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FEATURED Q&A

How Effective Will Unasur be in Promoting South American Unity?

Q The leaders of 12 South American countries on Friday founded the South American Union of Nations, or Unasur, which is aimed at boosting the continent's political and economic integration. What is the future of Unasur? How effective will be it be in promoting South American unity, especially amid existing divisions?

A **Guest Comment: Donald Planty:** "South American integration efforts have abounded over the years, and no model has proved successful to date. The continent has had some success with sub-regional mechanisms such as Mercosur, but overall political and economic integration historically has eluded the South American nations. Whether Unasur can prevail where other attempts have failed remains to be seen. Integration models assume a common political and economic ethic as the basis for unity. The European Union is the best example, comprised of countries that share a common economic and political philosophy. Unasur's goal will be made more difficult by the existing political-economic climate in the region. Several countries—Venezuela, Bolivia and Ecuador come to mind—are moving in a political and economic direction that is at odds with countries like Chile, Peru, and Brazil. How to reconcile these different influences in a political and economic union will be a major challenge. Bolivia, for example, appears to be on the brink of further frac-

tionalization as a nation—exactly the opposite of enhanced South American integration. Perhaps the best guide to whether or not Unasur will progress is the general failure of the South American nations to cooperate traditionally on issues of clear common interest. Security cooperation is one of these arenas ... Coordination of economic policies is also far from a reality."

A **Guest Comment: Denise Gregory:** "Considering that Unasur is a very ambitious initiative—calling for a regional parliament, a com-

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Helicopter Crash Kills Chile's Police Chief, at Least 10 Others

Chilean President Michelle Bachelet declared three days of mourning after Chile's national police chief and at least 10 others died in a helicopter crash in Panama. See story on page 3.

Photo: Casa Moneda.

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NEWS BRIEFS

Tropical Storm Alma Weakens After Slamming Into Nicaragua

Tropical Storm Alma has weakened to a tropical depression after hitting Nicaragua's coast Thursday. The storm built up strength quickly this week, which surprised Nicaraguan authorities and forced the evacuation of 25,000 people. It flooded low-lying areas of the country before pushing into neighboring Honduras. Electricity is still out in coastal Nicaragua, according to media reports, but the storm is expected to dissipate tomorrow.

Brazil's Supreme Court Approves Embryonic Stem Cell Research

Brazil's Supreme Court on Thursday upheld legislation that allows embryonic stem cell research, Reuters reported. Six of the Court's 11 judges voted to uphold the 2005 law, the first law in Latin America allowing research with embryonic stem cells. The law is opposed by church groups, including the Roman Catholic Church, which say such research is unethical and destroys living embryos. Supporters, including the government, say stem cells potentially regenerate damaged organs and help treat diseases.

Canada's Bombardier to Invest \$250 Million More in Mexico

Canadian jet maker Bombardier plans to more than double its investments in Mexico over the next four years, the *Toronto Star* reported today. The company will invest an additional \$250 million Canadian dollars (\$US 252 million) as part of project to build aircraft parts for a new business jet in the Mexican state of Queretaro, where the composite structure for its Learjet 85 will be manufactured. The new investment will create 1,100 jobs in the region, authorities said.

Economic News

Fitch Ratings Awards Brazil Investment-Grade Status

Fitch Ratings on Thursday awarded Brazil investment-grade status, citing the South American country's improved debt outlook, reduced vulnerability to global financial shocks, and improved growth prospects. In a press release, Fitch said it raised its long-term foreign and local currency ratings on Brazil to "BBB-" from "BB+" with a stable outlook. "The impressive improvement in external finances, in part due to higher commodity prices but also the result of good policy management, along with the sovereign's net creditor status has made Brazil much more

Fitch's upgrade comes a month after Standard & Poor's became the first ratings firm to award Brazil investment-grade status.

resilient to global financial shocks and enhanced the credibility of its macroeconomic policy framework," said Shelly Shetty, senior director in Fitch's sovereign group, in a press release. "While Brazil's growth continues to lag that of Russia, India, and China and low-investment-grade peers, Fitch is more confident that greater macroeconomic stability, reduced external vulnerabilities, higher foreign direct investment and the benefits of past microeconomic reforms will allow higher and more stable growth performance than previously," she added. Fitch's upgrade comes a month after **Standard & Poor's** became the first ratings firm to award Brazil investment-grade status, which is expected to boost investment in Latin America's largest economy by increasing the pool of potential investors who can buy Brazilian securities. **Moody's Investors Service** is now the only major agency to rate Brazil below investment grade. After the S&P upgrade, Moody's said Brazil needed to reduce its debt fur-

ther before gaining investment-grade status. Brazil's currency, the real, rose more than 1.0 percent Thursday to close at a nine-year high, according to Reuters. The country's main stock index, however, fell almost 2.0 percent in line with declining oil and mining shares.

Argentine Government Alters Export Taxes in Bid to End Farmers' Protests

The Argentine government said Thursday it would lower caps for sliding-scale taxes on exports of grains and oilseeds in a bid to end two months of protests by farmers, but farm groups called the measure "cosmetic" and vowed to continue their protests. Cabinet Chief Alberto Fernandez said during a press conference the government hoped the reduction in the the maximum tax rate for corn, soybeans, wheat and sunflower seed when prices rise to specified ranges "puts an end to the conflict with farmers," adding, "we want farmers to keep producing," according to Bloomberg News. But farm groups rejected the changes as meaningless, saying they would only mean tax savings when prices for grains and oilseeds are well above current levels. "Absolutely nothing has changed. It's just a cosmetic touch at an unreachable level," said Hugo Biolcatti, vice president of the Rural Society farm group, according to Reuters. The protests have taken a toll on the popularity of Argentine President Cristina Fernandez, who argues the farmers have benefited from high commodity prices and that the taxes are a fair way to distribute the wealth to Argentina's poor while helping control inflation. Fernandez also says the taxes are needed to reverse incentives that world markets now offer farmers to grow soy at the expense of less profitable crops like wheat and corn, as well as cattle. Farmers say they have been unfairly overtaxed while helping drive Argentina's recovery from its 2001-2002 economic collapse.

Peruvian Mineworkers Plan June 16 Strike to Protest Legislative Delay

Peru's largest federation of mining unions said it would hold a nationwide strike starting next month after Congress delayed voting on a bill that would allow

miners to take a greater share in mining sector profits, Reuters reported. Luis Castillo, the head of the federation said union officials would talk with members next week and plan to launch the strike on June 16. Voting on the profit-sharing bill was blocked when a group led by the left-wing Peruvian Nationalist Party maneuvered to send it back to committee and tie it up. Castillo strongly criticized the party for blocking a vote on the bill, which would have reduced tax revenues for regional governments by diverting more cash to mineworkers. "Lots of legislators who say they are pro-labor showed their true colors today," Castillo was quoted as saying. Peru's mining sector is one of the largest in the world and is a key driver for the Andean nation's fast-growing economy.

Political News

Helicopter Crash Kills Chile's Police Chief, at Least 10 Others

Chile's national police chief and at least 10 others were killed when a helicopter transporting them in Panama crashed into a building in Panama City, according to press reports. Gen. Jose Alejandro Bernal, director of Chile's Carabineros police force, died in the crash, along with his wife while on an official visit to Panama to attend an anti-terrorism conference. Also killed in the crash were three other senior Chilean police officers, a spouse of one of the officers, and five Panamanians. The Panamanian government could not say whether more people were killed in the building or on the ground. The cause of the accident was not immediately known. Authorities said the 12-seat helicopter was 25 years old, but it was unknown whether the helicopter's age played a role in the crash. Panamanian President Martin Torrijos called Chilean President Michelle Bachelet to express his condolences. Bachelet declared three days of mourning in Chile, calling Bernal, who had served as chief since 2005, "a great, great police director, an important support for the government on order and security matters," according to the Associated Press.

US Policy and Latin America

Editor's note: the Latin America Advisor invited the foreign policy advisors to the campaigns of US presidential candidates Hillary Clinton, John McCain, and Barack Obama to submit essays on what the next US president's top priorities should be in relations with Latin America. Below is an essay by former US Congressman Jim Kolbe, foreign policy advisor to the McCain campaign.

McCain Has Bold Vision for Improved Ties With Latin America

By Jim Kolbe

With unprecedented crises around the world that clamor daily for our attention, it is easy to overlook the region next door to us where greater stability is to be found. But taking friends for granted is not a foreign policy that can or should be sustained in the long run, and John McCain has made it clear that he will give greater attention to the Western Hemisphere in his presidency.

Latin America—including the Caribbean—has a population of over half a billion people, and US investment in the region is more than \$530 billion—20 times the amount of our investment in China. These facts underscore the vital importance of this region to the United States, both politically and economically. Yet all is not well within the region. The rise of leftist governments in Ecuador, Bolivia, Nicaragua and, most notably, Venezuela, poses distinct problems for struggling neighbors. Colombia has had great success in battling narco-terrorists even as its neighbor, Venezuela, attempts to undermine its success by supporting guerrilla forces operating inside Colombia. Mexico finds itself in the throes of a pitched battle against drug cartels and criminal forces attempting to seize control of that country.

Senator McCain believes this is the time for patient diplomacy, closer ties to the democratic countries in the region, and building a strong economic relationship. He has said the United States should build on the success of the Central American Free Trade Agreement (CAFTA) and the free trade agreement with Peru by swiftly approving the pending agreements with Colombia and Panama. No action could provide a more concrete demonstration of American support for democracy than rewarding Colombia with closer economic ties to our own country. He has promised to seek Trade Promotion Authority as president so that additional trade agreements, including the overarching Free Trade Agreement of the Americas, could be pursued.

In a speech to Florida broadcasters last year, Senator McCain spoke about two "lefts" in Latin America—"the center-left governments with whom we can work closely and cooperatively, and ... the few populist, statist governments [that] oppose much of what the United States and its democratic partners stand for." Senator McCain went on to say we should be careful not to over-react to the former, while ensuring that the latter governments continue to be marginalized.

In the same remarks, Senator McCain made it clear that the United States can no longer treat Latin America as a junior partner—"like a little brother rather than as an equal." He continued, saying that "Latin America is not our backyard; Central and South America are not 'beneath' the United States." He has called for comprehensive immigration reform to reduce political tensions with our neighbors and minimize human suffering and disruption of lives.

John McCain has set out a bold vision for improved ties with Latin America. While holding high the banner of freedom for oppressed people in Cuba, he has made it clear the United States will engage our hemispheric neighbors as equals. In closing his remarks last year to Florida broadcasters, Senator McCain said:

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"Relations with our southern neighbors must be governed by mutual respect, not dominated by an imperial impulse, nor by anti-American demagoguery on the other. The promise of North, Central, and South America is too great for that ... Ours can be the first completely democratic hemisphere, where trade is free across all borders, where security and opportunity are defended and advanced for all, and where the rule of law and the magic of the marketplace allow all peoples, north and south to reach their God-given potential."

Featured Q&A*Continued from page 1*

mon market, a common currency, and a South American defense council—I feel very skeptical about the possible progress in its approved format. It runs the risk of losing its focus and priorities. Unasur aims to integrate existing trade schemes, namely Mercosur and the Andean Community, which are both dormant and still incomplete. They have not been able to implement some of the basic objectives settled in their ... agreements. Correctly, South America is the heart of Lula's foreign policy, but Unasur reflects a rhetorical discourse much more than a political reality. The first priority should be strengthening and enlarging Mercosur as the basis for the political integration and consolidation of a unified economic space in South America. An entity of this magnitude should be the final step of the sub-regional integration processes. Despite skepticism of the initiative, we can find it positive if it is able to focus on concrete aspects of integration, *i.e.*, acting as a technical coordinator for infrastructure undertakings, especially energy and physical integration. Unasur should be used as a political and institutional base for the existing programs of physical integration—under the Initiative for the Integration of Regional Infrastructure in South America (IIRSA)—and trade liberalization in the region."

A Guest Comment: Riordan Roett: "Given the strong ideological divisions and the economic disparities among the signatories, Unasur is a well-intentioned but relatively meaningless venture. Clearly, the rivalries and differences

about regional integration, peacekeeping, security, and related issues are viewed very differently in the countries involved. Unasur will need to take into consideration the emergence of Brazil, for example, as a BRIC country with an investment-grade rating, major energy finds, etc. And it will need to decide how to deal with a renegade regime such as Venezuela that has been found meddling maliciously in the internal affairs of its neighbor, Colombia. How do you reconcile the increasingly hostile attitude of the Bolivian government with regard to Brazilian soybean farmers in the Santa Cruz region of the country? And if President-elect Lugo of Paraguay intends to force a renegotiation of existing energy treaties with Argentina and Brazil, it is difficult to imagine a deepening of Unasur in the short term. It shares many of the flaws of Mercosur—no country wants to cede sovereignty, to establish mechanisms to resolve conflicts that are above individual governments. It is a well-meaning initiative that will slowly drift into history as so many of the initiatives in the region have done in the last 50 years."

Donald Planty is President of Planty & Associates LLC and a former Director for Brazil and Southern Cone at the US State Department.

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