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G-Rio Pushes for Regional Investments

by LADB Staff

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The Grupo de Rio (G-Rio) held its 17th Summit in Cusco, Peru, 1,200 km southeast of Lima, May 23-24. The 19 Latin American nations vowed to cooperate in efforts against terrorism and drug trafficking and called for fairer trade practices from wealthy nations. The leaders promised to curb corruption and poverty, which they said undermine democratic rule in the region. The two most important results of the meeting were a call for UN involvement in the Colombian crisis and a proposal to convert part of the foreign debt to investment in regional infrastructure.

Peru's President Alejandro Toledo, opening the summit, announced the plan to promote peace in Colombia as part of a joint effort against terrorism and drug trafficking, which he said seriously threatens Latin American democracy. "The drug trade and terrorism threaten our democracies...and we cannot ignore what is happening in Colombia," Toledo said. "We must together ask the...UN to speak out firmly against terrorism and drug trafficking, especially in Andean countries. There are sister nations [to Colombia] ready to help in any way they can."

Toledo referred to a proposal from Ecuadoran President Lucio Gutierrez urging the G-Rio countries to push for a UN resolution calling on the Fuerzas Armadas Revolucionarias de Colombia (FARC) to declare a cease-fire. Gutierrez said that the G-Rio countries are concerned about a possible regionalization of the Colombian conflict if the guerrillas reject the cease-fire. "The proposal of Ecuador that the UN be asked to look for a way out of the conflict was applauded and accepted by the presidents of the Grupo de Rio, who are deeply concerned about the armed conflict in Colombia," Gutierrez said.

The summit agreed to ask UN Secretary General Kofi Annan to urge the FARC "to sign a cease-fire and enter an open and transparent dialogue" for peace. "If that does not work," Toledo said at a press conference with Brazil's President Luiz Inacio Lula da Silva, "we will keep talking, because the Grupo de Rio has not made any decision about militarization" or sending in troops from elsewhere inside the region to support Colombia's fight against insurgents.

But Colombian President Alvaro Uribe said that an option would be international action "to militarily defeat" the guerrillas. Uribe warned that guerrilla violence was already spilling across Colombia's borders to neighboring countries, especially Ecuador and Venezuela.

Venezuelan President Hugo Chavez, who signed the final declaration "with reservations," said the proposal could be "extremely dangerous." He said it "opens the door to something much more dangerous than war; it could lead to interventionism by a multilateral military force."

The 11 presidents and eight vice presidents and ministers meeting in Cusco also asked Presidents Vicente Fox of Mexico and Lula to take their demands for fairer international trade practices to the summit of the Group of Eight (G-8) major industrialized countries in Evian, France, June 1-3.

Toledo said wealthy nations must realize that people in poor nations "expect that the benefits of globalization will reach them, too, and that they will feel the benefits in their wallets." The developed nations "must understand that free trade must be a two-way street," said Lula. "We will carry that clear and strong message to the G-8 meeting."

Lack of bureaucracy helps group

The Grupo de Rio is the major regional political forum and includes 18 Latin American countries and a representative from the Caribbean. Its emphasis is strengthening democracy and governability. Part of its strength is its more "informal" structure, which avoids a bureaucracy and operates with a rotating Secretariat Pro Tem. The work of the secretariat is supported by a three-country leadership team that includes a coordinator, the coordinator from the year before and the one who will take over the following year.

Peru's Foreign Minister Allan Wagner said that the group is the "mechanism most representative of Latin America and the Caribbean and the principal interlocutor with countries and groups of countries in other geographic regions." The Rio Group was the result of the fusion of the Grupo de Contadora (Mexico, Colombia, Panama, and Venezuela), formed in 1983 to mediate in the Central American conflicts, and the Grupo de Apoyo (Argentina, Brazil, Uruguay, and Peru).

The eight countries signed the Declaracion de Rio de Janeiro on Dec. 18, 1986, formalizing the Grupo de Rio. Later, Chile, Ecuador, Bolivia, Paraguay, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, the Dominican Republic, and a Caribbean representative joined the group. One of the group's most daunting current challenges is poverty. The UN's Economic Commission for Latin America and the Caribbean (ECLAC) says that, 20 years ago, 140 million people in the region were poor; today, the figure is 220 million.

The International Labor Organization (ILO) reported in December 2002 that unemployment in Latin America was 9.2%, the highest level since the foreign-debt crisis in the 1980s. ECLAC predicts that the region's economy will grow by close to 2% this year. But that projected growth welcome after the 0.6% contraction in 2002 will not make a dent in the widespread poverty in Latin America, the commission says. Nor is it likely to quell the region's recent political and social unrest, which is rooted in poverty and lack of opportunity.

Some analysts say the unrest is an outgrowth of the widespread disappointment in democratic leaders whom Latin Americans believe have failed to ease their poverty. In Peru, for example, President Alejandro Toledo has an approval rating of 14% as people complain that he has not fulfilled promises of jobs and prosperity.

Just two days before the summit, Peruvian police repressed a demonstration by teachers and transportation workers in Cusco, arresting 26 people. Helmeted riot police blocked access to the historic center of the city where they used tear gas to push back protesters trying to enter the Plaza de Armas. "This summit is a farce," union leader Florencio Jurado said through a megaphone near

the main square. "The only thing that interests [the presidents] is privatizing our country, selling our wealth."

Presidents sign Consenso de Cusco

In the meeting, the leaders discussed ways to respond to social unrest and strengthen their challenged democracies. They looked at how to make governance more effective in a region where many countries are still in economic crisis and facing rampant poverty and political instability.

Some leaders spoke of the need to avoid the trend of such high-level meetings to be long on protocol and short on results. "I come hoping this won't be just another summit where we make speeches, applaud, take a photo, and say 'Ciao,'" said President Chavez. "This continent needs profound economic and social changes." The meeting ended May 24 with the presidents signing the Consenso de Cusco. The 13-page document included an analysis of the current situation in Latin America that ranged from the extent of poverty to the positive and negative effects of globalization in the region.

In the section dealing with the Free Trade Area of the Americas (FTAA), the G-Rio document called for a negotiating process that would "achieve equitable and balanced results taking into account the interests of the regional bloc." Some see positive results from meeting After the meeting, Peruvian opposition leader and former President Alan Garcia (1985-1990) said that the G-Rio had "broken the tabu against speaking about foreign debt." He was referring to a proposal by Toledo that the Latin American countries invite their creditors to reinvest 20% of the debt owed them in regional infrastructure.

"What we want is clear, reinvestment with profitability," said Toledo in presenting his proposal to the other leaders. "Political profitability in governability and economic profitability in growth and job creation." Toledo said that converting part of the foreign debt into investment would stimulate economic growth in Latin America. He called for 20% of the service on the debt with the Paris Club nations to be reinvested in projects to strengthen integration and trade in Latin America. He said it was a way to reduce the high levels of poverty, strengthen democracy, and guarantee governability.

The plan was praised by officials of the Inter-American Development Bank (IDB), the Corporacion Andina de Fomento (CAF), and ECLAC. IDB president Enrique Iglesias, CAF president Enrique Garcia, and ECLAC executive secretary Jose Antonio Ocampo called the suggestion "imaginative" and "realistic" and said its major value was simply "putting the issue on the table for debate."

But other experts said that the proposal, while one of the major innovations at the summit, would take much effort to implement. Toledo said the new mechanisms could be functioning within a year or two. The proposal will be studied by the technical teams of the G-Rio countries, and in three months they will propose modifications. Some people from financial organisms who were present at the summit said the biggest question was what the Paris Club would demand in return.

"What they ask will not be a little, because, when all is said and done, it is business," said one expert. Brazil's Foreign Minister Celso Amorim said the proposal was "interesting," but added that

it would have to be "adjusted" to be attractive to his country. "The Latin American debt with the Paris Club is really not the largest part of the debt, and there are countries, like Brazil, that are not debtors with that group, but rather creditors," he said.

In another assessment of the G-Rio meeting, Guillermo Fernandez, secretary general of the Comunidad Andina de Naciones (CAN), warned that governability in the region is at risk if democracy cannot meet social expectations. In a radio interview, Fernandez, former foreign minister of Colombia, said that "if democracy is incapable of producing results that reach the people, the social situation will be increasingly precarious." He said that Latin America is losing relevancy with the developed countries and the region must maintain a united front, such as through the G-Rio, because in that way "much more can be accomplished than individually."

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