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The Interactive Forum for the Region's Leaders

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Advisor ANALYSIS

Q

After a two month hiatus following the September 11 terrorist attacks, the U.S. and Mexico have restarted talks on easing immigration restrictions for Mexican migrants. Given heightened U.S. concern for border security, is a relaxation of northbound migration likely?

A

Guest Commentary: Robert Pastor: "Although President George W. Bush is still focused on the war on terrorism, as he should be, it is commendable that the U.S. and Mexican governments have returned to the agenda that they discussed during President Fox's state visit to Washington one week before the September 11 tragedy. But if northbound migration is to be eased, the agenda needs to be modified to take account of those events and also to set the immigration issue in the broader context of building a deeper relationship among the three North American countries. Unfortunately, the discussions do not seem to reflect either point. How should the agenda be changed? First of all, Canada needs to join the talks. Second, the agenda ought to focus on ways to facilitate transit for people and goods across both borders while assuring the security of each. This means negotiations should begin with establishing a customs union, harmonizing to the extent possible immigration policies, and training a corps of North American officials responsible for immigration, law enforcement, and customs. Third, the immigration agenda needs to be disassembled, with rapid agreement on some elements like temporary workers and respect for undocumented workers. Fourth, on the controversial issue of 'legalization' of undocumented workers, the three governments ought to dedicate themselves to establishing a development fund so that Mexico might begin to narrow its income gap with its neighbors. This alone would reduce the flow of illegal migration." (Editor's note: for more analysis, see *Toward a North American Community: Lessons from the Old World for the New*, by Robert Pastor.)

"Following September 11, the U.S. public is not keen on porous borders."

-- Steve Johnson

Board Commentary: Jorge Pinto: "It is precisely because of the U.S. concern for border security that an agreement with Mexico has to be reached in order to assure mobility of individuals as well as goods. It is well known that the

U.S.-Mexican border is the most traveled border in the world. Therefore, the authorities will have to recognize that the flow at the border will continue to increase. Technology is in place through the new laser visas that Mexicans have already paid for. It is now necessary to complete the upgrade of the INS posts along the border to ease crossings. A border

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agreement on immigration, which is now in suspension, will also need to be reignited because it affects business in the U.S. and millions of individuals who lack basic legal protections because of their undocumented status in the U.S."

Guest Commentary: Steve Johnson: "Probably not in large measure. Yet there is a new approach to immigration coming out of the Fox administration and echoed by his National Action Party. It is the idea of a perimeter defense encompassing Mexico, the United States, and Canada. In fact, it is a clever way of erecting one pillar of Fox's proposed North American common market which would facilitate the free flow of labor between the three NAFTA partners. But following September 11, the U.S. public is not keen on porous borders -- even with Canada, which shares similar customs, work habits, and a comparable standard of living. Open borders with Mexico, with its lower living standards and greater problems of corruption and criminal mafias, would pose a security risk. That doesn't mean there is no merit to Fox's idea -- just that a viable security perimeter is years away from being achieved. In the meantime, the United States should work with Mexico to encourage economic and educational reforms to raise living standards, continue development of a guest worker program, and boost cooperative efforts to help defeat the tentacles of terrorism and drug criminality that have invaded Mexico from the south."

Board Commentary: Beatrice Rangel: "Two developments conspire against a resolution of the immigration issue. First and foremost is the U.S. concern over homeland security. Second is the fact that the U.S. and the world are undergoing the first recession in a decade. With unemployment mounting and the unions weary of the impact of trade upon this crucial variable, domestic pressures against easing immigration rules will make it quite difficult for this issue to be agreed upon by both countries."

Robert Pastor is a Professor of Political Science at Emory University.

Jorge Pinto is a member of the *Advisor* board and Director of the Center for Global Finance at Pace University.

Steve Johnson is Latin America Policy Analyst at the Heritage Foundation.

Beatrice Rangel is a member of the *Advisor* board and Senior Advisor to the Chairman at the Cisneros Group of Companies.

Economic News

IMF Wants Argentina to Abandon Convertibility, Newspaper Reports

The International Monetary Fund (IMF) is pressuring the Argentine government to abandon the convertibility regime, according to Argentine daily *Clarín*. The local newspaper reported Tuesday that Economy Minister Domingo Cavallo told a group of business executives Sunday night that several IMF technicians viewed the future of the one-to-one Peso-Dollar peg negatively and were pressuring Argentina to devalue its currency. *Clarín* confirmed Cavallo's remarks with five of the 13 business leaders who participated in meeting, also attended

by President Fernando de la Rúa. The Argentine government and U.S. Treasury officials denied the report. The IMF made no comment. The IMF is currently in Argentina to assess the government's plans to balance its books before deciding whether to release a December disbursement of \$1.260 million, critical for Argentina to meet its external debt payments. If the IMF does not release the money, the government may have to appeal for reserves at the Central bank, which would be a violation of the convertibility scheme.

Chilean Jobless Rate Falls to 9.7 Percent for August-October Period

Chile's unemployment reached 9.7 percent in the three month period from August to

THE DIALOGUE CONTINUES

Q

Two days after Carlos Menem's house arrest on charges of illegal arms sales was lifted last week, the former president of Argentina slammed current President Fernando de la Rúa for the country's ongoing economic woes and said he would lead the country out of recession if elected president in 2003. What chance has Menem, whose 1989-99 administration racked up much of Argentina's crippling \$132 billion public debt, to be elected? Does he still exert enough influence to become the Peronist party candidate in 2003?

A

Guest Commentary: Gustavo Casir: "Menem's chances of being reelected are slim to none. Besides facing the challenge of regaining his popularity (not an easy task), Menem must wage a much harder and more difficult battle: defeating three strong Peronist candidates currently vying for the candidacy (yes, even though elections are not scheduled until late 2003). These three candidates (Ruckauf, De la Sota and Reutemann -- governors of large Argentine provinces) have formed a consensus, accepted by the Peronists and the public in general, that the next Peronist candidate for president will be among them. It is highly unlikely that they will allow Menem or any other candidate to join in the primaries. Moreover, it remains unclear whether Menem can garner voter support other than from his hometown and from former officers of his administration. In sum, Menem's candidacy for the 2003 presidential election is unlikely. Even the poor performance of the current government (Menem's easy target) will likely not be enough to sustain his candidacy because the other Peronist candidates will not hesitate to attribute certain responsibility for Argentina's economic woes to his past presidency. Notwithstanding the foregoing, in Argentina, anything can happen."

Gustavo Casir is a Partner at Munoz de Toro & Munoz de Toro in Buenos Aires.

October, a 0.3 percent decrease from the same period last year and 0.4 points down from the May-July period, the National Statistics Institute (INE) said Tuesday. President Ricardo Lagos called on the support of the private sector to create jobs through increased production. "While other countries are lowering their production Chile raises its production, not as much as we wanted, but this production increase must create new sources of employment," Lagos said, according to Chilean daily *El Mercurio*. Warmer weather in the Southern Hemisphere helped drive unemployment down by increasing the number of agricultural jobs. Economists are predicting a further fall in the jobless rate over the next

several months as more workers tend fields and harvest crops. The increase may offset employee layoffs as a slowing economy forces some companies to fire workers and delay hiring. The total number of employed over the three-month period was 5,344,230, compared to 572,010 unemployed.

Company News

Bear Stearns Starts Banorte with "Buy" Rating

Financial firm **Bear Stearns** announced Monday it initiated coverage of **Grupo Financiero Banorte** with a "buy" rating due to the Mexican

banking group's attractive market valuation following the acquisition of **Bancrecer** in September. The investment firm set a target price for Banorte at 28.86 Pesos (US\$3.04) per share, a 67.8 percent upside potential from current levels, the company said. Although Bear Stearns views Banorte as an attractive takeover target, the firm did not include a takeover premium or outlook for stock price appreciation into its valuation, Reuters reports. Banorte became Mexico's third largest bank in terms of deposits after the purchase of Bancrecer for nearly \$175 million and remains the country's fourth largest bank in terms of assets. The Mexican bank's stock is up almost 25 percent since the end of last year, due largely to market speculation of a takeover by a foreign bank. Banorte's shares closed down 0.58 percent Tuesday to end at 17.1 on Mexico's IPC index.

Political News

U.N. Votes Again to End U.S. Embargo Against Cuba

For the 10th straight year, the United Nations General Assembly voted overwhelmingly on Tuesday to end the U.S. trade embargo against Cuba. 167 to 3. The U.S., Israel, and the Marshall Islands cast the three dissenting votes, mirroring their stance in 2000. Speakers called the unilateral embargo a violation on the U.N. charter and a hindrance to international trade. Cuban Foreign Minister Felipe Perez Roque said yesterday that Cuba would be willing to reach an agreement for roughly 6,000 U.S. companies and citizens whose properties were nationalized as a consequence of the 1959 revolution, Reuters reports. He also said that the majority of Americans did not support the embargo. A member of the U.S. delegation to the U.N., James Cunningham, said the embargo's objective was to promote democracy in Cuba and that the U.S. had eased many restrictions to allow Cuba to purchase food.

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