had a portfolio of about $500 million in Haiti. We're able to disburse as much as $100 million. And that's really an indicator that things are starting to turn around in Haiti in terms of the capacity and more the absorption capacity of the government.

In terms of the question on poverty and global warming, I would say that the biggest trick for getting this debate right is understanding that they are one in the same. Any leader that you – and I would say it's not only true for Latin America; I think it's true for most developing countries. All of the focus is definitely around poverty reduction. It has to be. And one of the concerns is that all of us – the global warming debate can overtake issues of poverty reduction and how official development assistance is directed. And I think if the way to get this debate right is that it has to be at the heart of the climate change debate, it has to have a component of poverty reduction and really, a development strategy.

In Latin America, I think more and more countries are starting to think about this. We are doing a lot in a strategy which we basically call the Sustainable Energy and Climate Change Initiative, which we have areas around mitigation, which is where most of the lending that we have been doing is focused. (Inaudible) – is a hugely important issue, but – (inaudible) – goes hand-in-hand with the way countries begin to think of, well, what is that going to mean in terms of what was being said here before in terms of natural disasters that are going to be here to stay, how countries begin to prepare for that, how agriculture changes, and those changes in agriculture are adapted. This is a very complex part of the discussion and I think the world will need to have a huge – (inaudible) – fund to deal with this.

And finally, the whole question of carbon credits, I really believe that with whoever gets elected in this presidential campaign in the U.S. will come together with some form of cap-and-trade system that will generate carbon credits, and this is going to be very important. The reality today is that there is not enough liquidity out there to really promote the kinds of sustainable development projects. A lot has been done through private philanthropy. Things as – such as (inaudible) deforestation are critical, as you get the new Kyoto Protocol right and as we walk towards the final discussions that will take place in two years.

So this is, I think, a very, very important debate that has an implication beyond Latin America, but as I was saying at the beginning of my talk, this is a region that has a lot to gain, but a lot to lose, as well if this debate is not done right.

Finally, in terms of the question of the OAS, well, these institutions are what its member countries want them to be. And we work very closely with the OAS. I think they have a very important piece of what this whole debate means, which is the Summit of the Americas that will take place right about the time the new administration is really kicking its tires, which I think they're planning for May of next year. And, look, this is a very important institution, an institution that should be given all the support needed, and we do work with them a lot on different issues and try to coordinate. And certainly, multilateral institutions, believe me, are not easy. And anyway, that's the challenge.

MR. RESTREPO: Recognizing that what I'm about to do is inherently unfair, I'm going to give each of you 90 seconds to hand off the exit questions that are on the table starting with Michael. Go.

MR. SHIFTER: Okay, okay, well, two quick points. One is when Alec Watson was Ambassador to Peru, things were pretty bad there. There's been a lot of progress economically, and Peru now has had a free trade agreement with the United States, growing at 8 percent. Everybody says this is going to be the next great performer after Chile and Brazil.

On your question of competitiveness, on the latest survey of the World Economic Forum, 130 countries surveyed, it was a number 130 in the quality of primary education. Ethiopia was ahead of Peru. So the real problems, if Peru really wants to be competitive, it needs to have a decent education system, primary education, which is a significant problem. So I think that's – it's not only some countries, yes, some countries, no. It's also within countries. There are sectors that are just at a different point. And I think Peru is going to lag behind unless it addresses that.

On the OAS, I agree with Ambassador Moreno completely. I think political integration is at a very rough moment these days. There's a lot of mistrust. There's a lot of tension. And even if Peter Quilter were the secretary general of the OAS, it'd be very difficult to really move it forward. And it's not only the OAS; it's the summit; it's the – we saw the Ibero-American Summit in Santiago in November. The U.S. wasn't even there. So you can't blame it on the Bush administration. It's one thing you can't blame on the Bush administration. And there was tremendous discord and disharmony.

And so politically, there's just a lot of problems, even though integration is proceeding well in terms of economics, in trade, and migration, and remittances, and all of that. On the political front, we're at a very tough moment and that, I think, is reflected and expressed in the difficulties in the OAS.

MR. RESTREPO: Adrean?

MS. ROTHKOPF: I'm just going to briefly add on, on the competitiveness question. I agree with what has been said in terms of competitiveness in Latin America, but we also face some competitiveness challenges here in North America. And I would just – I don't really have much time to get into it – I would just reiterate that those are

among the issues that we really need to focus on as well. I do think we are starting to do that. The business community in all three countries has organized. We have a North American Competitiveness Council trying to address some of these issues, but we need to make sure that we see sufficient focus in our area as well.

MR. MARTINEZ-DIAZ: Just really quickly on competitiveness, I think, first of all, we – policymakers in Latin America, and those of us who are trying to assist with that effort, need to get a lot smarter about integration. How do you manage integration with the world economy? I think before there was a temptation simply to just open old doors and hope for the best. Now, I think that really, you have to be quite strategic about which industries will be integrated and how, and what timetable? How do you create clusters of certain industries that will actually benefit you? How can you take advantage of these new players, the Chinas and the European Unions? And how can you use them to your advantage in terms of changing your place in the productive chain?

And finally, you need to have a plan for the sunset industries, for the so called – as the economists like to say, how do you compensate the losers? You need to have a plan. Even here in the States, we're having trouble coming up with a good plan. In Latin America, that's even more pressing.

And finally, on global warming. Global warming, in some ways, is the ultimate zero-sum game. If the science is correct, there's only a certain amount of carbon that can be put up there before the temperature rises in a catastrophic way, and that amount has to be divvied out among all the countries that produce it. In that process, Brazil could become really important, first of all, because it plays such an important diplomatic role in world forums; second, because it's such a big producer of biofuels, which could help us increase the margin of possibilities; and third, because they're really a good model of how do you actually create the networks within the country to use biofuels and ethanol to power your entire economy? So for these three reasons, I think Brazil could play an important role in that debate. Thanks.

MR. RESTREPO: Thank you. I just want to thank all of you for coming today and obviously, thank President Moreno and all of our panelists for what was a very engaging and interesting discussion. Thank you very much.

(Applause.)

(END)