News Release

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Integration to Build a Better Future

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In the late 1980s, Latin America emerged from its prolonged, hermetic experiment with industrialization by import substitution and formed trading blocs such as Mercosur, the motto of which, "nuestro norte es el sur" ("Our North is the South"), still projects a defiant regionalism that once relied on barriers to outside trade.

But, over the last two decades, Latin American economies have cautiously but steadily opened, at the same time as their governments have attempted with mixed success to better integrate as a region.

However, fully realizing the ideal of a strong community of nations will involve hard choices in three critical areas.

First, nations should resist the tendency towards protectionism, which beckons anew thanks to the global financial downturn.

Second, public and private sectors must work in partnership to promote good corporate and national governance, particularly in the face of shrinking consumer confidence and resurgent threats to stability such as trafficking in narcotics.

Finally, Latin American leaders must forge new solutions to infrastructure challenges in the arenas of energy and transportation.

In Central and South America, the current crisis has threatened to roll back recent progressive economic opening. Of course, the trend is in line with a worldwide Keynesian resurgence, evidenced by the fact that 17 countries out of the G20 have recently established trade barriers.

"The reason for this is that protectionism is a populist measure that resonates with voters," said Alberto Terol, Chief Executive Officer, EMEA, Deloitte, United Kingdom.

However, in countries like Brazil, which economists project will weather the storm better than many developed nations, there are signs of a reversion to the insularity of the past.

While this rarely takes the form of blunt tariffs, it often manifests in the more technical guise of red tape. The North American component of Latin America, however, has pledged not to waiver from the path of free trade.

"It's hard to avoid protectionism, especially during a global economic crisis," stressed Young Global Leader Marisol Argueta de Barillas, Foreign Relations Minister of El Salvador. "But it's necessary to see this as a short-term, and not a medium- or long-term solution to trade problems."

Further north, Mexico has put words into action by unilaterally reducing taxes on thousands of goods since December. While promoting openness, Latin America, at the same time, must promote good corporate and national governance. Across the region, the massive crisis of consumer confidence, brought about by the downturn, has lead to self-reflection and humility.

"The five most dangerous words in business," said legendary investor Warren Buffet, "are ‘ Everybody else is doing it'."

Timothy P. Flynn, Chairman, KPMG International, USA, and Co-Chair of the World Economic Forum on Latin

America, explained:

"Every day you have to understand the vast responsibility with someone putting trust in you, and as a leader you have a responsibility to earn that trust every single day."

At the national level, the largest current test of government is the threat to stability posed by transnational crime, particularly trafficking of narcotics. While policing remains an important facet to combating the drug trade, a consensus is emerging that the balanced European model of interdiction and treatment is more effective than the law enforcementcentred approach of the United States.

President Alvaro Uribe Velez of Colombia explained that his country's non-state combatants, guerrillas and paramilitaries are being steadily reigned in despite regular funding through the drug trade. "We have demobilized 35,000 members of paramilitary groups and 15,000 guerrillas and although 3,000 have come into force again, 2,000 of them have been defeated or taken prisoner,"

Uribe explained. "We know there is a lot to do, but we struggle every day." Finally, to foster a new sustainable development cycle in the region, Latin American countries must find new sources of investment for energy and transport infrastructure.

Systems of conservation must be built into urban development plans; governments should ensure policies that foster reduced reliance on coal and oil; accordingly, carbon emissions must be curtailed around the globe and Latin America is no exception. At the same time, multilateral organizations and private sector actors must come into partnership with governments to build reliable systems of ground transportation.

To achieve those and other energy goals, the educational systems must produce personnel qualified with the requisite scientific knowledge. Leaders across the region from Mexico to Brazil expressed confidence that they are ready to grow to fulfil the potential of the moment.

"Latin American participants feel they are able to face the crisis in better condition than at any time in the past," said Young Global Leader Ricardo Villela Marino, Chief Executive Officer, Latin America, Banco Itaú Unibanco, Brazil.

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