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Region Seeking Solutions For Financial Crisis Wherever It Can Find Them

LADB Staff

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The region's presidents and top ministers came together in San Pedro Sula, Honduras, the weekend of Dec. 5 to discuss and analyze the local impact of the current planetary financial disorder. The presidents met as heads of state of the countries of the Sistema de Integracion Centraoamericana (SICA). Honduras' Deputy Foreign Minister Patricia Licona explained to reporters that the presidents were seeking common ground against the atmosphere of uncertainty in Central America regarding the US recession and its global consequences.

A principal object of focus for the meeting was a report from the Secretaria de Integracion Economica Centroamericana (SIECA) enumerating the probable and actual effects on the isthmus. Among these were declines in the family remittances that added US$1.42 billion to local economies, increased unemployment, and a decline in foreign investment. Officials admitted that the problems that they were there to solve were global in scope, with elements about which they could do nothing.

Attendees included Presidents Manuel Zelaya of Honduras, Alvaro Colom of Guatemala, Antonio Saca of El Salvador, and Daniel Ortega of Nicaragua. Deputy Prime Minister Gaspar Vega represented Belize, and Vice Presidents Samuel Lewis Navarro and Rafael Alburquerque were there for Panama and the Dominican Republic, an associate member. As a gesture toward unity from adversity, the SICA members agreed to adopt a single regional currency and a single regional passport. These steps were evidence that the leaders would, said the official document of the meeting, "promote the actions necessary to deepen the formation of a regional consciousness that provides the citizenry a sense of identification with and belonging to Central America as a unified region...."

The leaders instructed their finance ministers to get cracking on the single currency, but there was no time-line attached. The lack of a schedule led to some questioning about how seriously to take this and other resolutions, some of which have been floated and refloated for years without becoming realities. These would include unified migratory, educational, and security laws and regulations. El Salvador and Panama already have a unified currency in circulation: the US dollar (see NotiCen, 2001-12-13, 1999-02-25).

The presidents and their spokespeople gave the media to understand that the financial crisis has provided them the stimulus for integration that trade pacts and other incentives have failed to generate. President Saca said they had concluded that they would experience the greatest shock of the crisis sometime next year. He said the region is being hit hard, but he denied it is in recession. The US has acknowledged that recession is upon it and that it has been for at least a year. "We still don't know the depth of this economic crisis," Saca said, but the countries are trying to share ideas for solutions they have come up with so far. He added, "Some optimists say the crisis could last a

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year and a half. I especially believe that we must prepare ourselves to confront a crisis that will affect us for three or four years."

There have already been reports of foreign capital repatriating. Nicaragua's President Ortega, who has been battling fraud and manipulation charges stemming from recent municipal elections at home, took over as secretary-general of SICA from Zelaya. The embattled Sandinista had a rare moment of agreement with Saca, confirming, "We don't know how long the crisis will last. What we do know is that we Central Americans have to unite today more firmly than ever to get through this." But that was about as far as Ortega was willing to go with Saca before launching a diatribe at the developed countries for having "imposed a model on us, this model has us tied hand and foot and has had us gagged, but now we are taking off the gags and making decisions."

Leaving no stones unturned

Zelaya put the same proposition in structural terms. "The international financial architecture is being questioned and must be reviewed and changed," he said. "We have proposed creating a world monetary council, with a single currency that would be regulated by the UN, where all countries would be able to participate actively in its decisions so that the floating currencies in the world today would not directly prejudice the development of our countries." That will probably not happen soon, but they did decide to request that the UN address the crisis in the General Assembly, and they ratified an Oct. 4 presidential summit agreement to request the Banco Centroamericano de Integracion Economica (BCIE) to secure external financing for US$400 million in loans to each country of the region to support the productive sectors and avoid massive unemployment.

They might be too late. President Colom noted that the BCIE would have to look far afield for the financing, since the traditional sources, the World Bank, the International Monetary Fund (IMF), and the US, "have exhausted their resources." The BCIE would be pressed to stand in for banks that have been drained of capital. Instituto Centroamericano de Administracion de Empresas (INCAE) economist Eduardo Montiel has noted elsewhere that there has been a regional decline in the availability of credit. "This will affect some banks that depend on lines of credit to finance their local clients and are now going to have less liquidity," he said.

This effort at unity does not supplant initiatives within the individual countries. Costa Rica, whose President Oscar Arias did not attend the SICA meeting, has nonetheless taken measures within his country to ensure bank capitalization. He sent the legislature a bill that would take US$117.5 million out of a US$200 million budget surplus to shore up three state banks. Honduras has freed capital through a reduction in reserve requirements. The 5% reduction makes US$267 million available for credits.

In addition, Honduras has secured US$30 million from an Alternativa Bolivariana para las Americas (ALBA) loan to the Banco Nacional de Desarrollo Agricola (BANADESA) and another US$100 million from a sovereign bond sale to ALBA. Another US$200 million will come from Honduras' share of US$500 million that the Central American Bank for Economic Integration (CABEI) will make available to all regional banks. A further region-wide stimulus will come from the Inter-American Development Bank (IDB), which will make up to US$500 million available to each country.

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The ready availability of all this money overlooks that some agency, some day, will have to pay it back, and there is little detail yet about who will get the money and for what purpose. There is sentiment that criteria should be put in place to see that the usual suspects do not get the money for bogus consultations and services, but rather it should go to productive purposes in contracting sectors like construction and agriculture and to preventing excessive unemployment.

One last chance for Bush administration policies

Continuing the search for wherewithal to stoke the fires of development through the economic chill, foreign affairs and commerce ministers of the SICA countries joined those of Colombia, Peru, Chile, Uruguay, and Panama in the latter country's capital for a get-together titled, Caminos hacia la prosperidad en las Americas (Roads toward Prosperity in the Americas). This was a US President George W. Bush initiative planned and made public last September before the wheels came off the global economy. The Dec. 10 date was the first meeting of the group.

Organization of American States (OAS) Secretary-General Miguel Insulza was on hand for the meeting. He said it sounded the death knell for the Free Trade Area of the Americas (FTAA) but was important nevertheless. "I believe it is an important meeting because it is about the trade policies that exist in the hemisphere. The FTAA stage has ended. It is a closed chapter, but there are countries that have concluded trade accords among themselves, and it is important to find some way of harmonizing them." Insulza noted that the social aspects of development lagged behind the economic, and he called for the countries to bring themselves up to date on the social criteria of the UN's Millennium Development Goals (MDG).

But Thomas Shannon, assistant secretary of state for Western Hemisphere affairs, called, as a last gasp of the current administration, for continued commitment to US-style free trade. "We expect a clear declaration," he told the media, "that identifies a plan of action" in favor of trade. Shannon said he could not predict what would become of the world economy or what the incoming US administration would do, "but the relations of free trade with our partners are real and they are not going to change."

It was left to Panama's Vice President and Minister of Foreign Relations Samuel Lewis Navarro to acknowledge that some important hemispheric players were not in attendance, among them Brazil, Argentina, Venezuela, Ecuador, Nicaragua, Cuba, and Bolivia. All these countries identify with a vision for the region that sees trade as just a single element among the many that make up the relations between countries. The Panamanian host pointed out that the meeting was "neither in competition with other initiatives nor is it exclusive. What is at the heart of this group are the shared values of economic opening, promotion of trade and investments that translate into development and well-being for the peoples." He added a warning that the financial crisis could cause a recession in efforts to reduce poverty, to increase social inclusion, and to create new opportunities.

Shannon echoed the "inclusive, not exclusive" rhetoric, but each and every one of the countries at the meetings has a trade pact signed with the US. Panama and Colombia, however, lack the ratification that would put these agreements into effect. US congressional reluctance to ratify the

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Colombia accord for what amount to social reasons indicate to at least some observers that the blush is off trade-as-panacea, while for the Bush administration, it was nearly the totality of what was on offer to Latin America. Shannon acknowledged and defended this posture. "Using trade as motor of economic growth, we also used our commerce and development policies to guarantee that the benefits of trade and growth diffuse throughout our societies," he said. He assured one and all that the US recession would not lead to a return to protectionist policies that would further weaken hemispheric economies.

Also on hand for the one-day meeting was Secretary of State Condoleezza Rice, for whom the Panama visit was likely her last as US top diplomat. She had reportedly come for bilateral talks with President Martin Torrijos on Dec. 9 but was present to deliver a warning to the assembled nations not to "repeat the mistakes of the Great Depression when nations deepened that crisis by turning inward."

Again, it was left to the Panamanian, this time Torrijos, to bring up the downside. He said governments need to provide worker training and environmental protections in connection with the trade pacts and to find ways to make certain that the agreements do not "result in profits for only a few." Rice said the Bush administration would continue to push for ratification in the US Congress of the Panamanian and Colombian deals.

It has been reported that US President-elect Barack Obama has been critical of these Bush-era trade arrangements, and his election is seen as a leg up for critics who have called for a moratorium on new agreements. Obama has said new agreements must support US jobs and have enforceable labor and environmental standards, lacking in current practice.

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