

# INTER-AMERICAN DIALOGUE'S

## LATIN AMERICA ADVISOR

### BOARD OF ADVISORS

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

### FEATURED Q&A

#### What Did Latin American Members Gain at the G-20 Meeting?

**Q** In his weekly radio program on Sept. 28, Brazilian President Luiz Inacio Lula da Silva said the two most important achievements of last month's G-20 meeting in Pittsburgh were the G-20's replacement of the G-8 as the premier global economic forum and an increase in developing nations' share of votes in the IMF and World Bank. Do you agree? Did the G-20's Latin American members—Brazil, Mexico and Argentina—find what they were looking for in Pittsburgh? Will the G-20 be effective in coordinating global economic policy, or is the group largely symbolic and too overambitious in its agenda, as some critics charge?

(actually more than 20 countries as things now stand) will be the main forum for dealing with international economic issues. It is also possible that the G-20 (or a variant thereof that includes China, India, Brazil, Mexico, South Africa and Indonesia from the developing country side) could take on other global issues that have yet to be resolved, such as trade negotiations, climate change, nuclear disarmament, etc. In any case, for the three Latin American countries at the G-20 table, Pittsburgh was a success in that it confirmed them for the

*Continued on page 3*

**A** Andrés Rozental, member of the Advisor board, president of Rozental & Asociados in Mexico City and member of the Inter-American Dialogue: "The G-20 meeting in Pittsburgh didn't quite get to the point that President Lula seems to have taken for granted, for example, the replacement of the G-8. Italy and Canada lobbied hard for the G-8 to continue (for obvious reasons, since they are the least important of the developed country roster and because Canada is hosting the G-8 summit next year), and the decision at the end was for the G-20 to meet twice next year: in June either just before or after the G-8 summit, and in November in South Korea. What is clear by now is that the G-8 is on its way out as a global player and that the G-20



#### De Facto Honduran Government Revokes Emergency Decree

The government of de facto Honduran President Roberto Micheletti on Monday announced that it has revoked a decree that suspended some civil liberties guaranteed under the country's Constitution. See story on page 2.

*File Photo: Honduran Government.*

### Inside This Issue

FEATURED Q&A: What Did Latin American Members Gain at the G-20 Meeting?.....1	Former Costa Rican President Convicted for Embezzling Funds.....2
De Facto Honduran Government Repeals Emergency Decree.....2	Gary Locke Blasts Congress' Move to End Mexico Trucking Program .....2
Brazil, EU Call on US to Reveal Doha Round Demands.....2	Santander's Brazilian Unit Could Sell Shares Near Top of Price Range.....3

## NEWS BRIEFS

**Former Costa Rican President Convicted for Embezzling Funds**

Former Costa Rican President Rafael Angel Calderon was convicted Monday for embezzling funds from a loan intended for the purchase of medical equipment for hospitals, the Associated Press reported. Calderon, who was in office from 1990 to 1994, had been accused of pocketing \$520,000 from a Finnish loan to Costa Rica's government after he left office. The \$40 million loan, granted in 2004, was split among several political figures, including Calderon, prosecutors argued.

**Colombian Consumer Price Index Down 0.11 Percent in September**

Consumer prices in Colombia fell 0.11 percent in September compared to the same month last year, the government statistics agency, DANE, said Monday in a Web site release. The figure is 0.08 percentage points higher than the same month in 2008, when inflation amounted to -0.19 percent. Inflation has risen 2.12 percent in 2009, compared to 6.53 percent over the same period last year.

**Brazil's Real Increases to Highest Level in Over a Year**

Brazil's real currency on Monday strengthened to its highest level in more than a year, Bloomberg News reported. The real climbed 1.3 percent to 1.76 per US dollar in late afternoon trading, the strongest since Sept. 9, 2008. The real has gained more than 30 percent this year. The real's rise, mirrored in other emerging market currencies, was fueled by a G-7 statement indicating that industrialized nations were not strongly supportive of taking measures to make the dollar a stronger currency, according to the report.

**Political News****De Facto Honduran Government Repeals Emergency Decree**

Honduras' de facto government on Monday repealed an emergency decree that suspended rights guaranteed by the country's Constitution, the Associated Press reported. The decree, which was put into force Sept. 27, prohibited unauthorized demonstrations and allowed police to make arrests without warrants. It also preceded the government's shutdown of a radio station and a television station. The order to suspend the civil liberties "has been completely revoked" de facto President Roberto Micheletti told reporters during a news conference with US Rep. Ileana Ros-Lehtinen (R-Fla.), a member of a US congressional delegation visiting Honduras. Micheletti said the repeal would take effect with its publication this morning in the government's official register. The order, which led to dozens of arrests, was put into force less than a week after ousted President Manuel Zelaya sneaked back into Tegucigalpa Sept. 21 and took refuge at the Brazilian Embassy. The suspension of parts of the Constitution drew criticism even from members of the Honduran Congress and judges who supported the Zelaya June 28 coup against Zelaya. The ousted president, who remains holed up at the embassy, said Monday that his "reinstatement is not negotiable" and that he maintains "faith that this problem will be resolved soon," the AP reported. In a statement, the Organization of American States said a delegation, including Secretary General Jose Miguel Insulza and foreign ministers from countries including Costa Rica, Ecuador, Mexico and Canada, will arrive Wednesday in Honduras "for the purpose of promoting dialogue and the restoration of democracy." Insulza also met last week in Honduras with Micheletti.



File Photo: Telesur.

**Economic News****Brazil, EU Call on US to Reveal Doha Round Demands**

Brazil and the European Union are calling on the United States to reveal its demands in order to conclude the Doha round of trade talks by next year, Reuters reported Monday, citing a communique prepared for a summit happening today. The document, prepared for a Brazil-European Union summit, said countries' commit-

“Brazil and the EU ... call on WTO members to set out any specific demands they may have.”

— Brazil-EU summit draft communique

ment to reaching agreement on outstanding trade issues next year "will be at risk" if progress, including a US statement of trade demands, does not happen. "Brazil and the EU believe that closure of the Doha Round in 2010 should take place on the basis of progress already made, including with regards to modalities, and therefore call on WTO members to set out any specific demands they may have," the communique said, according to Reuters. "The EU and Brazil underline that absent progress within this timeframe, the objective of closing the Round in 2010 will be at risk." The European Union and Brazil also urged trade ministers to gather for a discussion on Doha round progress before a World Trade Organization conference this December in Geneva. [Editor's note: See related Q&A in the Oct. 1 [issue](#) of the *Advisor*.]

**Gary Locke Blasts Congress' Move to End Mexico Trucking Program**

US Commerce Secretary Gary Locke on Monday reassured Latin American business leaders of US support for open markets and criticized a decision by the US Congress earlier this year that launched a trade spat between the United States and

Mexico. During remarks at the US Chamber of Commerce in Washington, Locke blasted Congress' move in March to cut off funding for a pilot program allowing Mexican truckers access to US highways, which prompted Mexico to raise tariffs on a swath of American imports. "That's a perfect example of where protectionism can have ill consequences for a country," Locke said at an annual meeting of the Association of American Chambers of Commerce in Latin America (AACCLA). He added that



Locke

File Photo: Commerce Department.

US Transportation Secretary Ray LaHood is spearheading efforts to resolve the trucking dispute and is currently discussing a framework agreement with members of the US Congress and Mexican authorities. "It makes no sense for us to put together a set of principles if the Mexican government says it's unacceptable," the secretary said. Locke reiterated President Barack Obama's support for stalled free trade deals with Panama and Colombia, but acknowledged that concerns still exist in the White House and on Capitol Hill over certain aspects of the agreements. Recent debates have focused on workers' rights and judicial reforms in Colombia and bank secrecy laws in Panama. While lauding the FTAs as a "win-win for American companies," Locke said they'll likely take a back seat to health care and energy reforms, currently the administration's top legislative priorities. During a visit to Chile last week, Locke told Dow Jones it was unlikely the US-Colombia FTA would be ratified in 2009. In a survey of AACCLA members released at Monday's meeting, 41 percent of respondents said free trade and economic integration should top President Obama's agenda in the region, while nearly two thirds said perceptions of the US in the region were likely to improve under Obama. Reflecting confidence in early signs of an economic rebound, 68 percent of those interviewed said they anticipate a regional economic recovery in 2010.

## Featured Q&A

*Continued from page 1*

time being as players in the new global architecture. What remains to be seen is whether the current G-20 grouping survives, or whether a smaller set of developed and developing economies eventually emerges as a more efficient and balanced forum. If the Lisbon treaty is finally approved this year, the European Union will be pressured to reduce the current seven participants (France, Germany, Italy, United Kingdom, Netherlands, Spain and the European Commission) in the G-20 to a much smaller number, or even to a single regional seat."

**A** **Claudio Loser, visiting senior fellow at the Inter-American Dialogue:** "President Lula is right that the G-20's replacement of the G-8 and the possible increase of developing countries' voting power in the IMF and World Bank are important achievements of the Pittsburgh conference. However, those achievements have to be seen in perspective. To begin with, the G-20 also worked on the coordination of supervision and regulation of the world financial systems, as a way to reduce the prospects of crises like those witnessed over the last two years. Arguably, this constitutes the major achievement of the G-20, to the

extent that the stability of the financial system seems to be a key condition for sustained global growth. As to the other achievements Lula mentioned, there is significant work ahead at the national and multilateral levels before an adequate formula is achieved to reduce the

“The G-20 will not have the full effectiveness that Latin countries want.”

— Claudio Loser

voting power of the advanced economies, particularly in Europe. Second, the change in voting power may be good for developing countries, and certainly Brazil and Mexico, but countries like Argentina, Venezuela and Uruguay may see their influence reduced. Still, this was a very positive development in Pittsburgh. As to the true transfer of power to the G-20, it is still likely that the G-8 will remain operating in practice, as the countries of that group may not be as representative as

*Continued on page 4*

## Company News

### Santander's Brazilian Unit Could Sell Shares Near Top of Price Range

The Brazilian unit of Spain's **Banco Santander** could sell shares close to the top of its price range as it wants to raise up to 13.1 billion reais (\$US 7.2 billion) in a sale that is to be priced today, Bloomberg News reported. Santander plans to offer shares at between 22 and 25 reais each. In the past five weeks, other Brazilian companies, including **Cyrela Brazil Realty** and **Cia. De Concessões Rodoviarias**, filed their intentions to sell shares as the country's Bovespa stock index has risen approximately 63 percent

this year. Santander is planning to sell 525 million units, each of which represent 55 common shares and 50 preferred shares

*The sale could be expanded to an additional 100 million units.*

of Santander's Sao Paulo-based Brazilian business. The shares are equal to approximately 16.2 percent of the bank's share capital. The sale, which is being underwritten by **Credit Suisse Group**, could be expanded to an additional 100 million units. The new shares will begin trading Wednesday.

**Featured Q&A***Continued from page 3*

before, but see things in the same light. In that sense the G-20 will not have the full effectiveness that Latin countries want, and will remain more as a forum than a team effort."

**A** **Riordan Roett, director of Western Hemisphere Studies at the Johns Hopkins University School of Advanced International Studies in Washington:**

"Lula was correct in that the G-20, as the final communique stated, will be the principal forum to discuss major policy issues in the future. But no doubt, as always in international politics, there will be informal groups of nations that will have more weight. The BRIC countries (Brazil, Russia, India and China) are increasingly indicated as the principal beneficiaries of the three G-20 meetings (November 2008, April 2009 in London, and in Pittsburgh). Argentina will be a marginal player until it settles with the Paris Club and with the holdouts from the Kirchner 'deal' of a few years ago. It is also clear that the critical issues of trade (the Doha Round) and environment (Copenhagen in December) will not move forward without the critical participation of Brazil, India and China. The

new realities are clear. The emerging market countries have not replaced the old G-8 but their relevance has now been recognized, and Lula captured that new reality

“As always in international politics, there will be informal groups of nations that will have more weight.”

— *Riordan Roett*

in his recent comments. There will need to be a great deal of 'horse trading' as we move forward, but Lula stressed the new dynamic—collective decision making, a greater voice in the international financial institutions, and greater openness with the state of play in the future."

*The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org) with comments.*

## Financial Services

Upgrade your subscription with the  
**Inter-American Dialogue's biweekly  
Financial Services Advisor.**

INTER-AMERICAN DIALOGUE'S  
LATIN AMERICA ADVISOR ► FINANCIAL SERVICES

The answers to questions that  
informed executives are asking.

Send an email to [freetrial@thedialogue.org](mailto:freetrial@thedialogue.org) today.

**Latin America Advisor**

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

**Erik Brand**

General Manager, Publishing  
[ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

**Gene Kuleta**

Editor  
[gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org)

**Matthew Schewel**

Reporter, Assistant Editor  
[mshewel@thedialogue.org](mailto:mshewel@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](mailto: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.