

INTER-AMERICAN DIALOGUE'S

LATIN AMERICA ADVISOR

BOARD OF ADVISORS

- | | |
|--|---|
| Diego Arria
Director,
Columbus Group | Donna Hrinak
Senior Director of Latin
America Government
Affairs, PepsiCo |
| Genaro Arriagada
Board Member, Banco
del Estado de Chile | Jon Huenemann
Principal,
International
Department,
Miller & Chevalier |
| Joyce Chang
Global Head of
Emerging Markets
Research, JPMorgan
Chase & Co. | James R. Jones
Co-chair,
Manatt Jones
Global Strategies LLC |
| W. Bowman Cutter
Partner,
E.M. Warburg
Pincus | John Maisto
Director,
US Education Finance
Group |
| Rui da Costa
Managing Director,
Latin America & the
Caribbean,
Hewlett-Packard Co. | 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
Former Bolivian
Congresswoman
and Ambassador | José Antonio Ríos
Chairman,
Global Crossing
Latin America |
| Jason Hafemeister
Vice President,
Allen F. Johnson &
Associates | Andrés Rozental
President,
Rozental & Asociados |
| Peter Hakim
President,
Inter-American
Dialogue | Everett Santos
President,
DALEC LLC |
| | Shelly Shetty
Senior Director, Latin
American Sovereign
Ratings, Fitch Inc. |

Annual Predictions Survey 2009

Editor's note: we are pleased to publish the third in this year's series of the Latin America Advisor's "Annual Predictions Survey" results. This annual feature captures the latest forecasts, data, and analysis from regional experts.

Q Hopes are high in Latin America, and among some analysts who follow the region, that the Obama Administration will bring a significant change to US policy in the hemisphere. But the US is facing economic challenges at home and waging two wars abroad. How should the new administration approach its Western Hemisphere policy? What changes, if any, will Obama's team be able to make in Latin America given the precedence of other items on the President's to-do list?

A **Guest Comment: Cynthia McClintock:** "There are significant changes that President-elect Barack Obama can make to US policy that require no money and not much time. Most important is a spirit of respect and openness to negotiation. Unlike many US presidents, Obama understands anti-Americanism in developing countries. In *The Audacity of Hope*, he wrote of his experiences in Indonesia under General Suharto and criticized US foreign policy for its 'tireless promotion of American-style capitalism' and its 'tolerance and occasional encouragement of tyranny.' This understanding should help the president reduce tensions between the US and the Venezuelan and Bolivian governments, which in turn could reduce ten-

sions within these countries. It would also take no money and not much effort for Obama to fulfill his campaign promise of unlimited family travel and remittances to Cuba. During the campaign, Obama said that he would not meet with Raul Castro unless political prisoners were freed. However, if the president-elect were to emphasize his hope that ultimately the embargo can be lifted, this would be very welcome in the hemisphere. Reform on various key issues would require considerable effort against deeply entrenched interests, but little or no money. One such priority is comprehensive immigration reform that includes a pathway to citizenship. Another is the reduction of US agricultural subsidies. A third is a crackdown on US guns that cross the border and fuel Mexico's drug violence. Anti-demand initiatives in the 'war on drugs,' emphasizing education and treatment, could be considered as components of Obama's economic recovery plan. A policy of decriminalization of some drugs is unlikely, but it could save millions of dollars."

A **Guest Comment: Armand Peschard-Sverdrup:** "The severity and anticipated duration of the economic recession will not only limit what can be achieved during the next four years, but more importantly, will

Continued on page 3

Inside This Issue

Annual Predictions Survey: What Latin America Policy Changes Should Obama Make?	1	Colombian Central Bankers Say They May Continue Cutting Interest Rates.....	2
OAS Secretary General Says He Will Not Run for President of Chile	2	Jamaican Minister Faces Charges He Verbally Abused Police	2
At Least 35 People Killed as Mudslide Buries Part of Highway in Guatemala	2	Argentina Accuses Gas Company Facing Default of Irregularities	2

NEWS BRIEFS

Jamaican Minister Faces Charges He Verbally Abused Police

A Jamaican government minister is facing arrest after allegedly using offensive language toward police after a shootout in St. Thomas parish, reported the *Jamaica Gleaner*. James Robertson, who is also deputy leader of the ruling Jamaica Labor Party, traveled from Kingston to St. Thomas to pick up Rameish Simpson, a person of interest in a number of crimes, who Robertson said was targeted by police because he had information about police misconduct. Robertson has denied any wrongdoing in the case.

Argentina Accuses Gas Company Facing Default of Irregularities

The Argentine government on Monday accused the country's third largest gas distributor of "serious irregularities" in its bookkeeping, reported the Associated Press.

Transportadora Gas del Norte SA last week said it may default on \$22.5 million in debt, prompting the government to appoint economist Robert Pons to oversee the company's finances for 120 days. On Monday, Pons said that the company's financial irregularities could point to "illegal activity," but he did not provide further details.

Redecard Shares Surge After Santander Sees Industry Growth

Shares of Brazilian credit and debit card processing company **Redecard** surged Monday after an analyst from **Banco Santander** said the industry could grow 20 percent in 2009. Shares of Redecard rose 8.2 percent during the day's trading in Sao Paulo to 28.40 reais, its highest level since September 19. **Citigroup**, **Banco Itau Holding Financiera** and **Unibanco** control Redecard.

Political News**OAS Secretary General Says He Will Not Run for President of Chile**

Organization of American States Secretary General Jose Miguel Insulza announced Monday that he will not run for president of Chile, his home country.

Insulza made the announcement at a news conference in Santiago and added his endorsement of former President Eduardo Frei, who was in office from 1994 to 2000. A recent poll showed Insulza trailing Frei ahead of April's



Insulza
File Photo: OAS.

presidential primary election, the Voice of America and wire services reported. Frei will now face off against Social Democrat Jose Antonio Gomez in the primary. The winner of the primary will go on to run against conservative opposition candidate Sebastian Pinera in the general election December 11. Insulza served in various capacities, including as Minister of Foreign Affairs, during Frei's presidency. Insulza was also Interior Minister during the presidential administration of Ricardo Lagos, who was in office from 2000 to 2006. Insulza has been secretary general of the OAS since May 2005.

At Least 35 People Killed as Mudslide Buries Part of Highway in Guatemala

Rescue workers on Monday frantically searched for victims after a mudslide in northern Guatemala claimed at least 35 lives, the Associated Press reported. Vice President Rafael Espada said the death toll could increase by at least another dozen. The mudslide, which happened Sunday, buried part of a highway near Aquil Grande, a village near the municipality of San Cristobal Verapaz. Leopoldo Ical, the mayor of the municipality, said at least 100 people were in the area when the mudslide happened. Many of the people who were buried by the mudslide were laborers at nearby coffee plantations.

Economic News**Colombian Central Bankers Say They May Continue Cutting Interest Rates**

Members of Colombia's central bank said last month that they may continue cutting interest rates due to slowing growth and slumping demand in Colombia, according to minutes of their most recent meeting, which the bank released Monday. "The new figures on hand confirm that productive activity is weaker, predominantly in industry and commerce," members of the central bank's board said during the December 19 meeting, Bloomberg News reported. "As a result, growth in internal demand is expected to be low." Slowing industrial output and weaker retail sales have been indicating slowing growth. The

“The new figures on hand confirm that productive activity is weaker, predominantly in industry and commerce.”

— Colombian central bank members

seven-member board voted unanimously during the meeting to cut their benchmark interest rate half a point to 9.5 percent. The move was the first lowering of the rate in three years. Earlier in 2008, Colombian President Alvaro Uribe and Finance Minister Oscar Ivan Zuluaga urged central bank members to cut rates in order to aid in stimulating growth. However, most of the central bankers rebuffed them over concerns that lower rates could instead spur inflation. Last year's rate of inflation in Colombia hit 7.67 percent, the highest full-year level since 2000. The inflation rate was higher than the central bank's target for inflation, between 3.5 and 4.5 percent. For 2009, the bank's inflation rate target is between 4.5 and 5.5 percent. An average forecast of six analysts compiled by the *Latin America Advisor* predicted a 5.1 percent inflation rate for 2009.

Annual Predictions Survey

Continued from page 1

make more apparent the ongoing shift in the balance of power—a shift that will progressively diminish the capacity of the United States to project its influence in the hemisphere and globally. President Obama will undoubtedly be bogged down with other priorities, yet he must not overlook a region that is of geostrategic importance to the US—particularly, as other rising state and non-state actors seek to increase their sphere of influence in the region. First, it is important to recognize that the hemisphere has almost as much at stake as the US itself in seeing that the Obama Administration succeed in navigating the US economy out of the recession. Second, the appointment of the sub-cabinet positions responsible for the stewardship of the relationship with the hemisphere will matter—particularly at a time when President Obama will not be able to be everything to all people. The coordination between the NSC, State and conceivably a Special Envoy for the Americas—which the Obama platform espoused—will also matter. Third, hemispheric policy will have to be that much more realistic and targeted. The conditions are simply not there for an Alliance for Progress type of grand vision. One way to attempt to meet those high expectations is by engaging each of the countries on an individual basis, and collaboratively arrive at a mutually agreed upon, forward-looking agenda for the 21st century. Listening, humility and reciprocity can go a long way in advancing US diplomacy and interests."

A **Guest Comment: Cynthia Arnson:** "Barack Obama's election generated broad-based enthusiasm throughout Latin America, generating perhaps exaggerated expectations about new and more respectful forms of US engagement. Despite the enormous impact of the US financial crisis on the entire region, the good news is that Latin American countries do not look to the United States to provide solutions to pressing problems. Nonetheless, the tone as well as the sub-

stance of policy will be critical. As a low-cost first step to restore US credibility, the Obama Administration should couple fulfillment of its campaign pledge to shut down the detention facility in Guantanamo with an unequivocal statement repudiating all forms of torture. There will be ample room to seek collaborative responses on a host of issues, from alternative energy to climate change, in ways that capitalize on technological advances and public-private partnerships both here and in the region. On trade policy, the Administration must show that concern for labor and environmental standards are not a smoke-screen for rising protectionism, as many in the region fear. Working with the Congress to address legitimate concerns for human rights issues in Colombia would be an important step toward the passage of a US-Colombia free trade agreement. Finally, as the US economic crisis eats away at growth rates in Latin America and threatens to undermine the gains in reducing poverty, the Administration should establish as a priority the preservation and expansion of conditional cash transfer programs that have vastly expanded the region's safety net to the poor."

Cynthia McClintock is the Director of the *Latin American and Hemispheric Studies Program at The George Washington University.*

Armand Peschard-Sverdrup is CEO of *Peschard-Sverdrup & Associates and a Senior Associate at the Center for Strategic & International Studies.*

Cynthia Arnson is the Director of the *Latin America Program at the Woodrow Wilson International Center for Scholars.*

... In tomorrow's Advisor: Annual Predictions Survey Results, Part Four: a forecast for foreign direct investment in Latin America in 2009.

Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2009

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:

Peter Hakim,
President

Michael Shifter,
Vice President, Policy

Joan Caivano,
Director, Special Projects

Dan Erikson,
Senior Associate, US Policy

Paul Isbell
Visiting Senior Fellow

Claudio Loser,
Senior Fellow

Manuel Orozco,
Director, Remittances and Development Program

Tamara Ortega Goodspeed,
Senior Associate, Education

Marifeli Pérez-Stable,
Vice President, Democratic Governance

Jeffrey M. Puryear,
Vice President, Social Policy

Viron Vaky,
Senior Fellow

Subscription Inquiries are welcomed at freetrial@thedialogue.org

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

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.