

INTER-AMERICAN DIALOGUE'S LATIN AMERICA ADVISOR

BOARD OF ADVISORS

- | | |
|--|---|
| Diego Arria
Director,
Columbus Group | Jon Huenemann
Principal,
International
Department,
Miller & Chevalier |
| Genaro Arriagada
Board Member, Banco
del Estado de Chile | James R. Jones
Co-chair,
Manatt Jones
Global Strategies LLC |
| Joyce Chang
Global Head of
Emerging Markets
Research, JPMorgan
Chase & Co. | John Maisto
Director,
US Education Finance
Group |
| W. Bowman Cutter
Former Partner,
E.M. Warburg
Pincus | Nicolás Mariscal
Chairman,
Grupo Marhnos |
| Alejandro Delgado
Economist for Latin
America, Africa, the
Middle East & Mexico,
General Motors | Thomas F. McLarty III
President,
McLarty Associates |
| Dirk Donath
Managing Director,
Eton Park Capital
Management | Carlos Paz-Soldan
Partner,
DTB Associates, LLP |
| Jane Eddy
Managing Director,
Corporate & Govt.
Ratings Group,
Standard & Poor's | Beatrice Rangel
Director,
AMLA Consulting LLC |
| Marlene Fernández
Corporate Vice
President for
Government Relations,
Arcos Dorados | José Antonio Ríos
Chief Executive Officer,
Vadium Technology Inc. |
| Jason Hafemeister
Vice President,
Allen F. Johnson &
Associates | Andrés Rozental
President,
Rozental & Asociados
and Senior Fellow,
Brookings Institution |
| Peter Hakim
President Emeritus,
Inter-American
Dialogue | Everett Santos
President,
DALEC LLC |
| Donna Hrinak
Senior Director of Latin
America Government
Affairs, PepsiCo | Shelly Shetty
Senior Director, Latin
American Sovereign
Ratings, Fitch Inc. |

FEATURED Q&A

Where Does Latin America Stand After the G-20 Meeting?

Q Leaders from 20 of the world's largest economies concluded the two-day G-20 summit June 27 in Toronto with a compromise agreement that includes aggressive targets to cut deficits, but leaves up to individual countries other reforms including a proposal for a global bank tax that Mexico and Brazil both opposed. How big was the rift between the United States and Europe over winding down stimulus measures, and where does Latin America stand? Is the G-20 still a relevant forum for coordinating global economic policy, or has the unity it showed during the depths of the economic crisis been diminished as recovery takes hold?

A Riordan Roett, professor and director of the Latin American Studies at the Johns Hopkins School of Advanced International Studies: "The Toronto G-20 summit was all about the mistakes and the lack of coordination between the United States and the European Union. The most relevant topics for the developing countries—IMF reforms and an expanded role for the nonindustrial states—were relegated to the annexes of the summit declaration. These issues will be high on the agenda of the next summit later this year in South Korea. But Toronto again emphasized the lack of responsibility in the industrial countries for sound fiscal management over the last three years or so. Once they stop fighting and find a consensus

position, the G-20 will continue to play clean-up. The G-20 will remain the principal forum for critical economic and financial reforms going forward. The BRIC countries, especially, will oppose returning to the hot house decision-making process of the G-8, and G-8 leaders like President Sarkozy strongly back the inclusion of the principal developing countries in major decisions. The United States lost the battle with the European Union over fiscal stimulus versus cutbacks but may well win the war in the long term given the weakness of

Continued on page 2



Brazil's Serra Chooses Índio da Costa as Running Mate

Brazilian Presidential candidate José Serra has selected legislator Antonio Índio da Costa of the Democrats party, as his running mate in advance of the country's Oct. 3 election. See brief on page 2.

File Photo: Brazilian Government.

Inside This Issue

FEATURED Q&A: Where Does Latin America Stand After the G-20 Meeting?.....1	Obama Urges Republicans to Back Immigration Reform2
Official Slain as Mexicans Prepare for Elections in 12 States2	Ecopetrol Assumes Sole Operation of Fields Developed With BP.....3
Brazil's Trade Surplus Falls 44 Percent in Year's First Half2	Capitol Hill Watch: A Look at U.S. Congressional Activity on Latin America.....3

NEWS BRIEFS

Obama Urges Republicans to Back Immigration Reform

U.S. President Barack Obama made the case for comprehensive immigration reform during a speech Thursday and urged Republican senators who backed such measures in 2006 to join Democrats in reform efforts, *The Washington Post* reported. The president said Democrats are "ready to move," but that "without bipartisan support, as we had just a few years ago, we cannot solve this problem." Several Republicans who supported reform efforts in 2006 said securing the border should be the first priority.

Guatemalan Government Alleges Conspiracy Against Colom

Guatemala's government on Thursday said opponents may be plotting to remove President Álvaro Colom from office, drawing parallels to the Honduran coup one year ago, the Associated Press reported. In an advertisement published in local newspapers, Colom's government warned of a "break with institutional order equal to what they did in Honduras."

Brazil's Serra Chooses Índio da Costa as Running Mate

Brazilian presidential candidate José Serra has selected legislator Antonio Índio da Costa, 39, as his running mate in advance of the country's October election, Bloomberg News reported Wednesday. "He's a young man, but experienced," Serra said during a convention in which the Democrats party announced their backing of Serra, a member of the Brazilian Social Democratic Party. Serra's main rival for the presidency, Workers Party candidate Dilma Rousseff, registered a five-point lead over Serra in an Ibope poll released June 23.

Political News

Official Slain as Mexicans Prepare for Elections in 12 States

Voters in 12 of Mexico's 32 states choose officials in local elections Sunday, but incidents of bloodshed and intimidation continued with the killing of an official in a Chihuahua state, Reuters reported Thursday. Assailants killed Sandra Salas, a deputy prosecutor in Chihuahua late Wednesday as bodyguards drove her through the violent border city of Ciudad Juárez. Also, a human head was left outside the home of Hector Murgia, the frontrunner for mayor of Ciudad Juárez. Murgia is a member of the opposition Institutional Revolutionary Party, or PRI. Political rivals and human rights groups have accused Murgia, who previously served as the city's mayor, of accepting money from the Juárez drug cartel, which is battling the Sinaloa cartel for control of lucrative drug trafficking routes into the United States. This week's incidents followed the assassination on Monday of a PRI candidate, Rodolfo Torre Cantú, who was the frontrunner for governor of

Tamaulipas state. More than 23,000 people have been killed in Mexico's drug-related violence since President Felipe Calderón took office in December 2006. Calderón has vowed to continue combating drug gangs and after Torre's murder called on Mexicans to keep fighting organized crime. On Thursday, a gunfight between rival gangs involved in the trafficking of drugs and migrants left 21 people dead near the city of Nogales in Sonora state, the Associated Press reported.

Economic News

Brazil's Trade Surplus Falls 44 Percent in Year's First Half

Brazil's trade surplus declined 44 percent in the first six months of this year as compared to the same period last year as the country's domestic growth increased consumer goods imports and exports fell short of forecasts, according to the Trade Ministry, Bloomberg News reported. The trade surplus fell to \$7.9 billion, a decline from \$13.9 billion in last year's first half, the ministry said. Imports into Brazil,

Featured Q&A

Continued from page 1

the E.U. economies and the lack of a central fiscal authority in Brussels."

A Rogelio Ramírez de la O, president of Ecanal in Mexico City:

"The result of the G-20 meeting in Toronto was disappointing, as it proved to be a useful forum only at the depth of the crisis, but not as each country moves into specific national problems and solutions. The solutions to such problems are out of reach for such an inexperienced group as the G-20 proved to be. It is, therefore, not useful for international coordination of difficult policy choices. The rift between Europe and the United States is deeper than it seems, given Europe's hopes to save its flawed currency system by resorting to conventional fiscal policy at a time

when the risk of further economic slowdown and its consequences is considerable. And there is no question that it can

“Latin America stands divided.”

— Rogelio Ramírez de la O

export its way out of the crisis, as President Obama remarked: 'no nation should assume its path to prosperity is paved with exports to America.' Latin

Continued on page 4

Latin America's largest economy, increased 43.9 percent to \$81.3 billion, while exports rose 26.5 percent to \$89.2 billion. "Imports are booming on domes-

“Imports are booming on domestic demand, in good part because of capital goods for industry.”

— Luis Otavio Leal

tic demand, in good part because of capital goods for industry," Luis Otavio Leal, chief economist at **Banco ABC Brasil** told Bloomberg News. Brazil's balance of trade remains positive for this year, said Leal, who expects a \$10 billion surplus. If iron ore prices increase further, the country could see a surplus of as much as \$15 billion, he added.

Company News

Ecopetrol Assumes Sole Operation of Fields Developed With BP

Colombia's state oil company **Ecopetrol** has taken over the operation of two oil fields that had been developed in partnership with British oil giant **BP**, EFE reported Thursday. Ecopetrol said in a statement that it had assumed sole operation of the Cupiagua and Cupiagua Sur fields in Colombia's Casanare province. The government did not renew the contract that spelled out terms of the exploration and production at the fields when it expired Thursday. An association consisting of Ecopetrol, **BP Exploration Company-Colombia Ltd.**, **BP Santiago Oil Company** and **Tepma**, the Colombian subsidiary of France's **Total**, signed the contract with Ecopetrol in 1982.

To Our Subscribers

The Latin America Advisor will not be published Monday, July 5 in observance of the Independence Day holiday in the United States. We will resume publication on Tuesday, July 6.

Capitol Hill Watch

A Look at U.S. Congressional Activity on Latin America

Legislation to Lift U.S. Ban on Travel to Cuba Clears House Committee

Supporters of legislation to lift the U.S. ban on travel to Cuba scored a victory Wednesday as the measure cleared the House Agriculture Committee in a 25-20 vote. The Travel Restriction Reform and Export Enhancement Act, which also includes provisions that would allow U.S. producers to sell agricultural products to Cuba on credit, had the widespread support of business groups including the U.S. Chamber of Commerce. "I am proud to say that today, the House Agriculture Committee took a courageous vote to end the short-sighted and failed policy that limits American agriculture's access to the Cuban market," Agriculture Committee Chairman Collin Peterson (D-Minn.) said in a statement. Opponents of the bill said opening Cuba to travel by American tourists amounted to a financial victory for the Castro government and was out of the Agriculture Committee's jurisdiction. In order for the bill to go to a vote on the House floor, it has to pass favorably out of the Financial Services and Foreign Affairs Committees, unless those committees waive their right to consider it, according to the office of Rep. Connie Mack (R-Fla.), who opposes the bill. Foreign Affairs Committee Chairman Howard Berman (D-Calif.) is one of the bill's original 62 cosponsors and released a statement Wednesday affirming his support for the measure.



Peterson

File Photo: U.S. Congress.

House Members Condemn Chavez's Statements on Israel

Leaders of the House Subcommittee on the Western Hemisphere on Monday condemned comments by Venezuelan President Hugo Chávez calling Israel a "genocidal state." Subcommittee Chairman Rep. Eliot Engel (D-N.Y.) said Chávez was "lashing out" at Israel in an effort to deflect attention from his problems at home. "If my country had the one of the highest murder rates in the world, the highest inflation rate in Latin America, and an economy which is expected to shrink by more than 6 percent this year, I, too, would be talking about anything but what's going on at home," Engel said in a statement. Chávez's comment came during a meeting with Syrian President Bashar al-Assad, who visited Latin America this week.

Nominee for U.S. Ambassador to Colombia Reiterates Support for Trade Pact

The nominee to be the next U.S. ambassador to Colombia on Tuesday reiterated the administration's commitment to the U.S.-Colombia free trade agreement, but acknowledged there are still concerns about the accord in Congress. "Both the president and the secretary of state have made clear our continuing commitment to concluding a free trade agreement with Colombia," Peter Michael McKinley said during his confirmation hearing in the Senate Foreign Relations committee. "The Colombians are aware that there are issues which we need to continue to discuss that are of concern to our Congress," added McKinley, who is currently ambassador to Peru.

Featured Q&A*Continued from page 2*

America stands divided. Brazil and Argentina have maintained expansive policies which in each case they are likely to moderate, but with no intention to hurt economic growth. Mexico, at the other extreme, never applied an expan-

sive policy and may be forgiven for it, in light of its precarious fiscal revenue and falling oil production. But, inexperienced in international economic coordination and perhaps inadvertently, Calderón defined countries with large debts and fiscal deficits as major obstacles to growth. He just forgot that it was the U.S. expansion and deficit that allowed for the little recovery Mexico has recorded this year. The G-20 was useful for markets to realize that the world is moving toward an increasing reliance on national solutions. This involves higher taxes and greater regulation on banks without countries waiting for consensus approval, popular sentiment against migration and at some point trade protectionism."

Greece to Spain and other countries in the Eurozone. That's why you have this commitment for getting the fiscal situation in the right place in the medium to long term, while giving each country room to maneuver. In this context, both

Latin America and Asia played very little role in the statement. And I was very disappointed with that. The reason is that right now the Asian and Latin American countries are basically the ones that are fueling global growth. Not only that, but as the crisis in Europe continues, we are seeing large flows of capital from developed countries to Latin America. And that has a benefit but also significant risks, because it's complicated tremendously the management of monetary policy in Latin America. So the test now for the relevance of the G-20 is its next meeting in South Korea. So far, the G-20 summits have all taken place in industrial countries. South Korea, on the other hand, is a quasi-industrial Asian country. So if in that statement I do not see a strong representation of the voices of even the largest players in the game of trying to balance the global economy (i.e., China and Brazil), then the G-20 is just an extension of G-8 that wants to give an appearance of larger participation of countries."

A **Liliana Rojas-Suarez, senior fellow at the Center for Global Development and chair of the Latin American Shadow Financial Regulatory Committee:** "Clearly the G-20 statement is a compromise to try to include both U.S. and European points of view. President Obama is pushing for an increase in the stimulus package because there is the view that in the United States that the recovery is quite fragile. In contrast, in Europe there is the big debt crisis that is now moving from

“As the crisis in Europe continues, we are seeing large flows of capital from developed countries to Latin America.”

— *Liliana Rojas-Suarez*

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2010

Erik Brand

General Manager, Publishing
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Matthew Schewel

Reporter, Assistant Editor
mschewel@thedialogue.org

Inter-American Dialogue:

Michael Shifter, President

Peter Hakim, President Emeritus

Katherine Anderson, V.P., Finance & Administration

Genaro Arriagada, Senior Fellow

Joan Caivano, Director, Special Projects

Paul Isbell, Visiting Senior Fellow

Claudio Loser, Senior Fellow

Nora Lustig, Senior Fellow

Manuel Orozco, Director, Remittances and Development Program

Tamara Ortega Goodspeed, Senior Associate, Education

Marifeli Pérez-Stable, Senior Fellow

Jeffrey Puryear, Vice President, Social Policy

Viron Vaky, Senior Fellow

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at: 1211 Connecticut Avenue, Suite 510 Washington, DC 20036 Phone: 202-822-9002 Fax: 202-822-9553 www.thedialogue.org

Subscription Inquiries are welcomed at freetrial@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each Advisor and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.