Treasury secretary praises Latin economies

Hemispheric leaders, meeting in Miami Beach, got few answers from the U.S. on how their economies might weather a financial fallout.

By The Miami Herald

With the U.S. economy nearing or in recession, financial leaders of Latin America and the Caribbean hoped U.S. Treasury Secretary Henry Paulson's speech Monday in Miami Beach might provide insight on how their economies will be affected.

What leaders got was more of a pep talk for the Colombia free trade agreement, just hours before President Bush announced he was sending the controversial legislation to Congress over the objections of the Democratic leadership.

Paulson, speaking at the inaugural session of the annual meeting of the Inter-American Development Bank's Board of Governors, provided scant details on the U.S. economy and did not entirely assuage fears that fallout from the U.S. housing and credit crisis might ripple to countries of the hemisphere.

"There's no doubt that our economy in the U.S. has slowed dramatically. We're very focused on it," Paulson said, noting particular concerns in the housing and commercial markets.

"The good news is that Latin American economies and financial markets have proven more resilient to the recent global financial turmoil than many might have expected," he said.

Regional leaders say a strong U.S. response to the slowdown is vital to their economies. "The Treasury and the Federal Reserve are trying to provide some stimulus to the economy, and we are looking at that very closely, but in the numbers we are not seeing that," said Daniel Dorsainvil, finance minister of Haiti, whose country has started to experience protests over rising food prices.

Most leaders declined to comment publicly on Paulson's speech, but some participants said privately that they were surprised he did not address the financial turbulence in greater detail.

"Obviously, we have some concerns about the effect that a fall in the economy will have," said Colombian Finance Minister Oscar Iván Zuluaga. But Zuluaga was enthusiastic about the trade deal, saying it would help the country double its trade with the United States.
The heart of Paulson's speech was a plug for that agreement, which was no surprise to participants -- given the Bush administration's close ties with the South American country.

"Congressional approval of the Colombian free trade agreement will reinforce democracy in Latin America by showing support for a key ally, an ally who has made significant advancements to combat violence and instability," Paulson told the gathering in the Fillmore Center/Jackie Gleason Theater.

COMMERCE SECRETARY

Meanwhile, U.S. Commerce Secretary Carlos Gutierrez was across town in Hialeah at a Small Business Administration event, also pushing hard for the Colombia trade agreement. Later, at the IDB meeting, he once again championed the benefits of free trade.

Some 6,000 bankers, finance ministers, business executives and organizations whose social, development and environmental programs receive funding from the bank are attending the IDB meeting, which ends Tuesday.

Participants spent the weekend hearing about the U.S. financial crisis in investor seminars and private meetings. Former Florida Gov. Jeb Bush, who spoke at a panel on the Latin American policies of U.S. presidential hopefuls over the weekend, urged visitors to "spend as much as you can -- we need it right now."

Guatemalan Finance Minister Juan A. Fuentes, the outgoing chairman of the IDB Board of Governors (Paulson took over as chairman Monday), addressed the hemispheric anxiety just before Paulson spoke.

While prices of basic goods and oil have skyrocketed and financial markets are showing signs of difficulties, "this panorama and its consequences requires urgent attention from governments" and financial partners, Fuentes said.

Despite a strong and sustained economic recovery for the past five years, Latin American and Caribbean countries have been hit hard with rising costs for fuel and food in recent months. Increasing prices for wheat, corn and rice -- all diet staples -- not only threaten hard-won victories over inflation in the region but also raise the possibility of rising social unrest.

"Economic turbulence contributes to an increase in poverty, especially in the context of increasing globalization," IDB President Luis Alberto Moreno told the IDB's Board of Governors.

Moreno said he hoped he could count on IDB member states to allow the bank more flexibility so it could meet current challenges more rapidly.
ACTION URGED

Later in a separate presentation, Mexican Finance Minister Agustin Carstens went a step further and called on the bank to recognize the changes in the financial markets and provide financial aid packages to countries if the current economic downturn worsened.

About the Inter-American Development Bank

• Created in 1959 to help accelerate economic and social development in member countries of the Americas.

• The bank has 47 members, 28 in the Western Hemisphere and 16 in Europe. Israel, Japan and South Korea also are members.

• There are 26 borrowing members in Latin America and the Caribbean. Approved lending for 2007: $11.1 billion.