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What Hu Jintao's tour means

The world tour by China's President Hu Jintao in April from the US to Saudi Arabia and then to Nigeria is a warning to the western hemisphere. Latin America has been supplying China with the raw materials and soya China needs to maintain its 10% rate of economic growth, and the US has been buying the manufactured goods produced by the Chinese boom. The US has been putting pressure on China to consume more. Worryingly for the US it may be about to get its wish. This could be bad news for Latin America.

China's decision to push up interest rates on 27 April unnerved the financial markets. The rise was tiny: from 5.58% to 5.85%. The timing of the rise, the first for 18 months, suggests that China may be serious about rebalancing its growth and relying less on exports and more on the domestic economy. It is worth noting, as we do inside, that China's exports to the US actually fell, month-on-month, between January and February this year.

No one knows what Chinese consumers will want to buy. The rich will buy the consumer goods the rich acquire across the world. The unknown is how the urban proletariat will choose to spend its money. Will they want better food, smarter clothes, western entertainment or to travel more?

In Europe in the 1960s when wage earners suddenly became a proper market, they started to do very different things from their parents. Arguably, they were sold, rather than chose, novelties.

A reduction in China's exports, especially to the US, will change the dynamics of the US economy. Several economists have already been fretting about the problems facing the US housing market.

US consumers have been mortgaging and remortgaging to generate the money to keep the US current account deficit running at 7% of GDP. Average house prices in the US fell by 6.5% or US$15,000 in the most recent month (February). If this trend continues China's switch looks well timed.

The problem for Latin America is that as the US current account deficit starts to fall, the capital account surplus, which finances the current account deficit, will also start to fall. This will push up US interest rates, so the era of cheap money will come to an end.

This could pose major problems for Brazil, which still runs a fiscal deficit, largely because of the cost of servicing the government's huge debt. More fiscally conservative countries, such as Chile and Mexico, will be less affected.

SHANNON'S VISIT TO CHINA

What the US wants

Thomas Shannon, the US Assistant Secretary of State for Western Hemispheric Affairs, and so the top policymaker for Latin America, went to Beijing on 12 April for three days to talk to China specifically about Latin America. Shannon is the first senior US policymaker to visit China to talk about Latin America. His visit shows how concerned the US is at China's growing links to the region.

The timing of Shannon's trip is significant. It came just before China's president, Hu Jintao, visited the US from 18 to 22 April. It came after the White House released its National Security Strategy which called on China to move away from old ways of thinking and acting as if it can somehow "lock up" energy supplies around the world, by supporting resource-rich countries without regard to the misrule at home or misbehaviour abroad of those regimes.

This seems to be a pretty pointed comment about China's attempt to forge links to Venezuela (and probably Sudan and Chad). In the same report, the White House described Venezuela's president, Hugo Chávez, as "a demagogue awash in oil money [who] is undermining democracy and seeking to destabilise the region." Shannon visited China at the invitation of Zeng Gang, head of the Chinese foreign ministry's department of Latin American affairs. Shannon met a deputy foreign minister, Yang Jiechi. The Chinese foreign ministry expected the visit to increase understanding and trust between the two countries.

"Shannon's visit comes as a belated response to criticism from conservatives (who are also often friends of Taiwan) that the US has stood by while China has increased its influence in Latin America in recent years. The Bush administration is divided over whether China is a potential threat to US interests in Latin America."

The US view

Shannon's visit comes as a belated response to criticism from conservatives (who are also often friends of Taiwan) that the US has stood by while China has increased its influence in Latin America in recent years. The Bush administration is divided over whether China is a potential threat to US interests in Latin America.

The State Department argues that China is not a threat. It claims that China is only interested in Latin America as a source of raw materials. China needs increasing amounts of raw materials, both industrial and agricultural, to keep its economy growing. The State Department's hypothesis is that China's policymakers are far too absorbed in keeping the economy growing and maintaining national harmony to undertake foreign policy adventures.

This view was put into words by Roberto Zoellick, the US Deputy Secretary of State. He said on 21 March, when Shannon's trip was announced, that "the Chinese don't want to be perceived in the US as a threat in Latin America because that would be counterproductive." The Defense Department takes a less sanguine view. It claims that China is replacing the US as the source of military training for Latin American armed forces. This is largely because the US has cut military training programmes for countries that sign up to the International Criminal Court. The ICC will, theoretically, allow US officials to be tried for human rights abuses.

Shannon himself told a prominent US commentator on Latin American affairs, Andrés Oppenheimer, that he was going to Beijing to make sure that the US and China each understood what the other was up to in Latin America to ensure that there are no crossed wires.

Where China's exports go

Total exports in 2005: US$650bn

US	22%
EU	20%
Japan	10%

source: Booz Allen Hamilton

Interestingly, another State Department official heavily involved in organising Shannon's trip, used exactly the same phrase three weeks earlier when Shannon's trip was first announced. This unnamed official (unnamed, because, according to Reuters he was not authorised to speak about Shannon's trip) said that the purpose of the visit was, "making sure we do not get our wires crossed".

Oppenheimer asked where wires could be crossed. Shannon said that although he did not believe that China wanted to get involved in Latin America's domestic politics,"we see the region as having achieved a consensus about democracy, free markets and protecting the security of the democratic state and our interest is to make certain that China respects this larger consensus."

Shannon refused to explain what this rather tortuous sentence actually means. Oppenheimer's view is that Shannon's trip is a warning to China that the US still stands by the Monroe Doctrine and will not tolerate any other power taking an anti-US line in the region.

Our view is that the US is content to see China investing in the region, though the US is also probably equally pleased with Latin American disappointment at the China connection: China is delivering a good deal less in investment than it promised. In the first 11 months of 2005 China's foreign direct investment in Latin America was US$659m. As China invested almost US$7bn in those 11 months across the world, Latin America's share was a under 10%. In remittance terms, China's total investment in Latin America was the equivalent of 12 days of payments from Mexican migrants in the US to their dependents in Mexico.

In terms of overall FDI into Latin America, China's share was negligible. In 2005, FDI into Latin America amounted to around US$43bn.

Although China has announced some major investments in Brazil this year, Brazil, which had been the strongest advocate of increasing links with China was one of the first to fall out with the Chinese. Brazil has slapped tariffs on a range of Chinese manufactured goods that, the Brazilians claim, are being dumped in Brazil. Brazil is equally unhappy at China's refusal, endorsed by the US, to refuse to support a reconstitution of the UN Security Council that would give Brazil, Japan, India, Germany and South Africa permanent seats (and vetoes).

Trade is the area where Sino-Latin American links have been growing fastest. Luo Gan a member of the Chinese communist party's standing committee, said in early April that trade between Latin America and China had topped US$50bn. The official Chinese figure for trade between China and Latin America is that trade between the two increased by 24% in 2005, compared with 2004, and came to US$50.45bn. China is now Latin America's third biggest trading partner after the US and the European Union.

The Chinese point out that Latin America runs a small trade surplus with China. Latin American exports came to US$26.8bn in 2005 while Latin America's imports from China came to US$23.7bn. Mexico is the only Latin American country that runs a significant trade deficit with China. Panama, which imports US$1bn worth of textiles from China, is the other country with a major deficit.

With Brazil, Sino-Brazilian trade increased by 33% in 2005 putting China almost on a par with Brazil's two traditional biggest trading partners, the US and the EU.

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Will China's trade with Latin America change?

The overwhelming bulk of Chinese imports from Latin America are raw materials. This reflects China's total imports: 75% of the country's imports (by value) are interim products (raw materials and fuel) while 19% are capital goods. That leaves only 6% for consumer goods.

China's total imports of interim products came to US$148bn in 2005. So Latin America's share is over a third.

The US is pressing for China to boost its consumer demand. The US hopes that this will lead to China importing more consumer goods. The question is whether these increased imports of consumer goods will be at the expense of imports of raw materials and semi-finished goods such as cement, or in addition to them. Our guess is that imports of raw materials will continue to increase at double digit rates while imports of consumer goods will rise a bit more slowly and only gradually creep up towards 10% of total imports, perhaps not crossing this threshold until 2012.

Latin America exports more than just industrial raw materials to China. Almost two-thirds of the soya China imports comes from South America. Increasing amounts of meat, and possibly dairy products, are likely to be needed by China as more prime agricultural land is developed into factories and houses.

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The problem for Latin America is that China imports raw materials, energy and food from Latin America but exports manufactured goods at prices that are substantially cheaper than those of Latin American manufacturers.

Diplomatically, China has not been that successful in increasing its influence with the bigger countries, with the exception of Venezuela, which is a special case. Although China recently won observer status at the Organisation of American States, it has failed to join the Inter-American Development Bank, though it indicated in 2005, along with India, that it would like to join.

At this year's IDB annual meeting in Belo Horizonte, Brazil at the beginning of April, Luis Moreno, the IDB's new president called on Latin American countries to work on ways of using China to assist their economic development, rather than fear it as a competitor. Moreno did not set a timetable for China, or India, joining the IDB.

With the smaller countries, especially in the Caribbean, China has had some success in prising their diplomatic relations away from Taipei. China has also managed to weaken Guatemala's relations with Taipei, following a visit by Guatemalan ministers to Beijing last autumn, but it has yet to force a complete switch in diplomatic relations.

The only state it has tempted into shifting from recognising Taiwan to recognising Beijing is Grenada. China is even financing and building the stadium that will be used in Grenada for the cricket World Cup that is due to take place in the West Indies in March 2007.

There are still four Caribbean states that recognise Taiwan rather than the PRC. They are: the Dominican Republic; Haiti; St Kitts & Nevis and St Vincent & The Grenadines. The last-named is widely seen as the least staunch of Taiwan's Caribbean allies.

China-based companies, notably Hutchison Whampoa, have been particularly active in The Bahamas which recognised China in 1997. Hutchison Whampoa has built a new facility at Freeport, on the northern coast of the most northerly island in the archipelago, and is also investing in upgrading the airport.

In Central America where trade with China has been increasing, the lobbies to switch diplomatic recognition from Taipei to Beijing is growing stronger. In Costa Rica, the narrowly defeated candidate in the presidential election, Otton Solís, campaigned on a platform of switching from recognising Taiwan to recognising the PRC. In Nicaragua, two leftwing presidential candidates, Herty Lewites and Daniel Ortega, are threatening to switch diplomatic recognition from Taiwan to China if they win this year's presidential elections.

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HU JINTAO'S VISIT TO WASHINGTON

US goes in for wishful thinking

The US seems to believe that the Chinese president, Hu Jintao, is a man with whom the US can do business. In the post-presidential summit briefing, the White House's two senior policymakers for Asia stressed two things. The first is that China has taken the decision to switch its economy into one that is led by consumer spending. The other point was that Hu Jintao is a man who wants to get things done.

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The illustration of the second point, that Hu Jintao will get things done, is that when he and President George W Bush realised that they were running out of time, he was happy to break protocol and turn what had been billed as a formal lunch into a working lunch. This entailed both presidents sitting next to each other during the meal, rather than at separate tables. This is significant, because the Chinese were mildly upset that the White House refused to grant Hu Jintao the full panoply of a state visit: the centre piece of this is dinner at the White House.

The Chinese also appeared to be unfazed by a couple of diplomatic slips by the US. Most prominently, President Hu was heckled by a supporter of the Falun Gong cult who interrupted President Hu's speech at Blair House. The heckler gained access to Blair House by posing as a journalist.

President Bush "expressed his regret" that an individual had disrupted the speech, and apparently President Hu took this as an apology. President Bush told President Hu that the interruption was "unfortunate and I'm sorry that this has happened."

The official Chinese news agency did not report the heckling. The Cable News Network said that its coverage of the heckling was blocked in China.

Almost as insulting was the mistake made when a US official announced the start of the national anthem of the Republic of China (ie Taiwan), rather than the People's Republic of China, as President Hu arrived at the White House.

What was interesting was what the Presidents discussed but failed to reach an agreement on. The issue of the value of the renimbi is the prime example. The US spin was, again, that the Chinese are on the right path they just need more time. One White House adviser said that President Hu "specifically said that [the Chinese] goal is to further the reforms of their exchange rate system". The US interpretation of this heavily guarded statement is that the Chinese want to move, perhaps a little more quickly, to a more market driven exchange rate regime. The US maintains that it has consistently told the Chinese that the progress they have made since unpegging the renimbi from the dollar on 21July 2005 is insufficient.

The problem for the US is that it cannot make demands on the Chinese. It is worth noting that President Bush only discussed human rights and democracy in the abstract with President Hu. President Bush did not discuss specifics, such as Tibet, Falun Gong, or the Chinese manipulation of internet search engines.

The US wishful thinking about China appeared here again. One of the White House advisers said that it was significant that President Hu said that if there is no democracy there can be no modernisation and expanding the democracy and freedom for Chinese citizens is one of his government's goals. The adviser, Dennis Wilder, the acting senior director for Asian affairs at the National Security Council, said that he had never seen a Chinese leader make such a direct link between modernisation and democracy.

Wilder went on: "Does this mean that we're going to see rapid change in China? Absolutely not. Does it mean that the Chinese are beginning to understand that there is a linkage between stability in a society and freedoms? I think we're starting to see some glimmers. I hope we are."

Military: One interesting commitment from the US side is that it has extended an invitation to the commander of China's Second Artillery Corps (ie the strategic rocket forces) to reciprocate the visit the US Defense Secretary Donald Rumsfeld made to China last year.

China's critics in the US: China's two biggest critics in the US Senate are Charles Schumer (D, New York) and Lindsey Graham (R, South Carolina). At the end of March they announced that they were dropping a bill that would have slapped tariffs on Chinese exports to the US unless China allowed the yuan to rise against the dollar.

The senators made their announcement after a week long trip to China. Schumer said that the Chinese policymakers he met had told him that they now realised that an overvalued yuan was not good for the Chinese economy.

The Schumer-Graham bill would have slapped a 27.5% on all Chinese exports to the US. The two senators had been threatening to force a senate vote on this proposal for more than two years.

The National Association of Manufacturers, which speaks for a lot of US businesses under pressure because of cheap goods from China, complains about the yuan-dollar exchange rate but also opposed the Schumer-Graham proposal because it would have affected US businesses with operations in China. The NAM reckons that a quarter of all Chinese exports to the US come from plants owned and operated by subsidiaries of US companies. On top of this, a lot of Chinese exports to the US come from subcontractors who are supplying US manufacturers.

Senator Charles Grassley (R, Iowa) and Senator Max Baucus (D, Montana) are sponsoring a separate bill that would focus more attention on China's currency policies (some aides in the administration talk openly about manipulation), but stops short of threatening to impose tariffs on imports.

Hu's visit

It began in Seattle, where Hu visited Boeing, an aircraft manufacturer, and Microsoft, a software company. President Hu then went on to Washington DC and ended up at Yale University in New Haven Connecticut.

Looking at each other

India and Latin America are eyeing each other up. India sees Latin America as a potential market while Latin American policymakers feel that they could learn something from India. India, the world's largest democracy, has grown fast (5% plus for the past three years, and 6.7% in 2005) and made inroads into poverty without resorting to authoritarianism or absolutist neo-liberal economic policies. Around 20% of India is still run by leftwing or socialist administrations.

Poverty in India, in per capita terms, is still huge. Around 26% of the country's 1.1bn people still live in poverty. But the proportion is falling. In 1990 36% of the Indian population was classified as a poor. In 1980 44% were. Around 42% of Latin Americans qualified as poor in 2005.

Latin American policymakers sense that India is on the move and is moving in a direction Latin America should follow. At the beginning of April, 30 senior executives belonging to the Instituto Panamericano de Alta Dirección de Empresa, went on a fact-finding tour of India to see where they could do more business. Their conclusion was that there were promising areas of collaboration in pharmaceuticals and software. The Latin Americans also thought that they could help improve India's infrastructure.

India is also interesting to Latin American policymakers from a geo-political standpoint. President George W Bush's visit to India earlier this year and the US recognition that India has the right to develop nuclear technologies, showed that India was an emerging power in its own right. The theory is that the US needs Asian allies to corral China over the next 20 years as Japan's economic and military power wanes. The US's two other potential Asian allies, South Korea and Russia, have various drawbacks.

India's recent economic success has been built on its scientific success. Twenty years ago its agronomists came up with high-yielding crops that made India self-sufficient in grains and thus brought most of its peasants into the money economy. As recently as 1968, India imported a significant quantity (9m t) of basic grains. Now, thanks to its green revolution, it exports 60m t. Now India's peasants and other rural workers may be poor but they are no longer subsistence farmers. It is worth recalling that while South America exports food, Mexico and Central America are still net importers.

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More recently, India's technologists have created a high tech hub around Bangalore, where there are 170,000 qualified computer programmers. An Indian, Sabeer Bhatia, created the concept of Hotmail, which he sold to Microsoft. Furthermore, Indians proudly claim that 36% of scientists employed by the US space agency, NASA, are Indian. On top of this 34% of Microsoft's staff are Indian and 28% of IBM's staff come from India. India reckons that 12% of all scientists employed in the US are Indians.

It is worth noting that Indians get 44% of all US work visas offered to people with world-class skills. The Chinese get 9% of these H1-B visas and Britons 5%. Mexico does not rank in the top 10 countries supplying H1-B staff.

India's huge stock of technologists is prompting multinationals to shift research and development to India. Intel, the world's leading developer of microchips, is investing US$1bn in an R&D facility in India.

India is also well ahead of Latin America in aerospace. India is one of only six countries to have sent its own satellite into space.

The great lure of India is its comparatively low wages. In Mexico a marketing manager could expect to earn around US$23,400 a year. In India the same post pays US$14,300. A software engineer in India gets US$10,300. In Latin America software engineers can more or less set their own pay.

"What should be alarming Latin Americans is that India has barely got its export economy into gear. India is the world's fourth-largest economy, ranked by purchasing power parity, but it comes only 20 in the ranking of exporters."

The other high-tech area where India is a coming power, as the Latin American businessmen noted, is pharmaceuticals. Pfizer, Merck, Abbot Laboratories, GlaxoSmithKiline and Novartis have all set up plants in the subcontinent. India is now the world's fourth-largest pharmaceutical manufacturer and a major exporter of generic medicines.

What is also significant is that despite the huge inflow of call-centres to India, the country has a mere 1.4% share of the international trade in services and ranks only 21 in the world league table. Latin America has hopes of getting into the subsector of this offshoring business known as nearshoring. The business of nearshoring is offering more than basic call-centre help.

There is evidence that this initiative is having some success. Almost a third of the 100 biggest IT companies operating in Latin America are locally-owned. The IT business in Latin American is now turning over about US$30bn a year. Latin America has attracted at least one Indian company, Tata Consultancy Service Iberoamerica. This company has set up in Montevideo, Uruguay, in a special business park designed for IT companies. Another high profile tenant is Sabre, an airline reservations system, which runs its Latin American operation from Montevideo. Tata, which arrived in 2002, now employs 500 people in Montevideo.

What should be alarming Latin Americans is that India has barely got its export economy into gear. India is the world's fourth-largest economy, ranked by purchasing power parity, but it comes only 20 in the ranking of exporters. On the other hand, India already has a 3% share in the world's trade in software. The software industry already accounts for about 2% of the country's GDP.

On the other hand, countries such as Brazil, Argentina and Colombia can comfort themselves with the fact that few Indians use IT. There are, apparently fewer than 40m internet users in India. At 5% of the population this is well below the levels of internet penetration and use in South America. Colombia, which lags the rest of the region in broadband services, has 2% of its population already on broadband, let alone hooked up to the internet. Chile has 16%; Argentina 7.2% and Brazil 6.2%. The higher penetration of broadband in South America is the result of foreign telecoms companies building the infrastructure and bringing first world services to the countries.

KT Chacko, the director general of foreign trade, said on 27 April, that Latin America was the only part of the world that stood a chance of being designated a "focus market" under the focus product scheme. If Latin America is designated a focus market, Indian exporters will receive incentives for exporting there. The government noted that Latin America is a long way away and therefore exporters needed some help to break into the market.

Chile is one of the first Latin America countries to build up its links with Indian. On 8 March it signed a deal that will cut Indian tariffs on 98% of Chile's exports to India while 91% of Chile's imports from India will now be tariff free. Chile's congress still has to approve the deal. In 2005 Chile-India trade increased by 23% to US$630m. Chile's two main exports to India are metals and fruit, principally, apples, grapes and kiwi fruit.

Important in both Asia and Latin America

India and China vie with each other as the biggest destination for remittances in the world. The Reserve Bank of India claims that India is the world's biggest recipient of remittances, gathering US$23bn in 2005, or 15% of the world total. In 2004, both China and India received over US$22bn, according to figures from the IMF. Mexico came third in 2004, with over US$16.5bn. The Philippines is another big receiver of remittances, getting US$10.6bn in 2005.

These figures, the IMF reckons are only the tip of the iceberg. The IMF estimates that unrecorded remittance flows are twice those recorded in balance of payments statistics. This makes them the second-highest source of external financing to developing countries, behind only Foreign Direct Investment. In Latin America, in 2004, remittances exceeded FDI.

Altogether, US$232bn was remitted in 2005. Of this US$167bn went to developing countries. The US is the biggest source of remittances: US$39bn in 2004, the other two members of the top three remitters (Saudi Arabia and Switzerland) remitted US$14bn and US$13bn in 2004. Significantly, remittances from developing countries to other developing countries came to US$24bn in 2004. It is known that China, Malaysia and the Russian Federation are important sources of remittances; analysts suspect that India and South Africa are also important sources of remittances but they do not have the statistics to justify this. The IMF points out that between a third and half the remittance flow in the world is between developing countries rather than from developed countries to developing.

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The parallels between the remittance business in Latin America and Asia are obvious. Indeed, at the end of March Banco Bilbao Vizcaya, the Spanish bank that controls Bancomer, the second biggest commercial bank in Mexico, licensed Bancomer Transfer Services, its remittance servicing technology, to ICICI Bank, India's biggest private sector bank. Bancomer Transfer Services is also on the point of being licensed to the Bank of the Philippine Islands. What the deal with ICICI will do is allow Indian expatriates to use Bancomer Transfer Services, 35,000 terminals in the US and Canada to transfer money home to an ICICI bank account.

Over the past 25 years, the flow of remittances to developing countries has increased (at least statistically) faster than the flow of private investment (both debt and equity) and official aid. The rider about statistics is simply that no-one studying remittance flows is sure whether the underlying flows are increasing as much as the statistics show or whether the changes in the way remitters are sending money home (ie through the financial system) means that more of the transactions are now picked up by the statisticians. Some economists argue that industrialised countries' heightened fears about security since the attacks on the US on 11 September 2001 have had an effect on the way remittances flow around the world. The heightened security has interrupted flows in, or pushed up the cost of, informal channels, prompting migrants to switch to the financial system. The IMF suggests that the formal system of remitting money is invariably more expensive than the informal one, where charges range from 2% to 5%.

The attacks on the US in September 2001 seem to have prompted migrants to change their behaviour in other ways. Pakistanis, according to anecdotal evidence, have become much more concerned about being deported from countries in which they are working and so have started to remit more money home. This is one explanation for the tripling of Pakistan's remit-

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tance income between 2001 and 2003. Another explanation may be that Pakistani migrants are now using more formal means of remitting, so that they are not mistaken for terrorists.

India is a good example of the purer phenomenon of an apparent increase in remittance revenues. Remittance inflows to India increased from US$13bn in 2001 to more than US$20bn in 2003. The IMF argues that the increase is explained by the increasing number of migrants: in the 1980s these migrants did the unskilled jobs in the oil economies of the Persian Gulf. In the 1990s, Indian doctors and IT specialists were hired in increasing numbers by first world economies such as Australia, Canada, the US and UK. Obviously these migrants earnt much more than their unskilled contemporaries. It is worth noting that remittance flows from the US to India grew from 37% of total inflows in 1997 to 51% in 2003.

The Indian government, realising the importance of the overall flow, introduced measures to encourage remitters to send money home through the financial system rather than the informal *hawala* system whose transactions are, by definition, unrecorded.

The Indian government has also come up with some clever ideas to tap non-residents for money. Non-resident Indians have been enthusiastic subscribers to bonds targeted at them and deposit schemes. A lot of the money going into these investments has ended up being repatriated as rupees.

Remittances are generally reckoned to be a "good thing" by macro-economic analysts. They are counter-cyclical (ie they increase when the country to which they are going hits economic problems or faces a natural disaster; they go to what used to be known as the "deserving poor" (ie those people who are born with few economic advantages, but whose families retain some get and go about them); the money also helps to keep families together and provides money for education or capital for small businesses.

Only in El Salvador, where remittances account for a thumping 16% of GDP has there been some academic and business criticism of the economic effect of remittances. A survey by the central bank in 2005 found evidence to suggest that the remittance inflow has encouraged people who would otherwise be economically active into becoming remittance junkies.

The El Salvadorean central bank (Banco Central de Reserva) noted that almost 25% of the country's households receive remittances. The bank reported that remittances were worth 16% of GDP and covered 80% of the country's import bill. They had also, the bank reported, pulled 6% of the country's households out of poverty. In 2004, remittances were worth US$2.5bn the central bank said. It added that the official figure was probably understated by about 10% because so many migrants either came back with cash themselves, or sent it back with other family members.

The bank noted, however, that remittances did have some downsides, particularly on the labour market in the east of the country. The bulk of the migrants came from the east of the country and this is where the bulk of the remittances go. Businessmen told the bank that the cushion of remittances meant that some people felt that they could withdraw from the labour market. This led to a shortage of labour and to businesses grumbling because they had to pay higher wages to tempt people into work.

More controversially, the central bank also argues that another deleterious effect of remittances is the high level of liquidity in the economy. The bank claims that this means that El Salvador's exports are more expensive than its competitors. This does not seem to tally with the data. Central America's cur-

Mexico

The Inter-American Development Bank estimates that Mexico will receive US$23bn in remittances in 2006. In 2005, it received US$20.1bn. If Mexico gets US$23bn, it will have doubled its remittance income in four years. Remittances are currently running at the equivalent of 3% of GDP. This is twice the revenues from agricultural exports or from foreign direct investment. Bankers and financiers want to channel more of this remittance flow through the financial system. Currently only one in three of the households in Mexico that receive remittances has a bank account.

rencies have not appreciated as much as South America's against the US dollar in the past 18 months. Arguably, as El Salvador has switched to the (depreciating) dollar, its exports should be more competitive than its neighbours.

The central bank does make a good point about remittances being recycled back into purchases of imported consumer goods. It claims that this hurts domestic industry and makes it easier for US companies to set up distribution networks in El Salvador.

Does change in immigrant status affect remittances?

There is some evidence to suggest that the longer a migrant stays in a host country the less likely he or she is to increase remittances home. There is, however, no empirical evidence to suggest that the dollar amount of remittances falls over time.

This should mean that Mexico should still expect to get US$25bn a year in remittances even if the US legalises the bulk of 12m Mexicans who are working in the US illegally. Indeed remittances may even increase because the illegals' wages should increase to levels comparable with legal workers.

Forced remittances: There are parallels in Asia and Latin America in forced remittances. These are payments that are deliberately withheld from the migrant labourer but credited to an account he or she has either in the host or the home country. The money can only be accessed when the migrant has left the job he or she was given to do and is on the way, or has returned, home. This sort of arrangement is likely to feature in the US immigration reform currently going through the US congress. It is already in place for migrant farm workers who are offered temporary work visas in the US and Canada. A condition of employment is that the migrant opens an account with a financial institution in Mexico. His or her employer in the US or Canada pays a proportion of the wages earnt into this account.

In Asia, the governments of Laos and Thailand have a memorandum of understanding under which Laotian guestworkers are obliged to pay 15% of their wages into a deportation fund in Thailand. They can only claim the money in the account, plus interest, when they leave. They must request the money three months before they have to leave Thailand and the money has to be paid within 45 days of their employment ending.

HISPANIC IMMIGRATION

Huge demonstrations surprise

The huge demonstrations organised by Hispanic and other pro-immigration groups in the US on 25 and 26 March and then again on 9 and 10 April surprised political commentators and politicians alike. The Hispanics have now called for another one-day strike, on 1 May, to underline how much they object to hardline congressional proposals to reform US immigration laws. Asian migrants to the US have been less prominent in demonstrating against the proposed reforms.

The biggest of the March demonstrations was in Los Angeles where between 100,000 (the police estimate) and 500,000 (the organisers' claim) people took to the streets in a peaceful demonstration, chanting *"Sí, se puede"* (Yes, we can). Some commentators claimed that such marches in cities across the US, such as Chicago (300,000 people) Denver (50,000), and Phoenix, brought back memories of the Civil Rights marches in the Deep South in the 1960s. Others, such as Lou Dobbs, a prominent presenter (and anti-Nafta advocate) on CNN, claim that the marches, in which Mexican flags flew

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Calvo complains

A Spanish tuna fishing and processing company, operating from the port of La Unión, on the El Salvadorean part of the Gulf of Fonseca, claims that the inflow of remittances makes it hard to hire people. Manuel Calvo, who used to manage the operation, said that people said that they were not interested in jobs which paid US$180 a month when they were getting US$600 or US$700 a month from remittances. It is worth noting that the central bank reckons that the average monthly remittance is US$300.

Calvo added that the really pernicious effect of remittances was on the culture of working: people were not used to doing a fair day's work for a fair day's pay, he said. He claimed that the company once hired 60 women, but a week later only 15 were turning up for work. Calvo said that one of the women had told him that the work was tiring and she would be happier with an arrangement in which she only turned up when she felt like it and Calvo only paid her for what she did. Calvo said that the way around this was that the company now employed reserves of 20 or 30 people who could be called up to work if the first team did not turn up.

Ricardo Esmahan, president of the Cámara Agricola y Agroindustrial de El Salvador said that remittances were having an equally (from the businessmen's point of view) damaging effect on agricultural workers. He said that what coffee and cotton growers were tending to do now was hire labour from Nicaragua. The Nicaraguans were prepared to work for US$2.80 a day. Sociologists point out that businessmen were simply talking their own book: they were unhappy at having to pay higher wages to attract workers. The sociologist argue that the cushion remittances provided, which drives up wage levels, must be good for the country's economic development.

What is undeniable is that wages in the US are much higher than those in El Salvador. El Salvadoreans working in construction in the US expect to get paid US$15 an hour: they work between 40 and 60 hours a week.

prominently, showed that the demonstrators were a potential fifth column with their loyalties divided between the US and Mexico.

It is worth noting that modern Hispanic migrants to the US are, probably, much more connected to their homeland than the preceeding generation, simply because telephone prices have come down so much. A US$5 prepaid telephone card allows a Mexican seven hours of telephonic conversation with people back at home. Arguably, because of cable TV and the internet, migrants to the US remain more engaged with what is happening at home than what is happening around them in the US. The key question is: does this mean that they are more likely to go home eventually or will this reluctance to integrate mean that today's migrants will Hispanicise the US?

What is significant is that the second round of demonstrations in about 100 US cities on 9 and 10 April, coupled with a one day strike by Hispanic workers on Monday 10 April, showed that the organisers of the demonstrations had noted the criticism of the March demos.

This time more of the demonstrators' placards were in English and the demonstrators portrayed themselves as proto-US citizens. Although some demonstrators chanted Si se puede, at the biggest march on 10 April in Washington DC, that may have drawn over 750,000 people, more recited the Pledge of Allegiance. Another 100,000 Latinos demonstrated in Phoenix, Arizona, also on 10 April. On 9 April at least 350,000 mostly Latinos had demonstrated in Dallas, Texas.

The March and April demonstrations have given hardline Republicans pause for thought over their determination to criminalise illegal migrants in

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the US. Following the demos, Republicans in both Houses of Congress are beginning to backtrack. On 11 April, Bill Frist, (R, Tennessee) the majority leader in the senate, and Dennis Hastert, (R, Illinois) in the House agreed that illegal immigration should not be classed as a serious crime. They did not say, however, whether it should be classed as just a misdemeanour, which is punishable only with a fine. The hardline bill, passed by the House of Representatives in December 2005, proposed by James Sensenbrenner (R, Wisconsin) classifies illegal immigration as a felony.

An opinion poll on 11 April, for the *Washington Post* and ABC, found that only 20% of respondents supported the idea of treating illegal immigration as a serious crime. A thumping 60% supported the liberal senate proposal that would allow most illegal immigrants to apply for US citizenship.

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The Republicans' problem is that although there are almost 40m Latinos now living in the US a lot of them are related to, or at least know, at least one of 12m or so illegal migrants living and working in the US. Republican rightwingers in the House of Representatives voted, in December, to expel these 12m workers: the Senate, more liberally, wants to put them on a track to becoming citizens.

Moderate Republicans fret that the party will lose a crucial wedge of support if it becomes too anti-immigrant. Californian Republicans suffered in the 1990s because of the then governor, Pete Wilson, and his proposals to crack down immigration. Ed Gillespie, a former chairman of the Republican National Committee, said a speech to the Federalist Society in late March: "Anti-immigration rhetoric is a political siren song and Republicans must resist its lure by lashing ourselves to our party's twin masts of freedom and growth, or our majority will crash on its shoals."

Bill Frist, the majority leader in the Senate, and a likely Republican contender for the presidency in 2008, has come out against the liberal draft cur-

The Immigration issue: An Intellectual's take

Samuel Huntingdon, an influential US academic (who wrote T*he Coming Clash of Civilisations*) recently published *Who Are We? The Challenges to America's National Identity*, in which he argued that the heavy Hispanic migration to the US was changing US culture. He opens his book by describing an international soccer match between Mexico and the US in Los Angeles in which the stadium is overwhelming Hispanic. Supporters of the US national team were pelted, Huntingdon claims, with beer, softdrinks "and other liquids". In March 2006, the US baseball team was defeated in the first ever Baseball World Cup (won by Japan) by a Mexican team in San Diego in stadium that was dominated by Mexican supporters.

It is worth noting that the US, despite everything, is far more open to immigrants than Mexico. Official figures show that 20% of US citizens were born outside the country. In Mexico, less than 1% of the country's citizens were born outside the country. Yet Mexican law and attitudes are much less respectful of foreigners. As one commentator in a Mexico City newspaper noted: "Can you imagine the fuss there would be if 500,000 foreigners who were in Mexico illegally had marched through Mexico City demanding the right to remain in the country?"

rently being debated in the senate. He opposed a guestworker programme and the regularisation of illegal migrants living and working in the US though he accepted a bi-partisan compromise, on 6 April (see below).

Senate update: On 6 April the senate reached an agreement on a bipartisan compromise that would put the vast majority of the 12m illegal migrants living and working in the US on the path to US citizenship. There were signs, however, that the compromise might unravel if the Senate did not vote on the whole reform before it recessed for Easter on 7 April. John McCain (Rep, Arizona) one of the architects of the compromise, said that it was a "huge blow" that the senate had not been able to vote on the reform on 6 April. In the event, the Senate failed to vote before the Easter recess.

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Under the proposed reform, an estimated 7m illegal migrants who had been in the US for five years or more, would be able to claim US citizenship if they:

- remained in work,
- paid taxes and a token fine for crossing the border illegally
- learnt English
- and did not have criminal records.

Illegal migrants who had been in the US for between two and five years would have to leave the country before they could apply for one of the new 325,000 temporary work visas issued each year. They would get preference for these visas over other applicants. Exactly how the US authorities would be able to distinguish between the two categories is far from clear. The danger that a qualified migrant (who had been in the US for five years) who wanted to return home would sell his identity to someone else who wanted to stay must be considerable.

Whether such a liberal reform would get through the House of Representatives is far from clear. Democrat senators want the Senate majority leader, Bill Frist, to explain how he will sell this reform to the lower chamber.

CRIME

Kidnappings in Tijuana

At least two Asian businessmen were kidnapped in the border city of Tijuana in April. First a South Korean was snatched on 6 April. Then on 10 April a Chinese-American businessman was kidnapped.

The Procuraduría General de Justicia de Baja California refused to say who the Korean is and where he works. The local speculation is that he either works for Hyundai or one of its suppliers. The victim was taken from El Florido industrial park.

The Procuraduría said that the Korean, who has yet to be named, escaped from his captors a day after being snatched.So far this year at least 20 people have been kidnapped in Tijuana. The first Asian to be kidnapped in Tijuana was Mamuro Konno, who worked for Sanyo, a Japanese company. He was kidnapped in 1996 and released after a ransom of US$2m was paid.

On 10 April, George Koi Khohy was kidnapped at about 5pm in the middle of the city. One of his staff was hurt as he tried to prevent the kidnapping. Another person was kidnapped with him but subsequent escaped.

Koi Khohy owns Comercialisadora Choix. Apparently the kidnappers arrived in car that had Californian number plates.

Cuba

On 17 April a Cuban delegation led by Claro Orlando Alamguel Vidal, head of logistics for the Fuerzas Armadas Revolucionarias Cubanas met Guo Boxiong, deputy chairman of the central military committee. Guo said that military relations between the two countries had made "major progress" in the past few years.

CHINA AND LATIN AMERICA'S MILITARY

Scare stories

The US Defense Department is becoming strident about China's involvement with Latin America's military. The Defense Department even claimed that Venezuela, one of the US's least favoured countries in the region, was considering buying arms from China. Venezuela's vice-president, José Vicente Rangel, dismissed this as "one more lie" on 16 March.

The source of the stories was testimony from General Bantz J Craddock. He told the Senate Armed Services Committee on 14 March that China was stepping up its training schemes for Latin American officers, just as the US was cutting back. Craddock is head of US Southern Command which covers most of Latin America. "The People's Republic of China has made many offers and now we are seeing those who formerly would come to the US going to China," Craddock told senators.

Craddock pointed out that following the passage of the American Service members Protection Act in 2002 the US does not provide military finance and training for countries that might allow US citizens to be extradited to face the International Criminal Court. The act ended US military support for 11 Latin American countries, notably Peru, Ecuador, Brazil and Bolivia.

Less is known about Chinese sales of military equipment to the region. Larry Wortzel, a former Pentagon intelligence officer, told the Washington Times, on 14 March, that a delegation of Second Artillery officers recently visited Cuba. The Second Artillery is China's strategic and tactical missile force. Other US analysts trying to stir up worries about China's links with Cuba claim that China has taken over Russia's US listening posts on the island at Lourdes. There is no independent evidence that the Chinese have done this.

Alberto Muller Rojas, a member of Venezuela's Joint Chiefs of Staff, said that Venezuela was upfront about its arms purchases. He claimed that the only lethal equipment the government was buying were the 100,000 assault rifles from Russia and the helicopters Venezuela has also announced that it wants to buy from Russia. Venezuela also wants to buy Tucano training or ground attack aircraft from Brazil and transport aircraft and ships from Spain. Muller Rojas said that the only piece of kit Venezuela has bought from China is a satellite that is being acquired by the science and technology ministry.

General Craddock disagreed with General Muller Rojas. Craddock argued that one of the worrying things about Venezuela's arms' purchases was that they were not transparent and this fact was destabilising the region. Craddock added that the US was not convinced that Venezuela needed the number and capacity of the weapons it was seeking for defence.

Two prominent senators on the Armed Forces committee, John McCain (R, Arizona) and Hilary Clinton (D, New York), both argued that cutting back on aid to Latin America is a short-sighted move. Hilary Clinton said that dealing with the current neglect of the US's southern neighbours would be sorting up problems for the US. She argued that the senate committee must push for more money for education and military training for Latin America.

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TRADE WITH US

Mexico stages a recovery

There are growing signs that Mexico's maquiladoras are more than holding their own against the challenge of cheap goods from China. In the first quarter of 2006 exports from maquiladoras to the US were worth US$24.96bn, up 17% on the first quarter of 2005 of US$21.33bn. Maquiladoras are again hiring staff. This is because maquiladoras and other Mexican exporters seem to be holding their share of total US imports at between 10.5% and 11% while China is finding it tough to break above the 14%-of-the-total mark.

In February 2006, the most recent month, the US Department of Commerce reported that the US trade deficit fell by US$2.8bn compared with January to US$65.7bn. US imports were US$4.2bn less than January's import figure of US$183bn. Even so, the three-month average for the trade deficit is still US$66bn, putting the US on course for a US$800bn deficit for the year as whole. In 2005, the US ran a deficit of US$781bn in goods and a US$723bn deficit in goods and services.

To be fair, the main reason for the increase in the US trade deficit is the rise in oil prices. In the first two months of this year, the US spent US$34.4bn on imports of crude oil. In the same period of 2005, the US spent US$24.5bn. Imports of refined oil products came to US$14bn, up from US$10bn in the first two months of 2005.

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The politically-sensitive US trade deficit with China came to almost US$32bn for the first two months of 2006. This more than twice the deficit the US is running with its biggest trade partner, Canada. US exports to China rose (by US$500m between January and February) and imports from China fell (by US$3.5bn) between January and February.

Mexican exports to the US, by contrast, fell only modestly, from US$15.2bn in January to US$14.8bn in February.

Mexico takes off quotas

Although Mexico's economy ministry decided at the beginning of March to remove 12 anti-dumping duties on Chinese-made textiles, the textile industry is still reeling from the challenge from China. At the beginning of 2004, 194,717 people worked in textile maquiladoras in Mexico. That employment peaked in August 2004 when 210,000 worked in textile maquiladoras. Since then the number of people working in textile maquiladoras has fallen pretty consistently. Now there are just over 167,000 working in maquiladora textile plants.

The ministry said that the Cámara Nacional de la Industria del Vestido and the Cámara Nacional de la Industria Textil had both agreed that the anti-dumping duties should end. The products covered by this are natural fibre cloths and clothes that use specially toughened thread.

On the other hand, anti-dumping duties on ready-to-wear clothes went up from 379% to 533% while tariffs on plain textiles jump from 54% to 415%.

The deputy minister, Alejandro Gómez Strozzi, said that the changes would give local textile makers the protection they wanted.

In the first 11 months of 2005 Mexico exported US$8.1bn of textiles and imported US$8.3bn, mostly from China.

China's exports of textiles came to US$116bn in 2005. This was more than twice their level in 2001. China's total production of textiles was worth US$408bn, according to the government.

From a Mexican point of view it worth noting that in the first two months of 2006, US imports of automotive products increased from US$39.7bn to US$44bn. Also worth noting was a 10% increase in capital goods imports from US$60.9bn in 2005 to US$66.8bn.

What is interesting is that the maquiladora industry, which includes most of the car exporters, is underperforming the rest of Mexico's exporters. Overall, Mexico's total exports in the first quarter were up by 26%, year-on-year at US$59bn. Oil exports were up by 52%, while non-oil exports were up by 22%.

If maquiladoras keep up the pace of the first two months, they will export US$113bn worth of products to the US: the industry itself is budgeting on a much more modest increase to around US$100bn. In 2005, maquiladora exports came to just over US$96.6bn. In 2004, maquiladora exports came to US$86.9bn while in 2003 exports came to US$77.5bn. If the industry gets to US$113bn it will have increased exports by 46% in three years.

Enrique Castro, the president of the Consejo Nacional de la Industria Maquiladora de Exportación says that lots of his members are now operating their plants with three shifts, such is the demand in the US.

The maquiladora industry is also looking forward to the promised publication of a decree, drawn up by the economy and industrial development ministry, which will allow maquiladoras' suppliers to gain tax benefits and provide incentives for maquiladora companies to upgrade their information technology and electronic business systems.

The CNIME points out that Chinese companies are setting up maquiladoras in Mexico to penetrate the US market. The CNIME's vice-president, Alberto Arce, said that high technology companies from China were setting up so called third generation plants in Mexico where they design mobile phones, televisions and other such products for the US market. The CNIME said that it knew of at least 60 Chinese companies with maquiladoras in Mexico. These plants tend to hire highly educated and skilled staff; pay higher wages and produce goods with a high value-added content.

Lawyers in Mexico claim that some foreign companies are setting up in Mexico rather than China because of the better intellectual property protection afforded them in Mexico. The three most heavily-cited examples are Bombardier, Hewlett-Packard and Motorola. Bombardier, a Canadian aircraft company, is moving its aircraft assembly operation from Belfast, Northern Ireland to Querétaro. Like Hewlett-Packard and Motorola, Bombardier closed either all or part of its Chinese factories and shifted production to Mexico, largely because of fears about the loss of intellectual property rights in China.

One maquiladora watcher, John Christman, from Global Insight, claimed last year that 20 companies had switched back to Mexico from China. Stacy Sun from the US-Asia Pacific Chamber or Commerce said that it was undeniable that some investors were alarmed by the level of corruption in China and wanted to invest in a place where, although labour was more expensive, the legal situation was clearer.

What is undeniable is that maquiladoras have been taking on staff, mostly managers, for the past couple of years. Total employment in the sector is

Soya

The two futures markets in São Paulo and Buenos Aires are trying to persuade China's importers to switch to using their prices, rather than those coming from the Chicago futures' pits. Currently, China, which is the world's biggest soya importer, uses Chicago prices. The South Americans argue that this is odd because US soya is harvested in October and South America soya in April. This should mean that, at different times of the year, the market should be driven from a different location.

now back up to 1.17m. This is still a bit below the peak, reached in October 2000, of 1.38m. At the depth of the recession employment dipped to under 1m. In January, maquiladoras employed 1.17m, up from 1.14m in January 2005 and 1.07m in January 2004.

The mainstays of the maquiladora industry are still TVs and cars. In 2005, Mexico supplied the US with 32m TV sets, or 60% of the total sold. Mexico also exported over 1m vehicles to the US in 2005. This is 2.5 times the number the country exported before the North American Free Trade Agreement came into force in 1994. For the first two months of the year Mexican companies supplied 10.7% of the US's total imports of US$281bn. Chinese companies accounted for 13.9% of total US imports for the first two months of the year.

LAAR BRIEFS

Cement: The US finally ended its 16-year battle to keep Mexican cement out of the southern US on 6 March. The deal, agreed by the US Trade Representative, Rob Portman and Mexico's Sergio Garcia de Alba, will allow Mexico to triple its exports to the US from 3 April to around 3m t a year. The US first imposed anti-dumping duties on Mexican cement in 1990 after complaints from US cement makers. Currently the tariff stands at US$26 a tonne. From 3 April it will drop to US$23 a tonne until 2009, when it will be abolished, along with the quota, provided Mexico delivers on its promise to open up its domestic market to US cement. US cement makers say that Mexico was stopping them providing cement to help rebuild in the hurricane-hit Yucatán peninsular.

On the US side the quota is set at 3m t though this can be increased by 200,000t in the event of natural disasters. In 2005, the US imported 1.9m t of Mexican cement and 25.6m t in total, mostly from countries as far away as China, South Korea, Thailand and Greece. Mexican cement makers say that the change in the US rules will add US$300m to their export revenues. Associated General Contractors of America, one of the main contracting companies in the US, claims that 30 US states are currently suffering from shortages of cement. The US was driven to accept Mexican cement to speed up the rebuilding of New Orleans and other cities devastated by Hurricane Katrina. Significantly, the US is repaying Mexican companies the duties it levied on their cement.

Fructose: Mexico lost its appeal against the World Trade Organization ruling that its penalty tax on soft drinks which use sweeteners other than sugar was illegal. Mexico introduced a 20% tax on drinks sweetened with high fructose corn syrup in January 2002. The US corn-syrup industry claims that the tax cost it US$4bn in lost export revenues. The tax has probably served its purpose: international sugar prices have trebled since 2002, so the Mexican sugar industry is not in such a parlous state.

The Mexican government argues that it was driven to impose the 20% tax because the US was (illegally, the Mexicans said) preventing Mexican sugar producers from exporting to the US. Currently the US is allowing Mexico to export 276,000t of sugar to the US this year. Mexico expects this figure to rise to 310,000t. Mexico claims that under Nafta it should be allowed to export sugar freely to the US, and not be subject to a quota.

The Mexican congress will have to remove the tax. The government said that it hoped to get the tax removed by April. The economy ministry's legal adviser, Hugo Perezcano, said that the government may replace the tax with a tariff on high-fructose corn syrup in an effort to force the US to open up its sugar market.

Taiwan

Four Taiwanese textile companies expect to invest US$80m in new plants in El Salvador, to take advantage of the free trade deal between Central America and the Dominican Republic and the US. The El Salvador government has offered the Taiwanese 114 hectares close to the international airport at Comalapa. Taiwan is also promising to step up its investment in Paraguay, its only remaining ally in South America.

TABLE COMMENTARY

Real interest rates in most of Asia became positive again. In Latin America. Brazil still has staggeringly high real interest rates, despite three 0.75 point cuts in interest rates so far this year. Argentina's rates are less negative than they were three months ago while Venezuela' s are about the same.

Mexico, on most measures, looks to have the most sustainable mix of economic policies among the emerging market countries. Its growth of 5.2% in the first quarter, was the best of President Vicente Fox's time in office. Mexico elects his successor on 2 July.

Comparative data	GDP growth		Consumer price index		GDP US$bn	Real interest rates	Exchange rate local currency vs US$	
	% change year-on-year	quarter	% change	12 months to	2005 PPP	%	% change since 26/04/06	rate on 26/04/06
China	10.2	Q1	0.8	Mar	9,412	1.3	3.0	8.02
Hong Kong	7.6	Q4	1.8	Mar	233.3	2.7	0.0	7.8
India	7.6	Q4	5.0	Feb	3,633	0.4	-3.0	45.1
Indonesia	4.9	Q4	15.7	Mar	977	-2.2	8.0	8,800
Japan	4.0	Q4	0.5	Mar	3,910	-0.4	-8.4	115
Malaysia	5.2	Q4	4.8	Mar	290.6	-1.2	4.0	3.64
Philippines	6.1	Q4	7.6	Mar	414.1	0.0	6.0	51.9
Singapore	9.1	Q1	1.2	Mar	123.4	2.2	1.0	1.59
South Korea	6.2	Q1	2.0	Mar	994.4	2.4	5.6	947
Taiwan	6.4	Q4	0.4	Mar	631.2	1.3	-1.0	32.1
Thailand	4.7	Q4	5.7	Mar	544.8	-0.6	1.0	37.7
Argentina	9.1	Q4	11.1	Mar	533.7	-3.1	-4.0	3.04
Brazil	1.4	Q4	5.3	Mar	1,576	10.3	16.0	2.13
Chile	5.8	Q4	4.0	Mar	193.2	0.8	10.6	518
Colombia	3.7	Q4	4.1	Mar	337.3	1.8	1.0	2,373
Mexico	5.2	Q1	3.4	Mar	1,072	3.6	0.0	11.2
Peru	4.9	Feb	2.5	Mar	167.2	1.8	-2.0	3.32
Venezuela	10.2	Q4	12.1	Mar	163.5	-2.0	9.1	2,514*
US	3.2	Q4	3.4	Mar	12,227	1.5		

Sources - Official data; CPI: LAWR; Real interest rates: LAAR estimate, based on short-term money market rate

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