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**Renewing the Business Agenda for the Americas**  
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Larry Liebenow is President and CEO of Quaker Fabric, a Massachusetts-based upholstery fabric manufacturer. Since becoming president in 1989, Mr. Liebenow has led Quaker to more than double its sales, due largely to an emphasis on accessing new international markets. Mr. Liebenow has also worked in senior executive posts at fabric manufacturers in the United States, Mexico, and Argentina.

In addition to his work as Vice Chairman of the U.S. Chamber of Commerce, Mr. Liebenow serves as Chairman of the Chamber's International Policy Committee and on the board of the Center for International Private Enterprise (CIPE). The U.S. Chamber of Commerce is the world's largest business federation, with 3,000,000 member companies of every size, sector, and region. Mr. Liebenow is also a member of the President's Advisory Council of the Association of American Chambers of Commerce in Latin America (AACCLA).

This article is adapted from a speech Mr. Liebenow delivered on January 24 in Coral Gables, Florida, at AACCLA's Outlook on the Americas conference.

It's a pleasure to find myself with so many old friends here today. I have greatly enjoyed my close working relationship with the American Chambers of Commerce in Latin America and the Caribbean through the years, and I've grown a great deal as a result of my contact with you. And I have found the Association's regular meetings—such as this one—to be an outstanding opportunity to get up-to-date on what is happening in the hemisphere.

If there were no AACCLA, it would have to be invented, for this organization has no peer. No other organization brings together so many of the U.S. business people who are truly committed to Latin America, working and living in region.

These are not the delicate and sometimes skittish overseas investors who put their dollars in a mutual fund and then forget about it until retirement. The leadership of AACCLA and its 23 American Chambers of Commerce is made up of men and women who personally oversee direct investments in the region. No one knows the hemisphere's business climate better than the people here in this room, and no one knows the opportunities and problems better than you.

The organization I represent today the Chamber of Commerce of the United States of America truly values our partnership with AACCLA, and I am certain it will only grow stronger in the years ahead.

### **My Central Argument**

My central argument today is that the prize we thought was within our reach is in danger of slipping from our fingers namely, the promise of a hemisphere enjoying sustainable economic growth based on private enterprise and open trade. And through that, the promise of a hemisphere better able to meet the needs of its people and provide them with growing opportunities.

I believe there are a number of reasons why this goal is slipping away from us. The United States has failed to show resolve and generosity in leading the way, and the president's lack of Trade Promotion Authority has sapped the credibility of Washington's pro-trade agenda.

At the same time, much of Latin America has forgotten its commitment to serious economic reform, and many governments that seek foreign investment or better access to U.S. markets are reluctant to tackle the structural reforms that are the basis of growth.

My message is a simple one we have all fallen short. But with a renewed commitment from government officials and business leaders in all our countries, we can achieve our dream of a hemisphere of prosperity, united in economic freedom.

### **September 11th and the Americas**

We find ourselves at a difficult moment in world history.

Just this week President Bush completed his first year as our country's 43rd chief executive. He came to office at a time of high hopes for those of us gathered here today. He set the objective of making this a Century of the Americas, with the Free Trade Area of the Americas as the cornerstone of this audacious project.

We find ourselves chastened, saddened, and humbled by the events of the past few months. The murder of 3,000 innocents on September 11 left us stunned. We were stunned to discover the incredible vulnerability of our way of life, that so much blood could be shed and treasure lost in the space of a few hours on a beautiful autumn morning.

We were astonished at the power of the armed forces of the United States, that within 90 days had extended its arm to the most remote corner of the world and routed the enemy from his most secure base.

While the road ahead is long, we see that we have the means and the courage to prevail in the war on terrorism. We are concerned that we not lose sight of the need to protect civil liberties and to form strong alliances to deal with the challenges ahead.

We were amazed at the grace of the American people and indeed the entire world as we rallied together, in the words of Lincoln, to bind up the nation's wounds, to care for him who shall have borne the battle and for his widow and orphan. The rediscovery of civic virtue, solidarity, and love of country by so many Americans has no parallel in our recent history, and it can be a precious thing.

It is important to pause and take note of these astonishing events, for they are the reason Latin America and the Caribbean disappeared from Washington's agenda these past months. It is understandable that the Bush Administration needed to focus all its attention and resolve on the war on terrorism.

But today, Washington must begin to think again about the Americas and the pressing agenda we share with our hemispheric neighbors.

### **Wanted: U.S. Leadership**

The need is urgent. From Alaska to Argentina, we have all been placed in the balance, and we have all been found wanting.

For our part, the record of the United States as a good friend and neighbor to Latin America has been disappointing during the past year. Washington has shown less leadership than hoped.

Without a confirmed Assistant Secretary of State for the Western Hemisphere, and without even the Special Envoy position that President Clinton employed, there has been no high profile official in the Bush Administration charged purely with oversight of policy toward our neighbors in the Americas. With the appointment two weeks ago of Ambassador Otto Reich an experienced and talented diplomat we hope to see greater engagement. But there is no denying that a price has been paid during the past year.

Many in Latin America have come to perceive the United States as aloof, self-interested, and protectionist. And many of the region's governments say as much to their citizens frequently.

Consider the events of last December 21st, as civil unrest spread through the boulevards of Buenos Aires and led finally to the resignation of President De la R a that afternoon. Argentina's foreign minister was in Washington, discussing plans to send Argentine forces to Afghanistan to assist in the coalition effort prosecuting Operating Enduring Freedom. That these talks should be held is no surprise, as Argentina is the only country in Latin America that enjoys the special status of non-NATO ally. But Argentines might well ask what good was this special relationship with the United States in their hour of need?

An unnamed Latin American diplomat was quoted in last Sunday's Washington Post asking: What kind of message is America sending? In Argentina, they thought they were playing by U.S. rules, being a good friend to the United States, helping you from Haiti to Bosnia. And what was their reward? You turn away at their moment of greatest need. They are not alone in this feeling.

The diplomat went on to say that many of America's friends in Latin America, the Caribbean and elsewhere think that we are good at asking for cooperation and good at directing but not so good at listening or giving.

### **U.S. Credibility and TPA**

Unfortunately, the charge that the United States is protectionist strikes a nerve because it is partly true.

Above all, the fact that the President of the United States has lacked Trade Promotion Authority since 1994 has lent credibility to the charge that our country is not serious about new trade agreements. As you all know, TPA empowers U.S. officials to negotiate trade agreements that the Congress can approve or reject but not amend.

Without TPA, who can blame the government of Brazil, for instance, for its skepticism about U.S. resolve on the Free Trade Area of the Americas? This is why the ongoing fight in the U.S. Congress over Trade Promotion Authority is so critical.

The passage of TPA by the House of Representatives on December 6 was a watershed, but until we secure final passage, the lack of TPA means that U.S. promises of free trade will be dismissed by our trading partners as so much talk.

There are other reasons why the charge of protectionism leveled against the United States has some validity. Some of the key sectors in which Latin American businesses are most competitive such as agriculture and steel are among the most protected sectors in the U.S. market. The frustration this generates in Latin America and the Caribbean is understandable.

There are other examples. Last December, the U.S. Congress allowed the 10-year-old Andean Trade Preference Act to lapse despite broad support in both houses for trade and private enterprise as a tool to deter the narcotics trade.

But nothing is as important as TPA. Without it, the United States can continue in its role as an important commercial partner for Latin America and the Caribbean. But the prospect of a hemispheric partnership that will deliver economic growth, generate jobs, and raise incomes for all the Americas will remain a mirage without TPA.

### **Reform? Ma ana**

If the United States has some work to do to regain its status as a credible partner, so do our neighbors in Latin America and the Caribbean.

The bottom line for the region is that there is an urgent need to jump-start the reform process. This is especially true for the structural reforms that have been postponed again and again in country after country.

Argentina is a case in point. The media has been quick to offer its back-of-the-envelope analysis

of Argentina's economic collapse. Unfortunately, the conventional wisdom leaves much to be desired.

Many of these overnight experts say that a decade of unbridled free-market policies ended in tears for Argentina. They say that too much deregulation and too much privatization finally imposed too much pain on a weary population.

This is nonsense. The reforms that Argentina did carry out helped its economy and its people a great deal. But the reforms it procrastinated and a dose of bad luck are responsible for the country's current predicament.

Consider the widely maligned 1-to-1 peg of the peso to the dollar. The decision to anchor the peso to the dollar was made in 1991 amid labor strikes and fears of a military coup. The result was almost immediate success. The peg restored credibility to the peso, reigned in hyperinflation, and brought the first economic stability to that country in our lifetimes.

Argentina enjoyed half a decade of impressive economic growth. There is no doubt that the peg outlived its usefulness, but it did enormous good as long as its discipline was followed.

Consider, on the other hand, the reforms Argentina failed to tackle. The country's political system provided no control over spendthrift state governors. The country's rigid labor laws never got the comprehensive reform they need, and new private monopolies, such as in telecom, hurt the competitiveness of many businesses.

### **It's Not Just Argentina**

It's easy to pick on Argentina, but the list of reforms that have yet to be tackled is long in just about every country in the region.

Consider Brazil. The Heritage Foundation/Wall Street Journal Index of Economic Freedom says that in Brazil, economic development remains thwarted by over-regulated domestic markets that attract little capital, as well as a convoluted and punitive tax code.

Consider Peru. The Office of the U.S. Trade Representative cites the weakness of government institutions and explains that Executive Branch ministries, regulatory agencies, and the judiciary lack the resources, expertise, and independence necessary to carry out their respective duties.

Consider Venezuela. President Chavez approved a package of draconian economic laws in November that so frightened and enraged the public that the country's major business organizations and leading labor unions joined forces in a national strike.

I could continue on this tour through the region. The point is, Latin American governments should look upon Argentina's troubles today and say to themselves: There, but for the grace of God, go I.

### **Reform and Trade: The NAFTA Example**

There is a critical point here. The reform agenda is closely tied to the trade agenda. It is important to remember how economic reform in Mexico preceded and energized the negotiations for a North American Free Trade Agreement.

Mexico joined the GATT in 1986, and an entire first generation of economic reforms took place in the late 1980s and early 1990s. Privatization of parastatal companies, efforts to restrain inflation, and the passage of laws to protect intellectual property all were advanced before the NAFTA negotiations drew to a close. Through these reforms, the Mexican government demonstrated its commitment and seriousness of purpose to its negotiating partners in the United States and Canada.

I do not mean to suggest that Mexico today has entered some kind of nirvana. Much remains to be done. Referring to the country's judiciary, for instance, the U.S. Department of State reports that corruption, inefficiency, and disregard of the law are major problems, and it notes that specific proposals for reform have not been forthcoming.

But it is clear that Mexico took a great leap forward with the NAFTA. Today, Mexico exports twice as much as Brazil, even though the South American giant has an economy twice the size of Mexico's. After growing by nearly 8% in 2000, Mexico today has followed its northern neighbor into a recession, but it is a North American recession characterized by a contraction of less than 1% of GDP. It is not a classic Latin American recession, in which economies can contract by 5-10% of GDP.

My point here is that Latin America urgently needs to rededicate itself to a vigorous program of economic reform in preparation for the FTAA. Support for a new generation of reform must come in great measure from local leaders and not from Washington. We know that effective reforms do not bear the words: Made in the United States.

But it is clear what must be done. Fostering property rights, making labor laws more flexible, strengthening judiciaries, fixing fiscal sinkholes like Argentina's states, and modernizing regulatory institutions this is the agenda that can't wait. The important thing is to start today.

### **What Can the United States Do?**

For the United States, the challenge is to show leadership and understanding.

This can start in small ways. Our new Assistant Secretary of State for the Western Hemisphere should focus immediately on Argentina. While the time for handouts has passed, the time for solidarity is just beginning.

Brazil's President Cardoso demonstrated wonderful leadership when he called after September 11th for activation of the Rio Treaty, which describes an attack on one Western Hemisphere nation as an attack on all. He was strongly supported by Chile's President Lagos and let the record show Argentina's President De la Rúa. In fact, the entire hemisphere stood with the United States.

That solidarity deserves to be reciprocated. The United States should use its influence at the IMF to push for a roadmap showing a way forward for Argentina's President Duhalde. Part of this roadmap must be an indication of the conditions under which new financial assistance from the IMF will be forthcoming.

Quick renewal of the Andean Trade Preference Act is imperative. Its lapse looks alarmingly like a display of absent-mindedness on the part of the U.S. Congress. If it isn't renewed soon, we will see the loss of literally tens of thousands of jobs in the Andean countries in sectors such as flower exports—legitimate jobs that are a bulwark against the narcotics trade.

Completing negotiations and winning Congressional approval of the Chile-U.S. Free Trade Agreement this year is more important than ever as a sign that the United States stands ready to forge closer ties with the countries of this hemisphere.

Indeed, the United States must show a willingness to engage in bilateral negotiations with any Latin American country that's prepared to move forward. President Bush took a positive step last week when he announced that the United States and five Central American countries will explore a free trade agreement. His message—we don't have to wait for the FTAA to cut trade deals.

It is undeniable that some countries will be ready for a free trade agreement with the United States before others, and we should be honest about this. The Bush Administration should consider establishing a system that will get the FTAA up and running as soon as possible, but allow countries whose economies are lagging to be phased in over time.

Finally, and clearly at the top of the To Do list for the United States, we must pass Trade Promotion Authority. Without it, we are bystanders in the game of international trade. But this is no game—the prosperity of our country and our hemisphere is too serious.

## **Conclusion**

Some things are going well for the Americas. Events in the Americas since September 11th show that in some respects we already are the hemispheric familia that President Bush talks about.

Throughout the hemisphere, inflation has fallen from triple and quadruple digits a decade ago to single digits today. While we have heard reports of threats to democratic rule in some places, it is impressive to observe how thoroughly democracy has taken root in most countries. And with a few exceptions, the prospect of rolling back the real economic reforms of the 1990s remains a

threat, not a reality.

Most heartening of all is the prospect of seeing Trade Promotion Authority approved by the U.S. Congress. President Bush and Republican leaders of the Congress are firmly committed to seeing TPA approved in the coming months.

And from the other side of the aisle, let me quote Senate Majority Leader Tom Daschle for you: No country is better situated to thrive in this global information economy than the United States of America. That is why I support fast track and intend to bring it up for a vote in the full Senate early this year.

You may count on the U.S. Chamber of Commerce to work day and night, in close collaboration with our AACCLA partners, to ensure that TPA is approved in short order. The Chamber is the most effective voice of business today in Washington.

This can and must still be the Century of the Americas. Achieving this goal will require great efforts on the part of all. I know that by working together, AACCLA, the U.S. Chamber of Commerce, and our many allies throughout the hemisphere will make this dream a reality.

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