

WebMemo



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Keeping Score: Will the Summit of the Americas Make the U.S. More Prosperous?

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When President Obama leads the U.S. delegation to the April 17–19 Summit of the Americas in Trinidad and Tobago, the whole neighborhood will be watching. The summit will be Obama’s first multi-lateral meeting with all 34 democratically elected Latin American heads of state (excluding Cuba).

Confronted by serious economic problems domestically and unprecedented foreign challenges to the U.S.’s historically dominant role in Latin America, many people back home will be wondering if the President will use the summit to increase domestic prosperity and security.

The last Summit of the Americas was a disaster for the U.S. It was disrupted by an alliance of anti-U.S., anti-free trade, and anti-globalization groups and leaders, including Hugo Chavez, Evo Morales, Néstor and Cristina Kirchner, and other “21st-century socialists.” These groups will doubtlessly attempt to hijack the attention of the world media in Trinidad, too.

U.S. Economic Interests Sacrificed on the Altar of Multilateralism. The creation of a Free Trade Area of the Americas (FTAA), which would be the best way to bring peace and prosperity to the region, was one of the original objectives of the quadrennial summit meetings when they began in Miami in 1994. In the summits that followed, however, the goal of a hemispheric free trade zone slowly became lost in a jungle of ill-conceived and inefficient development programs.

The Organization of American States (OAS), leading a gaggle of regional organizations and

bureaucracies, gradually hijacked control of the summits through their institutionalization of a Summit Implementation Review Group (SIRG) “process” with repetitive “Declarations of Principles” and ever-growing “Plans of Action.”

Instead of focusing on the FTAA, international bureaucrats fed heads of state a steady diet of taxpayer-funded summit development assistance “mandates” (of which there are now 812) that shifted the focus away from advancing free trade as the principal means of economic development and gave governments and international organizations an ever-expanding role in implementation, which generally amounted to the production of reports calling for more foreign aid.

How many—if any—of these mandates have actually been fulfilled, let alone their full cost, remains unclear. Yet the “Draft Declaration of Commitment” produced by the “SIRG process” that heads of state will be asked to approve in Trinidad contains an additional 66 “mandates”¹ whose costs of implementation are unknown (and perhaps unknowable).

Multilateral Development Bank Lending: Another Dead End. Several of the SIRG-generated

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“mandates” direct more lending by the Inter-American Development Bank (IDB) as well as other international financial institutions (IFIs) “in order to increase efficiency...and optimize the use of resources.”² The IFIs would bankroll everything from micro-enterprises and “safe, affordable energy supplies for all” to a “Regional Strategy for the Management of Climate Change Impacts.”³

The unfunded liabilities from these summit mandates would be in addition to the \$1 trillion in new lending that leaders of the G-20 demanded of their taxpayers to subsidize the International Monetary Fund (IMF).⁴ Yet, as the *Wall Street Journal*'s Mary Anastasia O'Grady points out, “Latin America remains poor and backward not despite multilateral ‘assistance’ but, in a large part, because of it.” She notes that although the region has received billions in foreign aid in the last 50 years from the IDB, the World Bank, the IMF, and other agencies, even a 2006 study by the IDB itself criticized the aid’s “ineffectiveness in achieving economic growth or promoting democratic institutions.”⁵

For summit leaders to give their blessings to any new lending by the IMF or IDB to countries such as Argentina and Ecuador—countries that have defaulted and refused to honor their prior debts—would be particularly galling. Last year Néstor and Cristina Kirchner seized approximately \$25 billion

in private pension funds (similar to 401(k) retirement savings accounts), yet they refuse to repay sovereign debts and now want additional loans.⁶

President Obama Must Take the Lead. Unfortunately, the U.S. Senate has already passed a resolution basically supporting the statist approach of the SIRG to solving Latin America’s problems that is laid out in the draft summit declaration,⁷ and senior aides to Obama say the President plans to arrive at the summit in a low-profile, “listening” mode.⁸ That would be a mistake. If the interests of the United States are to be best served at the summit, President Obama must take the lead.

With calls for protectionism on the rise throughout the Americas, President Obama should meet before the summit begins with the U.S.’s Pathways to Prosperity in the Americas (PPA) trading partners and explore with them opportunities to merge existing FTAs in the Americas to remove trade barriers among all U.S. free trade partners—in essence creating a core hemispheric free trade area. He should consider inviting Brazil, Uruguay, and the nations of the Caribbean Community (CARICOM) to the meeting as observers.

The President should also take the lead in urging the OAS to abolish its Summit of the Americas Secretariat office and call for the next summit to be planned by OAS member country governments in

1. Summit Implementation Review Group, “Draft Declaration of Commitment: Securing Our Citizens’ Future by Promoting Human Prosperity, Energy Security and Environmental Sustainability,” Organization of American States and Summits of the Americas, July 21, 2008, for presentation at Fifth Summit of the Americas, Port of Spain, Trinidad and Tobago, April 19, 2009, at http://www.summit-americas.org/SIRG/2008/SIRG_0708/V_Summit_Draft_Decl_Commitment_POS_0708_En.pdf (April 9, 2009).
2. *Ibid.*, p. 2.
3. *Ibid.*, p. 6.
4. Bob Davis, “IMF Gains New Influence from Summit,” *The Wall Street Journal*, April 3, 2009, at <http://online.wsj.com/article/SB123867300890482107.html> (April 9, 2009).
5. Mary Anastasia O’Grady, “Aid Keeps Latin America Poor,” *The Wall Street Journal*, April 6, 2009, at <http://online.wsj.com/article/SB123897316163590919.html> (April 9, 2009).
6. Joshua Partlow and Brian Byrnes, “Argentina to Nationalize Pension Funds,” *The Washington Post*, November 21, 2008, at <http://www.washingtonpost.com/wp-dyn/content/article/2008/11/20/AR2008112003812.html> (April 9, 2009).
7. “Expressing the Sense of the Senate Regarding the Fifth Summit of the Americas, held in Port of Spain, Trinidad and Tobago, April 17, 18, and 19, 2009,” S. Res. 90, 111th Cong. 1st Sess., at <http://www.govtrack.us/congress/billtext.xpd?bill=sr111-90> (April 13, 2009).
8. Lesley Clark, Jacqueline Charlies, and Frances Robles, “Latin Test Awaits Obama at Summit,” *The Miami Herald*, April 4, 2009, at <http://www.miamiherald.com/news/americas/story/985069-p2.html> (April 9, 2009).

conjunction with private trade associations and pro-free-market civil society groups. He should act to block any summit efforts to approve new IFI lending to countries that have not demonstrated a commitment to sound economic policies.

Finally, President Obama should announce to his counterparts at the summit that he will return to Washington to urge Congress to approve the pending free trade agreements with Colombia and Panama. By withholding its approval, Congress is undermining U.S. credibility.

Scoring the Summit on Economic Issues. Will President Obama come to any agreements on steps the summit countries can take together that advance U.S. interests in the region while fueling U.S. economic growth and job creation? To assist in making that assessment, observers can use the following checklist to keep score:

- Did President Obama convene a meeting of PPA countries (including Panama and Colombia) on the margins just in advance of the first summit session in Trinidad to signal their elevated and “insider” status as U.S. allies and preferred partners to the broader group? Did he heartily endorse the continuation of the “Pathways to Prosperity” initiative?
- Did President Obama explore opportunities to merge existing FTAs the U.S. has in the Americas to remove trade barriers among all U.S. free trade partners, in essence creating a core hemispheric free trade area?
- Did the President meet with Brazil’s President Lula at the summit and encourage the two countries to begin negotiations on an FTA, offer to push Congress to eliminate the U.S. tariff on Bra-

zilian cane-sugar ethanol as an incentive, and tell Congress to make up the lost revenue by ending the federally mandated and wasteful U.S. corn ethanol program?

- Did the President insist that the OAS abolish its Summit of the Americas Secretariat office and SIRG process and, instead, turn over planning for the next summit to the host country and OAS member governments in conjunction with trade and commerce associations in the private sector as well as with pro-free-market civil society groups?
- Did President Obama insist that funding for all Summit of the Americas activities that have lost focus on the key goal of advancing free trade be ended?
- Did the President call for a review of all “mandated” programs previously funded under past Summit of the Americas’ Plans of Action and seek to move these activities to a new framework that actively promotes private-sector solutions to development challenges?
- Did President Obama assure his counterparts that he will press Congress to approve the pending free trade agreements with Colombia and Panama?

Consequences of a Low Score. If President Obama gets a low score on this checklist, it will be the latest sign that his Administration is aligning itself with the statist direction that the summits have taken. A low score will also serve as a warning for U.S. taxpayers to expect another large bill for programs that are unlikely to achieve their desired goals.

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