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FEATURED Q&A

How Well is Obama Handling Latin American Issues?

Q While US President Barack Obama is immersed at home in an extensive debate over health care reform, Latin American issues have not completely faded from his administration's agenda, as was evident in the Sept. 3 meeting between Secretary of State Hillary Clinton and deposed Honduran President Manuel Zelaya. How well has Obama handled Latin America and the Caribbean in the first 200 days of his administration? What specific issue(s) should Obama give highest priority to in Latin America? Will the perception that foreign (Iraq, Afghanistan) and domestic (economy, terrorism) concerns take time away from Latin American issues prevail in the Obama administration, as it did during former President George W. Bush's terms in office?

A Peter Hakim, president of the Inter-American Dialogue in Washington: "The Obama administration is on the right track in Latin America. With the notable exception of trade matters, the administration's policy statements and decisions have mostly been welcomed in Latin America, and the president himself is well regarded by the region's leaders and ordinary citizens. He has also made progress in pursuing more multilateral approaches and better aligning US and Latin American agendas. But recently, the administration has run into a series of headwinds in both Washington and the region. Although it

was approved with US agreement and was consistent with Washington's announced Cuba policy, the OAS resolution setting a path for Cuba's return to the organization clearly made the administration uneasy. The calibrated US approach to the Honduran crisis, pursued cooperatively with the other governments of the hemisphere, has been criticized by many; some think it is unwise and misdirected, others that it is too timid. The wide disapproval in South America of the US base-utilization agreement with Colombia illustrates the

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Vazquez, Clinton Express Concern Over Arms Purchases

Uruguayan President Tabare Vazquez and US Secretary of State Hillary Clinton on Tuesday in Washington expressed concern over weapons purchases by Venezuelan President Hugo Chavez. See story on page 2.

Photo: US State Department.

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NEWS BRIEFS

Mexican Court Orders Alleged Hijacker Jailed

A Mexican court on Tuesday ordered that a Bolivian preacher be jailed during the investigation of his alleged hijacking of a Cancun-to-Mexico City flight last week, the Associated Press reported. Jose Flores is accused of threatening the **Aeromexico** plane with a fake bomb. Flores said he had divine inspiration to warn President Felipe Calderon about an impending earthquake. None of the 103 passengers and crew members aboard the plane, which landed safely in Mexico City, was hurt. If convicted, Flores faces up to 43 years in prison.

Citibank Colombia to Sell Bonds

The Colombian unit of multinational bank **Citigroup** will sell up to 150 billion pesos (\$US 75 million) in bonds today to finance its lending business, Dow Jones reported. The bonds, which will have maturities of three and five years, are part of a 1 trillion peso bond issuance, **Citibank Colombia** said. The three-year notes will have a fixed 7.85 percent annual yield, while the five-year bonds' yield will be the consumer price index plus 5 percentage points.

South Korea's Hyundai to Start Building Brazil Plant in 2010

A top executive of South Korean automaker **Hyundai** said Tuesday the company plans to begin work on a new plant in Brazil next year, after it postponed construction due to the global economic slowdown, Bloomberg News reported. The company has not yet set a date to begin construction on the Brazil plant, Vice Chairman Chung Eui Sun said. In September of last year, Hyundai announced its plans for the \$600 million plant, which would produce 100,000 small cars annually.

Political News**Clinton, Vazquez Express Concern Over Venezuelan Weapons Purchases**

US Secretary of State Hillary Clinton and Uruguayan President Tabare Vazquez, during a joint appearance in Washington Tuesday, expressed concern over what they said may be the beginning of an arms race in South America. Clinton urged Venezuela to be forthcoming about its arms purchases. "We urge Venezuela to be transparent in its purchases, clear about its purposes. They should be putting in place procedures and practices to ensure that the weapons that they buy are not diverted to insurgent groups or illegal organizations, like drug trafficking gangs and other criminal cartels," Clinton said. "We hope that we can see a change in behavior and attitude on the part of the

Venezuelan Government." Vazquez expressed concern that weapons purchases could divert money away from needed development programs in poor areas. "We believe that it is quite inconvenient to the region to devote such significant econom-

“We believe that it is quite inconvenient to the region to devote such significant economic resources toward purchasing arms.”

— *Tabare Vazquez*

ic resources toward purchasing arms," Vazquez said. On Sunday, Venezuelan President Hugo Chavez said Russia has established a \$2.2 billion line of credit for

Featured Q&A

Continued from page 1

continuing, almost reflexive, suspicion of the US in Latin America. Moreover, the polarized politics of Washington is making it difficult for the administration to assemble its Latin American team, and will place major obstacles in the way of

“The polarized politics of Washington is making it difficult for the administration to assemble its Latin American team.”

— *Peter Hakim*

reforming immigration and anti-drug policies, as well as new trade initiatives. Latin America's political divisions are also disrupting the US agenda in the region. None of this, however, is reason for the Obama administration to abandon its current course. It can produce results, although not quickly or easily."

A Roberto Teixeira da Costa, board member of SulAmerica in Sao Paulo and a member of the Inter-American Dialogue:

"As has happened in previous administrations, Latin American issues are no longer a priority for the American government. When I refer to the American government, I am not referring exclusively to the executive branch. Congress also does not apparently pay too much attention to this part of the world. If I were an American citizen I could very well understand Mr. Obama's concerns, particularly in what is represented by health care and financial system reforms. If he is not successful in convincing the people and the Congress of the importance of what has been proposed in the early days of his government, the political consequences in terms of his leadership in considering other proposals will be substantial. From a Latin American perspective, however, it is not easy to understand the focus given to Afghanistan and Iraq, while Mexico, a close neighbor, should be receiving far

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Venezuela to purchase weapons. Chavez has said Venezuela needs more arms because it is threatened by a deal between Colombia and the United States to allow US troops greater access to Colombian military bases. During the joint news conference at the State Department, Clinton and Vazquez also vowed to cooperate on trade issues, cancer research, alternative energy and climate change.

Economic News

Chilean Central Bank: Economy May Contract 2 Percent This Year

Chile's economy may shrink as much as 2 percent this year as prices fall and demand slumps, the country's central bank said Tuesday in a report, according to Bloomberg News. The country's consumer prices could decline 0.8 percent



De Gregorio

File Photo: Banco Central de Chile.

this year, the first drop in more than 70 years as the gross domestic product falls between 1.5 percent and 2 percent, said the central bank, which is headed by Jose de Gregorio. Quarterly economic growth likely will return in this year's second half and GDP

could grow between 4.5 percent and 5.5 percent next year, the bank added. "The economy has regained dynamism in the current half, leading to positive quarter-on-quarter changes in activity, although with annual variations that will remain negative for a few more months," the bank's statement said. The bank's report was more downbeat than its May update, which forecast relatively flat GDP growth, in the range of 0.5 percent growth to 0.5 percent contraction. The lack of inflation in Chile, the fifth-largest economy in South America, could lead the bank to maintain its overnight rate at 0.5 percent, a record low, until next year's second quarter, the bank said. This year, the bank's policymakers cut the rate by 7.75 percentage points. In its report, the bank added that next year, the country's cost of

Comings & Goings

Colombian state-owned oil company **Ecopetrol** has named a new president of its US affiliate, Colombian magazine *Portafolio* reported Sept. 1. Gabriel Osorio, who has been Ecopetrol's vice president of production since February 2008 is taking over as head of **Ecopetrol America**. Osorio, who has worked for Ecopetrol since 1986, has a degree in petroleum engineering from the National University of Colombia at Medellin and a engineering specialization from Texas A&M University. He also has a master's degree in natural resource administration from the University of South Carolina. In addition, Alvaro Vargas Vera, who until recently was Ecopetrol's vice president of strategy and growth has been named president of oil exploration and production company **Hocol**. Vargas, an economist at Colombia's Universidad La Salle, has a post-graduate degree in economics. Vargas started at Ecopetrol 14 years ago.

D.W. Morgan on Sept. 8 named Tim Christensen its acting operations manager for its expanded operations in Mexico. Christensen will oversee operations at the supply-chain management and logistics company's new office in Guadalajara, which D.W. Morgan established in June. Previously, Christensen was based at D.W. Morgan's facility in Austin, Texas. D.W. Morgan, which is headquartered in Pleasanton, Calif., also has offices in locations including Dallas and Houston.

German Riet, vice president of Uruguayan state oil company **ANCAP** has been named the company's new president, *Observa* reported Sept. 1. Riet is taking over for Raul Sendic, who became the government's minister of industry, energy and mining on Aug. 31.

living could increase 2.8 percent. The report also said average copper prices could increase to \$2.60 a pound next year before falling to \$2.50 a pound in 2011.

Company News

Morgan Stanley Plans to Expand Investment Banking Staff in Brazil

Morgan Stanley has doubled the size of its investment banking staff in Brazil and plans to expand further, an executive of the New York-based company told Bloomberg News Tuesday. The bank has acted as an advisor for 19 completed or announced mergers and acquisitions this year in Brazil, valued at \$28.5 billion, according to Bloomberg data. Morgan Stanley has become the leading advisor for takeovers in Brazil, Latin America's largest economy. It was ranked fifth last year and seventh the year before. Currently, the company employs approximately 30 people in its investment banking division in Brazil and is looking to hire more, division head Daniel Goldberg

told Bloomberg. "Our goal is to stay well positioned in the ranking," he said in an interview. "Investing in the investment banking platform means recruiting people that can add value to the clients." Morgan Stanley competitors, including **UBS** and **Dresdner Bank**, sold Brazilian

“Our goal is to stay well positioned in the ranking.”

— Daniel Goldberg

operations during the global financial crisis. This year, Morgan Stanley advised Brazil's **Sadia** when it was taken over by **Perdigao** to form the region's largest food producer, **BRF Brasil Foods**. Last year, Morgan Stanley acted as an advisor on the merger of banks **Itau** and **Unibanco**. Brazil's economy grew 1.0 percent in the second quarter of this year on strengthening domestic demand.

Featured Q&A*Continued from page 2*

more support than what we've seen so far. The military presence that is going to be established in Colombia certainly will require more dialogue with the leading Latin American countries. President Lula has indicated that he would welcome the presence of President Obama in a UNASUR meeting which certainly would alleviate tensions that exist in certain sectors. The recent acquisition of Russian military hardware by Venezuela and the discussions underway between Brazil and France about an agreement for the purchase of military equipment make it quite obvious that the relative importance of the United States in the region is diminishing, not only by the above mentioned facts but also by a perception, right or wrong, that the American economy is losing its former relevance in the world. Thus, without ignoring how much work is required by electoral promises as health care reform, the US should dedicate more space to Latin America before is too late."

A **Abraham F. Lowenthal, professor of international relations at the University of Southern California and a member of the Inter-American Dialogue:** "During its first 200 days, the Obama administration showed an unexpectedly high level of interest in Latin America. President Obama deftly projected a positive new approach to the Americas, in many ways contrasting with his predecessor's. Obama has been disposed to inter-American cooperation with key countries and subregions on shared problems and opportunities; genuinely inclined toward multilateralism; concentrating most on strengthening cooperation with Mexico and building a strategic alliance with Brazil; preferring concrete programs to overblown rhetoric; taking responsibility for the domestic US sources of some regional difficulties; open to some pragmatic accommodation with national populist movements; supporting local efforts to strengthen democratic gover-

nance; and moving carefully to build a mutually respectful relationship with Cuba, looking toward future rapprochement without abandoning US concerns about human rights. This positive approach is being tested in practice as the administration moves from the declaratory phase of policymaking to implemen-

“President Obama deftly projected a positive new approach to the Americas, in many ways contrasting with his predecessor's.”

— *Abraham F. Lowenthal*

tation. The signals thus far are mixed: on trade policy, immigration, narcotics, relations with Cuba and other issues, policymaking inevitably takes into account conflicting pressure groups, distinct bureaucratic priorities and the need to respond to such unexpected and ambiguous events as the Honduran imbroglio. The administration will probably not sustain the early increased quantity of attention to Latin America in the face of so many international and domestic challenges. A more realistic hope is for an improved quality of attention, especially toward Mexico and the other close neighbors of the United States in Central America and the Caribbean, based on understanding how much these neighboring countries affect day-to-day issues in the United States."

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

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