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FEATURED Q&A

How Successful Has Unasur Been in Easing Regional Tensions?

Q Defense and foreign ministers from South America met in Ecuador last month, pledging to promote peace and strengthen security cooperation under the auspices of the Union of South American Nations, or Unasur. The meeting came at a time of heightened tensions between some countries in the region, most notably neighbors Venezuela and Colombia over a plan to allow U.S. troops greater access to Colombian military bases. What should be the role of Unasur in easing regional tensions, and have its efforts to date been successful? Do you see Unasur as a viable vehicle for political or economic integration in South America? What are the challenges and opportunities it represents for other multilateral entities like the OAS? Or for U.S. policy in the region?

A Luis Gallegos, ambassador of Ecuador to the United States: "It's relevant to note that the U.S. administration up to this point has considered Unasur a valid interlocutor; the first dialogue between President Obama with the South American presidents, in Trinidad and Tobago, was done under the umbrella of Unasur. Unasur has come about as an initiative that puts an emphasis on looking for mechanisms to address poverty, social exclusion, environmental protection and that, above all, looks to generate opportunities on the basis of horizontal regional cooperation, physical integration, financial independence and a

strengthening of the endogenous capacities of the region. Unasur can coexist with the OAS, the Rio Group, and other many other mechanisms of political negotiation and hemispheric integration. The special feature of Unasur is that it looks to strengthen the capacity of South American countries through the fact that, beyond sharing a geographical zone with its own particular characteristics, they share a common historical, political and cultural legacy. This means that Unasur has the potential to serve as a forum for dialogue and political

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Mexico's Calderon Proposes Sweeping Political Reforms

Mexican President Felipe Calderon on Tuesday proposed a wide-ranging package of political reforms. Included are proposals to allow the re-election of many officials and reduce the size of Congress. See story on page 2.

Photo: Mexican Government.

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NEWS BRIEFS

Brazil's Senate Approves Venezuela for Entry in Mercosur

Brazil's Senate on Wednesday approved Venezuela's entry into Mercosur, leaving approval by Paraguay's legislature as the only hurdle left before Venezuela can join the trade bloc. Senators voted 35-27 to accept Venezuela's entry. Brazilian President Luiz Inacio Lula da Silva has pushed for Venezuela to be allowed to join, but critics say Venezuela does not follow the trade bloc's democratic principles and that it has an unstable economic policy.

U.S. Delivers Five Helicopters to Mexico as Part of Merida Plan

The United States on Tuesday delivered five helicopters to the Mexican government as part of \$1.1 billion in anti-narcotics aid promised through the Merida Initiative, the Associated Press reported. The delivery of the five Bell 412 helicopters, worth \$66 million, followed a report by the U.S. Government Accountability Office that only 2 percent of total Merida funding had been spent by the end of September, although over two-thirds had been obligated.

Banco do Brasil Eyes Acquisition of Argentina's Banco Patagonia

State-owned Banco do Brasil said Tuesday it is in talks to acquire Banco Patagonia, Argentina's fourth-largest bank, in what would be its first foray into the international market. In a note to Brazil's securities regulator, Banco do Brasil said it hadn't yet made a decision on a "possible partnership." Brazilian paper *O Estado de S. Paulo* reported that Banco do Brasil was considering purchasing the 49.94 percent stake in Banco Patagonia owned by the Stuart Milne family.

Political News

Calderon Proposes Broad Political Reforms in Mexico

Mexican President Felipe Calderon on Tuesday proposed a sweeping package of political reforms, including re-election for many public officials and a reduction in the size of the country's Congress, the Associated Press reported. Calderon outlined the proposals in a televised address. "The idea is to give citizens more power, to give them the capacity to shape public life and to strengthen our democracy," said Calderon. Under the plan, legislators and mayors would be able to serve up to 12 years if re-elected, the Senate would be reduced to 96 from 128 members and the Chamber of Deputies would shrink to 400 from 500 members. Also, presidential candidates would face runoff elections if no candidate receives a majority of the votes. Presidents would still be limited to one six-year term. Calderon has grappled with difficulties a presidential runoff could fix. He was elected in 2006 with 36 percent of the vote, less than one percent-

age point ahead of Andres Manuel Lopez Obrador. Many of Lopez Obrador's supporters still refuse to accept Calderon as Mexico's president. Holding a second round of voting in presidential elections would provide the winner a more solid mandate, said Calderon. "It will be guaranteed that whoever has the biggest support will win," he said. The reform pack-

“The idea is to give citizens more power.”

— Felipe Calderon

age also would allow independent candidates to run for office and would permit citizen initiatives. Also, small parties would need to receive at least 4 percent of the vote in order to receive public funding. The reforms face an uncertain future in Mexico's Congress. Francisco Rojas, the congressional leader of the opposition PRI told daily newspaper *El Universal* that debate on other topics, such as economic issues, will take precedence over the political reforms.

Featured Q&A

Continued from page 1

coordination, as a mechanism to favor consolidation of regional peace, and can be very effective as a forum for the prevention of controversies and their resolution. One of the most substantial contributions Unasur has made to assure the consolidation of peace and regional security was the concerted actions taken in Quito on Nov. 27, when the ministers approved a series of measures to build confidence and military transparency. At this meeting, it was also agreed to 'invite the U.S. government to engage in dialogue on strategy, defense, peace, security and development issues.' It's important to note that both Secretary of State Hillary Clinton and Defense Secretary Robert Gates engaged their Unasur counterparts to explain the U.S.-Colombia base agreements. Also, Secretary Clinton affirmed her interest in promoting this dialogue with President

Rafael Correa of Ecuador, in his capacity as president pro tempore of Unasur. "

A Myles Frechette, international trade and business consultant and former US ambassador to Colombia, from 1994 to 1997:

"The Nov. 27 Unasur meeting did not resolve the concern of most member governments about the agreement on access to Colombian bases by the U.S. military. The Venezuelans continued to assert that the agreement presents a threat to the region. But the Brazilian Foreign Minister stated he was 'optimistic' because 'there were advances ... concerning formal guarantees.' This may have signaled that Brazil realizes that continuing to pursue this issue without achieving resolution makes its own diplomacy seem ineffective and Unasur, the organization, not ready for prime

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Economic News

European Union, Latin America End Long-Running Banana Dispute

The European Union and Latin American countries have ended a 16-year-long dispute over tariffs on bananas, *The Wall Street Journal* reported Tuesday. As part of the agreement, the EU will reduce import tariffs on bananas grown in Latin America by U.S. corporations including **Dole Food Co.**, **Chiquita Brands** and **Fresh Del Monte Products**. The agreement, which national lawmakers must still ratify, will reduce banana prices in Europe. The dispute started in 1993 when the EU established a tariff-free zone and gave favorable import rates to 12 former European colonies, including Belize and

The complaint was originally made to the World Trade Organization in 1993.

Ivory Coast. Left out were banana-producing countries such as Ecuador, Costa Rica and Colombia. With U.S. support, five Latin American countries first complained to the World Trade Organization in 1993 and other countries later joined the complaint. This year, representatives from the United States, European Union, former colonies and Latin American countries met more than 100 times in the effort to resolve the dispute. Under the terms of the deal, the EU will cut its tariffs on Latin American bananas to 114 euros (\$U.S. 165.76) per ton in 2017 from the current level of 176 euros, Latin American countries will drop their complaint before the WTO and the former colonies will continue enjoying almost no banana tariffs from the EU. The former colonies also will receive a one-time payment of 200 million euros. Pascal Lamy, the WTO's director-general said the agreement meant the end of "one of the most technically complex, politically sensitive and commercially meaningful legal disputes ever brought to the WTO," *The Wall Street Journal* reported.

In Profile

Ernesto Cordero, Mexico's New Finance Minister



Name

Ernesto Cordero

Background

Cordero graduated from the Instituto Tecnológico Autonomo de Mexico with a bachelor's degree in actuarial science and a master's degree in economics. He later went to the University of Pennsylvania, where he earned a masters degree in economics and studied for a doctorate.

File Photo: Mexican Government.

After his graduate studies, Cordero served as director general of the Miguel Estrada Iturbide Foundation, which advises Nation Action Party legislators in the Mexico's lower house. Subsequently, he was Risk Management Director at Banco Nacional de Obras y Servicios Publicos and held two posts at the Energy Secretariat, including that of undersecretary of energy, planning and technological development.

Cordero left his government post to work full-time as public policy coordinator on President Felipe Calderon's 2006 campaign and later Calderon's transition team. From 2006 to 2008, Cordero was undersecretary of finance and public credit under Agustin Carstens. He later served as secretary of social development until his appointment last week as finance secretary, which didn't require Senate approval.

Notes

Cordero takes over the finance secretariat from Agustin Carstens—who Mexico's Senate on Tuesday confirmed as the new central bank chief—during Mexico's worst recession in decades. On Monday, Standard and Poor's lowered Mexico's foreign currency debt rating one notch to BBB-. In remarks following his appointment, Cordero said the president had instructed him to use all the tools within his reach "to detonate economic growth, which is already possible to perceive." Cordero later told reporters he would keep the economic team currently in place, including Deputy Finance Minister Alejandro Werner. He also highlighted the stability of Mexico's financial sector, and urged banks to ramp up lending.

The private sector responded favorably to Cordero's appointment, with the Association of Mexican Banks, the Business Coordinating Committee and billionaire Carlos Slim all voicing support. But Cordero faced criticism from opposition parties and some analysts on the grounds he is too much of a PAN stalwart and largely unknown to foreign investors.

As finance secretary, Carstens was able to negotiate with the opposition Institutional Revolutionary Party to achieve important economic reforms. That give-and-take could be more difficult for Cordero, who is seen as personally close to Calderon, potentially posing a problem during upcoming talks over fiscal reform in the Congress, economist Alejandro Schtulmann wrote for Roubini Global Economics. Legislators from the opposition PRI and PRD called Cordero's nomination an act of favoritism and noted that, unlike previous finance ministers, his trajectory was more political than technocratic. Some also expressed concern about how investors abroad would react to Cordero, who was relatively unknown outside of Mexico before taking the job.

Sources: Mexican Presidency, Reuters, La Jornada, Excelsior

Featured Q&A*Continued from page 2*

time. Unasur, Brazil's brainchild, was created 18 months ago as a forum for South American governments to discuss issues of common concern without U.S. involvement. Not enough members have

“Unasur is an aspiration based on a misreading of reality.”

— *Myles Frechette*

ratified the agreement to bring it into force. So far it has no secretary general or even a secretariat. This lack of structure and direction means that meetings about regional tensions can be dominated by the most radical voices, in this case Venezuela and its ALBA partners, Bolivia and Ecuador. Modeled on the European Union, Unasur is an aspiration based on a misreading of reality. The Europeans, after surviving two disastrous world wars, ceded a measure of sovereignty in order to prosper in unity, democracy and peace buttressed by strong institutions. South American nations are intensely jealous of their sovereignty and independence; they believe in democracy but have differing visions of how it works. Most have weak institutions. Finally, they all want to avoid allowing one of their member governments to assume the influence the U.S. once had in the region. Until ALBA gives up its retrospective 'Bolivarianism,' Unasur will not become a viable vehicle for political integration. Important steps toward economic integration, however, are achievable in the medium term.”

A **Gilberto M.A. Rodrigues, professor of international relations at the Catholic University of Santos in Brazil, and Andrés Serbin, president of the Coordinadora Regional de Investigaciones Económicas y Sociales in Argentina:** “South America has its own identity, and Unasur

was born as a consequence of the increasing dialogue and mutual confidence among South American governments. Tensions over old issues, such as border disputes, and new ones, such as the U.S. agreement with Colombia, are now part of the Unasur agenda. This is a fresh and good initiative, but it is too early to evaluate if concrete efforts could be successful, as this would need some time to foresee. Many or most of the issues related to defense and security are multilateral and demand a regional framework solution. The main purpose of Unasur is to create political coordination for regional integration, including the economic level. The existing subregional blocks, such as Mercosur and the Andean pact, are sustainable platforms which give Unasur the

“Unasur offers an opportunity to promote regional and adequate solutions for South American problems.”

— *Gilberto M.A. Rodrigues*

& *Andrés Serbin*

necessary support. It is not a short term process; it will demand a generation. Also, there is no real competition between the OAS and Unasur because they have different purposes and levels of action. On the other hand, for U.S. policy in the region, Unasur is challenging considering its potential power to contain U.S. influence in South America. In most of the cases, Unasur offers an opportunity to promote regional and adequate solutions for South American problems.”

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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