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FEATURED Q&A

How Will the Suspension of Trade Preferences Affect Bolivia?

Q Last month, President Bush confirmed Bolivia's suspension from the Andean Trade Preferences and Drug Eradication Act citing "Bolivia's failure to cooperate with the United States on counternarcotics efforts," according to White House Press Secretary Dana Perino. What will be the effect of this suspension on Bolivia's economy? Can Bolivian businesses find new markets for their products? What is the outlook for US-Bolivia relations in the coming months?

A Guest Comment: Eliot Engel: "I have no doubt that the suspension of Bolivia as an Andean trade preference beneficiary country will have a negative effect on the Bolivian economy. In Bolivia, the poorest country in South America, 64 percent of the people live in poverty and 35 percent earn less than $2 a day. The suspension of ATPDEA could potentially leave thousands of people unemployed and provide the perfect opportunity for countries like Iran to fill the void. Some argue that a suspension of trade benefits is precisely what is needed to get Bolivia back on the right track. I fear that the opposite is true, and the suspension instead will lead to a further corrosion of US-Bolivia relations. Some will also argue that a suspension of ATPDEA for Bolivia will only hurt the Bolivian economy for a brief time period—until the suspension is lifted. Anyone who knows anything about international trade knows that this is false. Some of the jobs that will leave Bolivia—particularly in the textile field—will quickly move to China and other Asian markets. Once these jobs are gone, there will be little incentive to bring them back to Bolivia. Finding alternate markets is a worthwhile goal for Bolivian businesses, but frankly, it will be difficult to replace the US market. On the other hand, it takes two to tango. President Morales must make an effort to improve US-Bolivia relations if he wants to see the suspension of ATPDEA lifted by President-

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Writer Says Nicaraguan Government is Censoring Him

Writer Sergio Ramirez, an opponent of President Daniel Ortega, said the country's government is censoring him by preventing the publication of his prologue to the work of a Nicaraguan poet. See brief on page 2.

File Photo: www.sergioramirez.com

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NEWS BRIEFS

Writer Says Nicaraguan Government is Censoring Him

Nicaraguan writer Sergio Ramirez said he is being censored by the country's government because he is an opponent of President Daniel Ortega, the Associated Press reported Sunday. Ramirez claims the government is preventing his prologue to the work of poet Carlos Martinez Rivas from being published. Spanish newspaper *El Pais* asked Ramirez to write the prologue, but it says the government, which holds the rights to Martinez's work, is blocking them from publishing Ramirez's prologue.

Chilean Navy Ship Rescues Tourists Stranded Off Antarctica

A Chilean navy ship rescued 89 tourists Friday after their cruise liner became stranded about 800 miles south of the tip of Argentina, the *Financial Times* reported. The cruise ship, Ciudad de Ushuaia, which was being run by an Argentine tour company, became stuck on rocks, but was never in danger of sinking, said Argentina's Antarctic office. The navy ship transported the tourists, which included North Americans, Europeans, Chinese and Australians, to King George Island where they were evacuated from Antarctica.

Argentina Says Automakers Will Sell at Cost to Shield Jobs

Argentina on Saturday said a state-subsidized loan program will allow automakers to sell vehicles at cost in order to protect 150,000 jobs in the industry and prevent production from falling, Reuters reported. The program, worth $890 million, is one part of a $3.8 billion economic stimulus program that President Cristina Fernandez announced last week.

Political News

Report: Pro-Chavez Campaigns Distributed Millions to Buy Votes

The government of Venezuelan President Hugo Chavez spent tens of millions of dollars to buy votes in the November 24 local elections, Miami's *El Nuevo Herald* reported Sunday. The government handed out cash, food and electronic appliances to voters in efforts to entice them to back candidates aligned with Chavez, the report said, citing documents and anonymous sources. In the eastern Venezuelan city of Cumana, the candidate aligned with Chavez used a local bank to distribute more than $11.6 million in cash to approximately 66,000 voters, according to documents cited by the newspaper. The report also said businesses, including the state-run oil concern, **PDVSA**, bought items that were distributed with the help of companies in Florida and Panama. Also, brochures entitled "Building the Beautiful Revolution" were distributed to rural and low-income areas of Sucre state promised voters nearly $1,160 in goods including food, kitchen appliances and a washing machine to residents for voting for pro-Chavez candidate Enrique Mestre. Also in Sucre, officials distributed $10 million in cash, amounting to between $140 and $480 per person in exchange for votes. In Falcon and Carabobo states, workers went into voters' homes, offering to clean and paint them in exchange for voting for pro-government candidates, sources said. Buying votes is not a new phenomenon, opposition leaders said. "In the past, it was customary for parties to give bags of cement, bricks, roofing materials to voters, completely improper because it was preying on the needs of the people to purchase votes," said Carlos Berrizbeitia, leader of the opposition Proyecto Venezuela party. But he said the scope of the activity in recent elections is "unprecedented." Allies of Chavez won the governorships of 17 of 22 states up for election and they also were victorious in most municipal contests. However, opponents gained ground by winning the other five governor's offices as well as mayorships of cities including Caracas.

A candidate aligned with Chavez reportedly distributed more than $11.6 million in cash to approximately 66,000 voters.

Economic News

IDB Approves Loan Package for Fiscal Modernization in Brazil

The Inter-American Development Bank's Board of Executive Directors has approved a $409 million loan package for fiscal modernization in Brazil's northeastern state of Bahia, the bank said Friday. The package will include initiatives to increase tax collection, improve controls on spending and also improve the state's debt profile. The first disbursement, for $209 million, will go toward enhancing the debt profile and decreasing payment service by eliminating the residual obligations that stem from a debt agreement that the state formed with the federal government in 1997. The second disbursement, of $200 million, will help fund improvement in fiscal management procedures and is aimed at helping Bahia meet targets established in the Fiscal Adjustment Program and Fiscal Responsibility Law, which the state agreed to with the federal government. The second disbursement also includes funding to increase tax collection on Bahia's vehicle property tax and finalize a debt management system implementation as well as a new electronic tax invoice program for large taxpayers.

Company News

MetLife Mexico Offering Travel Insurance to 500,000 Customers

MetLife Mexico on Friday announced a partnership with Princeton, N.J.-based **Assist America** to provide emergency travel insurance to 500,000 people covered under its insurance policies, MetLife Mexico said Friday. MetLife Mexico customers and their family members will immediately have access to services including medical evacuation, guaranteed hospital admissions and medical referrals when traveling abroad or more than 100 miles from home. "With Assist America's unique emergency services—offered without many of the limits and restrictions of other providers—MetLife Mexico will make certain their insureds are receiving those high standards even when they are away from home," Assist America President George Howard said in a written statement. "We share an identical goal: to provide the best care possible to all members, when and where they need it."

Customers will have access to services including medical evacuation, guaranteed hospital admissions and medical referrals.

BNY Mellon Names New Chairman for Latin America

The Bank of New York Mellon on Friday named a new chairman for its Latin American region. In his new role, Rene Boettcher will oversee the implementation and development of the bank's business strategy in the region. He will also chair the Latin America Management Committee and will continue to head the client management department for Latin America. "International expansion continues to be one of our strategic priorities, and Latin America is a region that is host to some of the fastest developing economies in the world," said Robert P. Kelly, BNY Mellon's chairman and chief executive officer. "With Rene's deep understanding of and experience in the region, he is the right leader to oversee our ongoing expansion and growth in Latin America."

Featured Q&A

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elect Obama. I believe that this should include a reversal of his decision to expel all US Drug Enforcement Agency (DEA) personnel from the country and an invitation for a new US Ambassador to present credentials in La Paz. ATPDEA has been extremely successful in creating jobs in Bolivia. Let's hope that it can continue to do so in the coming years."

A **Guest Comment: Dan Burton:** "The suspension of the Andean Trade Preferences and Drug Eradication Act (ATPDEA) for Bolivia will cause a large strain on the economy in Bolivia due to the thousands of jobs that will be lost. The positive impact of productive jobs on a country's economy and overall mood is not easily replaced. However, due to the recent standard of short term extensions of ATPDEA, coupled with the recent actions taken by the Government of Bolivia, the business climate was already less than ideal. The best chance to strengthen the business climate in the long term is to stabilize relations between the United States and President Morales, and work together on the issues addressed under the trade preference package; namely, drug eradication and trade. The suspension occurred in the wake of President Morales' actions against the United States and his failure to cooperate in reducing drug growth. Cooperation on his behalf is necessary in order to move forward. Unfortunately, the businesses and the people of Bolivia will suffer in the absence of this cooperation. The standard short-term temporary extensions had previously forced businesses to realize that they were not operating on solid ground, but it is never easy to lose an entire market such as the flower industry, an important trading market between Bolivia and the United States. The Bolivian government obviously has its own agenda, but the United States stands willing to improve relations. Even after the Bolivian government expelled our Ambassador, kicked out our DEA agents and failed to quell security risks in the region causing the removal of Peace Corps volunteers, many in Congress have expressed their willingness to work together to improve relations. Unfortunately, given his recent actions, it appears that improving relations with the United States is not at the top of President Morales' list of things to do."

A **Guest Comment: Peter Weiss:** "ATPDEA brought the opportunity of transition from a raw material supplier to a value-added manufacturer. Since early 2001, when the ATPDEA was implemented on top of ATPDA, the growth was considerable in textile, wood and jewelry in La Paz, plus wood products and leather goods in Cochabamba. It is estimated that well over 50,000 people depend on the survival of the industries that were created or prospered during this period. It is fair to say that none of the governments in the early 90s approached the private export field with clear plans or a political vision to create jobs and stabilize the economy by exploring the huge opportunity of agreements with the US. The current scenario is very delicate; the world economy has deepened in a financial crisis and its rough ride has barely started. The demand for Bolivian manufactured products started to decrease in mid-2008. Many companies started to decline in production, and with the ATPDEA gone, the possibilities of survival are very difficult. Clients in the US are in the middle of a recession so a

"With the ATPDEA gone, the possibilities of survival are very difficult."

— Peter Weiss

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decrease of costs is crucial, but with increase of duties that will not happen. The Bolivian economy seems to be strong, and it is getting expensive to manufacture products to compete with our neighboring countries, which have devalued their currency to survive the crisis and integrated their economies with free trade agreements. The alternative markets suggested by the government are also currently undergoing an economic crisis, and even if they were economically stable they would not have the per capita income to purchase the Bolivian goods manufactured under ATPDEA at similar price levels. Unless economic changes are implemented quickly in the country, and the government changes its view on commerce with the US and other regions of the world, the disappearance of the private manufacturing sector will be inevitable."

A **Guest Comment: Iván Rebolledo:** "Without a doubt, suspension of trade preferences for Bolivia under ATPDEA/ATPA will be disastrous. Over the years, ATPDEA/ATPA has created thousands of jobs for Bolivian workers, especially in the El Alto region (outside of La Paz). At the same time, every job created through this trade preference has contributed to workers remaining in Bolivia. As nations like India, Russia, and Iran play an increasing role in Bolivia, the US needs to take advantage of every opportunity to stay engaged in positive and meaningful ways and continue to reach out to the Bolivian population through beneficial aid and trade programs. Unfortunately, this suspension will continue to invigorate champions of anti-Americanism, and has made the US less relevant in Bolivia—on all levels. It is beginning to leave thousands of people unemployed and provides a perfect opportunity for other countries to step in. Some are arguing that a suspension of ATPDEA/ATPA for Bolivia will only hurt their economy for a brief time—until the suspension is lifted. However, the reality is quite different. The jobs that would leave (and have already left) Bolivia—particularly in the textile and some other manufacturing areas—will quickly move to China and other Asian markets. Once these jobs are gone, there will be no incentive to bring them back. The Government of Bolivia has proposed a new fund that will provide short-term loans to exporters to cover new US import duties. With certainty, the Morales Administration will now look to President-elect Obama's administration for an opportunity to renegotiate the trade preference arrangement, but without the certain return of the DEA to Bolivia and closer scrutiny on Bolivian drug eradication policies—even the first step of exchanging Ambassadors will be difficult."

"This suspension will continue to invigorate champions of anti-Americanism, and has made the US less relevant in Bolivia."
— *Iván Rebolledo*

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