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## Annual Predictions Survey 2010

*Editor's note: we are pleased to publish the second 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.*

### What Issues Will Drive U.S.-Latin American Relations Next Year?

**Q** According to a Gallup Poll conducted last summer, Latin Americans' perceptions of U.S. leadership improved dramatically this year as President Barack Obama took office. Despite general public goodwill, however, the Obama administration has faced sharp criticism over the handling of the coup in Honduras and a military agreement between the United States and Colombia that alienated some countries in South America. What issues will drive U.S.-Latin American relations in the coming year? Where should the Obama administration focus its efforts in Latin America and the Caribbean?

**A** Arturo A. Valenzuela, U.S. assistant secretary of state for Western Hemisphere affairs: "We have an important and overarching interest we share with people all over the region—the success of stable, safe, democratically governed societies whose institutions are able to meet their peoples' needs and expectations. We are pursuing that common goal through enhanced partnerships in three broad, interconnected policy areas: expanding opportunity, enhancing citizen safety, and strengthening democratic governance. High rates of

poverty and inequality continue to challenge most countries in the region. Addressing these problems, and preparing people to compete and win in an integrated world, requires a big investment in institutions, people and infrastructure. We support expanded social opportunity as an indispensable element in safe, democratic

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### Venezuelan President Orders Investigation of Toyota

Venezuelan President Hugo Chavez on Wednesday ordered a probe of Toyota, accusing it of not following regulations. Chavez threatened to seize the plants of any vehicle manufacturers not following the law. See story on page 3.

*Photo: Venezuelan Government.*

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## NEWS BRIEFS

**In Custody Battle, Boy Reunited With U.S. Father In Brazil**

Sean Goldman, the 9-year-old boy at the center of a custody dispute that captured the attention of the highest levels of government, was delivered to his American father in Brazil this morning. His father, David Goldman of Tinton Falls, N.J., took custody of Sean at the U.S. consulate in Rio de Janeiro. A little more than an hour after the reunion, they were en route to an airport, Reuters reported. The five-year case, which reached Brazil's Supreme Court, became a high-profile issue, temporarily stalling the passage of a trade bill with Brazil in the U.S. Senate.

**U.S. Investigators Arrive in Jamaica to Assist in Plane Probe**

Investigators from the U.S. National Transportation Safety Board arrived Wednesday in Jamaica to assist authorities on the Caribbean island in trying to determine why an **American Airlines** flight overshot a runway, coming to rest at the edge of the sea. Flight 331, which had taken off from Miami, skidded off a runway at Norman Manley International Airport in Kingston at about 10 p.m. Tuesday. The plane's fuselage broke apart, but all 160 people aboard survived. Four were seriously injured, the *The Miami Herald* reported.

**Plane Carrying Bolivia's Morales Makes Emergency Landing**

A plane carrying Bolivian President Evo Morales had to make an emergency landing Wednesday because of a failure in its hydraulic system, the Associated Press reported. No one was harmed in the incident. Morales was flying from La Paz to the city of Sucre, but had to stop in Cochabamba in central Bolivia.

## Political News

**Four Arrested in Killing of Mexican Marine's Family**

Police in Mexico on Wednesday arrested four people in connection with the killing of four family members of a Mexican marine hailed as a hero. The mother, brother, sister and aunt of Melquisedet Angulo were killed early Tuesday by gunmen who burst into the family's home in Tabasco state. Another sister who was wounded in the shootings was hospitalized in critical condition. Angulo died Dec. 16 in a gunfight in Cuernavaca that killed drug kingpin Arturo Beltran Leyva. Angulo's family members were killed just hours after Angulo's funeral, in which the 30-year-old was called a hero. Wednesday's arrests happened in Villahermosa, Tabasco's capital, Bloomberg News reported. The three men and one woman detained are alleged informants for the Zeta gang, which is allied with the Beltran Leyva cartel, the Associated Press reported. The four arrested are not believed to be the assailants, but allegedly were either lookouts for the gunmen or transported money to pay them, according to Tabasco state Attorney General Rafael Gonzalez, the AP reported. After the killings of Angulo's family members, Mexican President Felipe Calderon denounced the slayings as "a cowardly act" and said he would continue his fight against drug traffickers, against whom he has deployed more than 45,000 troops. More than 15,000 people have been killed in Mexico's drug violence since Calderon began the crackdown in 2006.

## Economic News

**Central Bank: Mexico's Inflation Rate Slowed in Early December**

Mexico's annual rate of inflation slowed to 3.6 percent for the year through Dec. 15, Reuters reported, citing central bank statistics released Wednesday. In November, Mexico registered an annual 3.86 percent inflation rate. The latest fig-

ures represent the lowest reading for the annual rate of inflation since September 2007. Agustin Carstens, who begins his term as central bank chief Jan. 1, has said inflation is not a major concern and added interest rates should remain steady. Economists believe the central bank will begin tightening around the middle of next year. Falling prices for fresh produce, including tomatoes and zucchini, helped to bring down consumer prices in December. Inflation could increase next year after tax increases, which Mexico's Congress approved earlier this year, take effect. Mexico's National Statistics Institute, or INEGI, said Wednesday that the country's unemployment rate declined to 5.3 percent in November, as compared to 5.9 percent in October. In September, employment was at 6.4 percent, Dow Jones reported. Mexican stocks also set a closing high for 2009 Wednesday for the second trading session in a row. Retailer **Wal-Mart de Mexico** and copper mining company **Grupo Mexico** led the IPC stock index higher. The index gained 0.7 percent, or 209.91 points, to close at 32,450.23. Volume was light with 91.8 million shares changing hands for a total value of 2.7 billion pesos (\$U.S. 209.1 million).



Carstens

File Photo: Mexican Government.

## Company News

**Brazil's Embraer Expects to Increase Sales to Domestic Market**

Brazilian aircraft manufacturer **Embraer** expects to increase its sales to Brazil in order to compensate for falling demand

**To Our Subscribers**

*In observance of the Christmas and New Year's holidays, the Latin America Advisor will not be published tomorrow and next week. Our next edition will be delivered on Jan. 4, 2010. We wish our readers a happy holiday season and a prosperous new year.*

abroad, the company's chief financial officer told Bloomberg News Wednesday. Luiz Carlos Aguiar said the company expects to have \$600 million in revenue from sales in Brazil, a record, which represents approximately 10 percent of the company's sales. Last week, Embraer said total sales are expected to fall 10 percent next year. The global market for aircraft "has not shown significant improvement



Aguiar

File Photo: Embraer.

yet," Aguiar told Bloomberg. The company's earnings also have been hurt by a 30 percent increase this year in Brazil's real against the U.S. dollar. Embraer receives as much as 95 percent of its sales in dollars, while a quarter of its costs are in reais, said

Aguiar. In 2010, the company is expecting an exchange rate that is "close to the current rate," Aguiar said, adding that the company has been increasing its cash position in reais, which currently stands at about 45 percent of its total position. Germany's **Aircraft Asset Management** bought two 190-model Embraer planes for **Augsburg Airways**, for a total of \$79 million, Embraer said Wednesday.

### Venezuela's Chavez Orders Investigation of Toyota

Venezuelan President Hugo Chavez on Wednesday ordered an investigation of **Toyota**, saying the automaker has refused to manufacture four-wheel drive vehicles used for public transportation and is not following laws requiring transfer of technology, Bloomberg News reported. "I'm ordering an investigation into Toyota, to see how it is that they don't want to assemble these cars," Chavez said on state-run television. "We have to force them to, and if they don't want to, they can leave." Paul Nolasco, a spokesman for Toyota in Tokyo, was unable to comment to Bloomberg on Chavez's statements. Chavez said Venezuela will force Toyota to make vehicles for public transportation and will seize the factories of vehicle makers that do not follow government regulations.

### Featured Q&A

*Continued from page 1*

cally governed and just societies. That support finds expression in a host of concrete partnerships, such as Pathways to Prosperity, the Microfinance Growth Fund for the Americas, the Inter-American Social Protection Network, and the Energy and Climate Partnership of the Americas. Opportunity is key, but so is citizen safety. We are part of networks of partnerships grounded in a commitment to the safety of our citizens and the resilience of our communities—recognizing that the continuum of the region's security concerns are all about safety of human beings. The Merida Initiative in Mexico and Central America is forging unprecedented levels of partnership, trust and results. We are close to launching formally a Caribbean Basin Security Initiative, jointly developed with the Caribbean countries, which reflects this shared commitment. In the Andes, our partnership is helping the Colombian people achieve lasting and just peace. Improving democratic governance is also a necessary goal, and there must be a collective will to safeguard democratic stability in the region. Defending core, shared democratic values is more than meeting challenges in Honduras and Cuba. It means supporting press freedoms and helping build responsive judicial, law enforcement, and penal institutions essential to advancing the rule of law. This administration is doing this in many ways with regional partners. 2010 is the bicentennial of Chile, Mexico, Colombia and Argentina. It is a fitting moment to reflect on two centuries of accomplishments, to celebrate our democratic and diverse societies, and focus on the challenges ahead."

**A** Peter Hakim, member of the **Advisor board and president of the Inter-American Dialogue:** "My Latin America priorities for the Obama administration concern: U.S. policy in Honduras, intended to demonstrate a commitment to multilateralism, has alienated many countries. The U.S. needs to find a formula that

would allow for recognition of the newly elected Honduran government and improve how the hemisphere's governments defend democracy. Most importantly, the U.S. should renew attention to regional economic relations. Washington has been neglecting economic issues—including the unratified Colombia and Panama trade agreements, problems related to trade preferences, energy challenges, and replenishment of Inter-American Development Bank resources. What Latin America most needs from the U.S. is access to markets and technology. Disheartened by the stalled trade pact, Colombia needs reassurance of U.S. support as it battles guerrillas and traffickers, and faces Venezuela's threats. The administration must also encourage Colombia to do more to control human rights abuses. Responding to Venezuela requires a balancing act. Confrontation with Hugo Chavez is counterproductive, but the U.S. cannot simply ignore Chavez's violations of democracy, interventions in other countries, and his ties to Iran. Get relations with Brazil back on track. The challenge is to accept and work through policy disagreements and divergent approaches, and cooperate where possible. Mexico's problems, including its severe economic downturn and relentless crime and violence, have no ready fix. The U.S. can help by reforming immigration, rethinking its drug policies, and opening the border to Mexican trucks. The U.S. also has to be concerned about deteriorating security in Central America and the Caribbean. Finally, sustain the promising, step-by-step strategy for re-engaging Cuba."

**A** Andrés Rozental, member of the **Advisor board, president of Rozental & Asociados in Mexico City and member of the Inter-American Dialogue:** "As often happens at the beginning of an administration in Washington, the Obama team hit the ground running on a whole series of foreign policy issues, but Latin America has been left behind amidst the more immediate pressures of Iraq, Afghanistan, the Middle East conflict,

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

Iran's nuclear ambitions, etc. It took too long for the most senior State Department official who deals with the hemisphere to be sworn in and Senate approval of the new U.S. Ambassador to Brazil is still pending. Mexico however was an exception during 2009, with a flurry of high-level visits and priority attention being given to the increasing violence, drug trafficking and the fight against organized crime. The crisis in Honduras continues to be an example of U.S. foreign policy gone awry, with increasing disarray among the hemisphere's governments as to what to do about it. The U.S. has tried to accommodate too many opposing positions regarding Honduras and after having been congratulated for joining the rest of the OAS membership in condemning the coup and insisting on President Zelaya's restitution to power, Washington now has a confusing and ambiguous policy which satisfies no one. Expectations in Latin America for a new, more respectful relationship were very high when the Obama administration took office, but much remains to be accomplished. From an outsider's perspective there is still no publicly announced coherent strategy in Washington for its dealings with the region. In the meantime, the increasing disconnect between a growing number of hemispheric governments and the U.S. threatens to complicate things even further, with almost a dozen of the region's rulers openly antagonistic to Washington."

**A Roger Noriega, managing director of Vision Americas LLC in Washington and former U.S. assistant secretary of state for Western Hemisphere affairs:** "The recent and upcoming elections in the region (in Brazil, Uruguay, Honduras and Chile, for example) demonstrate that, in spite of the left-wing bombast from a couple of troubled states, most people in the region see

institutionalized democracy as the best means of ensuring accountable government. President Obama's new Latin American assistant secretary, Arturo Valenzuela, is a learned, sensitive professional who will move quickly to flesh out the new administration's commitment to renewed respectful dialogue. Already, the denunciations from Havana, the saber-rattling from Caracas, and the nasty rhetoric from Buenos Aires and La Paz prove that some in the region aren't interested in reasonable dialogue, and they have a disproportionate influence on the tone in the region. Assistant Secretary Valenzuela may also find it harder to deliver on increased economic assistance that some see as a measure of U.S. engagement. And he is disadvantaged by the president's unwillingness to buck U.S. labor unions to advance the Colombia free trade agreement just as that anti-drug ally is feeling economic and military heat from Venezuela. I believe that the government must be prepared for a crisis emerging from Venezuela, where President Hugo Chavez is struggling to deal with a public security, infrastructure and banking crises of his own making. His dangerous ties to Iran and his war-footing toward Colombia demands closer scrutiny and preparedness from the United States. The myth that Raul Castro could preside over a smooth transition also has been busted, so a crisis there in the near term will require strong, principled U.S. leadership."

*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.*

*...Upcoming editions of the Advisor include "Annual Predictions Survey" forecasts on foreign direct investment and the business outlook for the region in 2010.*

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**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  
[mschewel@thedialogue.org](mailto:mschewel@thedialogue.org)

**Inter-American Dialogue:**

Peter Hakim, President

Michael Shifter, Vice President, Policy

Katherine Anderson, Vice President, Administration

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**Subscription Inquiries** are welcomed at [fretrial@thedialogue.org](mailto:fretrial@thedialogue.org)

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