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FEATURED Q&A

Will Mexico's Blake Succeed in Fighting Organized Crime?

Q Mexican President Felipe Calderón on July 14 named José Francisco Blake as the country's new interior minister, replacing Fernando Gómez Mont. What motives were behind the change? What does Blake bring to the post and how successful will he be in efforts to fight organized crime and improve security in Mexico?

A Andrés Rozental, member of the Advisor board, president of Rozental & Asociados in Mexico City and senior fellow at the Brookings Institution:

"Secretary Blake is the fourth person to hold the interior ministry position since Felipe Calderón became president in 2006. He is not very well-known in Mexico City circles, coming as he does from being the number-two official in the state government of Baja California, but he is very close to Calderón. Gómez Mont left the job for several apparent reasons. He had lost most of his political capital as an intermediary between the government and the political parties when he resigned from the PAN. That followed his losing a battle to avoid the alliances that the party's leadership decided to establish with the PRD and other smaller left-of-center parties as a way to oust the PRI from the governorships of states where it had governed uninterrupted for decades. Ultimately successful in at least three states, (Oaxaca, Puebla and Sonora) these alliances were extremely controversial and severely weakened Gómez Mont. A second

reason for Gómez Mont's departure seems to be that he was fed up with cabinet infighting and his constant differences with colleagues and with the president himself. He is a very successful lawyer and wanted to get back to his professional work once it became clear that he had no political future with the PAN. As for Blake, it's probably too early to tell whether he will be any more successful in bringing some degree of harmony and consistency to what has been generally recognized as one of the most dysfunctional administrations in Mexico's

Continued on page 4



U.S. Senator 'Frustrated' by Inaction on Deal to End Tariffs

U.S. Sen. Patty Murray (D-Wash.) said Monday that she is "frustrated" by the lack of U.S. progress on an agreement that would lift Mexican tariffs on U.S. products. See story on page 2.

File Photo: U.S. Congress.

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NEWS BRIEFS

Telefónica Reaches Deal to Buy Vivo Stake From Portugal Telecom

Spain's **Telefónica** has reached an initial deal to buy **Portugal Telecom's** stake in **Vivo Participações** after increasing its offer for the third time to 7.5 billion euros (\$U.S. 9.8 billion), Bloomberg News reported today. Telefónica and Portugal Telecom reached the agreement late Tuesday and the companies' boards plan to discuss the deal today. Also, Portugal Telecom may agree to buy a stake in **Oi**, Brazil's largest landline phone company, Bloomberg News reported.

Outages Cut Power to Chile's Capital, Most Mining Unaffected

Power outages temporarily plunged Chile's capital and other parts of the country into the dark Tuesday morning, but most mining businesses continued operating normally, Reuters reported. Problems at a substation caused the outages, said Energy Minister Ricardo Raineri, who added power had been restored in most locations later in the day. The outages were brief in Santiago.

Uruguay Plans Private Sector Contract for Prison Management

Uruguay's government will partner with private companies to build and manage new prisons in the country, local daily *El País* reported Tuesday. Uruguay's Interior Ministry said Tuesday it had signed an agreement with the National Development Corporation, or *CND* in its Spanish acronym, that enables that state to partner with private entities to construct and maintain new prisons. Interior Minister Eduardo Bonomi said part of the \$15 million in the agreement is already being used in renovations of several detention centers in the country.

Political News**Senator Sets Oct. 1 Deadline to Hear Plan to End Mexico Tariffs**

Sen. Patty Murray (D-Wash.) said this week she is "extremely frustrated" at the lack of action by the Obama administration to end tariffs imposed by Mexico when the United States ended a cross-border trucking pilot project, according to a report Tuesday in *The Trucker*. Murray said she has included language in the fiscal year 2011 Transportation,

“If the administration is unable to find a path forward with Mexico on this issue, these tariffs will continue to send American jobs to other countries.”

— *Patty Murray*

Housing and Urban Development Appropriations bill that calls on the administration to put forward a plan by Oct. 1 to bring about an end to Mexico's retaliatory tariffs on Washington state agricultural products. The bill is now headed to the full Senate for consideration. "I am extremely frustrated that the administration has not yet acted while farmers across my home state of Washington continue to suffer under Mexico's retaliatory tariffs," Murray said. "If the administration is unable to find a path forward with Mexico on this issue, these tariffs will continue to send American jobs to other countries, such as Canada, as growers, processors, and packers are forced to relocate," Murray warned in a letter to the White House, according to the report. [Editor's note: See related Q&A in the May 27 [issue](#) of the *Advisor*.]

Economic News**India Could Mirror China's Role as New Latin American Market: IDB**

India could mirror China's role as a fast-

growing market for Latin American and Caribbean commodities, but governments in the region must foster closer ties with the South Asian giant and reduce trade costs to tap into that opportunity, according to a study released Tuesday by the Inter-American Development Bank. With 1.1 billion people and a relative scarcity of natural resources, India could become a large buyer of agricultural and mineral goods, Latin America's main exports, according to the study. The authors of the study "India: Latin America's Next Big Thing?" note that currently, India represents just 0.8 percent of the region's overall trade, compared with China's 7.7 percent share. India's average tariff on Latin American agricultural goods is 65 percent, more than five times China's 12.5 percent tariff. Moreover, India and Latin America must reduce transport costs, the study finds. Currently, India, unlike China, has no direct shipping services to the region. Goods must be shipped first to Singapore or Europe, which increases both freight rates and shipping times. The study also identifies areas in which India could represent a competitive challenge for Latin America, suggesting that the country will likely specialize in labor-intensive manufacturing goods. As a result, the manufacturing sector in Latin America and the Caribbean will have to prepare itself for another major competitive shock once India eliminates the barriers that are currently holding back labor-intensive exports, the report's authors said.

Oil Auction Could Net \$14 Bn for Social Programs: Brazilian Official

Brazil's government could raise as much as 25 billion reais (\$U.S. 14 billion) in its first auction of offshore oil reserves under a proposed production-sharing regime, the president of the National Petroleum Agency said Tuesday, Dow Lima



Jones reported. In a comment to the daily *O Globo* newspaper,

File Photo: Brazilian Government.

Haroldo Lima said that "holding an auction under the new law could yield a signing bonus of between 20 billion reais and 25 billion reais. These resources could immediately be included in the Social Fund and could be used for health and education initiatives." The highly contested new law for a production-sharing regime, however, has been held up in Brazil's Congress and will not be voted on until after the October national elections. The outcome of the race could decide the future of the production-sharing plan. If right-of-center candidate José Serra, who is trailing ruling party candidate Dilma Rousseff in polls, were to win the race, he would likely discard the plan in favor of a more market-oriented approach, analysts say. [Editor's note: See related Q&A in the March 15-19 [issue](#) of the *Energy Advisor*.]

Company News

Colombia's CNTV Postpones Auction for Television License

CNTV, the Colombian broadcasting regulatory authority, on Tuesday postponed a scheduled auction for the license to operate a third private nationwide television channel, EFE reported. The panel

The postponement follows a ruling by Colombia's highest judicial-administrative body that the auction could not go forward with only a single bidder.

overseeing the process asked for "two additional days to present its definitive evaluation report," the commission said in a brief statement rescheduling the auction for Thursday. The postponement follows a ruling last week by Colombia's highest judicial-administrative body, the Council of State, that the auction could not go forward with only a single bidder, according to the report. Spanish media firm **Grupo Planeta** emerged as the sole bidder after Spain's **Grupo Prisa** and

The Dialogue Continues

What Can Calm Tensions Between Venezuela and Colombia?

Q Venezuelan President Hugo Chávez on July 22 severed diplomatic relations with Colombia over Bogotá's accusation that Colombian rebels are taking refuge in Venezuela. Chávez also said earlier this month that he will not attend the Aug. 7 inauguration of Colombia's incoming president, Juan Manuel Santos. Trade between the two countries has also plummeted since Chávez blocked most imports from Colombia. Will bilateral relations improve at all under Santos? Who is suffering the ill effects of the reduced trade? What is needed to calm tensions between Bogotá and Caracas?

A Antonio Navarro Wolff, governor of Colombia's Nariño department: "Colombian President-elect Juan Manuel Santos said recently, referring to the impasse with Venezuela, 'if not through talking, how can we fix this issue?' Until recently, the government of President Uribe prioritized commerce between the two countries while facing the Venezuelan government's permissiveness toward the presence of the FARC in its territory. Last year, he changed his position, preferring 'dignity over commerce.' The situation has become more entangled with the subject of alleged U.S. military bases in Colombia and has arrived at a critical state at which we are now living. How to emerge from this impasse? It is not viable to repeat mili-

tary attacks like the one in Ecuador against the encampment of the FARC's Raúl Reyes. Nor does it seem possible to achieve an effective sanction against Venezuela in multilateral forums. The effects on public opinion in Venezuela against President Chávez are marginal

“Spain and France live with a similar situation with the ETA and are working together.”

— Antonio Navarro Wolff

as the issue is considered Colombia's. The path of dialogue requires understanding on both sides of an issue. President Chávez's declarations in recent days in which he reiterated his criticism of armed uprisings have opened a light of hope for advancing productive dialogue with Colombia's new government. The dichotomy is not between commerce and dignity. It is how to manage a subject that ultimately harms both countries. Spain and France live with a similar situation with the ETA and are working together. Is it an illusion to think that is possible in our case?"

Editor's note: The above is a continuation of a Q&A published in Tuesday's [Advisor](#).

Venezuela's **Cisneros Group of Companies** withdrew from the process, EFE reported.

Lloyds Banking Group Selling Ecuadorean Unit to Pichincha

Britain's **Lloyds Banking Group** said Tuesday that it is selling its Ecuador corporate banking assets and liabilities to

Banco Pichincha for a cash consideration of as much as \$25 million, Dow Jones reported. The Ecuador business is primarily a corporate relationship bank operating through two branches and employing 108 people. The Lloyds private banking operations in Ecuador are not part of this transaction, however. The deal is expected to be completed in the second half of the year.

Featured Q&A*Continued from page 1*

recent history. In naming Blake, President Calderón also announced that the Interior Ministry would be given enhanced responsibility for the fight against organized crime and drug-trafficking. That will probably put the new minister in direct conflict with the minister of public safety (who is in charge of the federal police) with the armed forces and perhaps even with some state governors."

A Luis Rubio, chairman of the Center of Research for Development (CIDAC) in Mexico City: "The cabinet changes have to be set in a bigger context. President Calderón clearly decided to separate two functions that the previous secretary of Gobernación held together: political negotiations and security. He has now appointed a person close to him, Gerardo Ruiz, to lead political negotiations directly from Los Pinos, and Francisco Blake to concentrate on security. Both are desperate moves aimed at trying to avert a PRI victory in 2012. This objective trumps everything else: rather than attempting to employ his remaining two years to build a stronger foundation for better governance, the president has decided to focus on the security issues with which he has associated himself and to advance as much as possible on the political front to enhance the odds that his dauphin might win. The president's security program has been more successful than he is given credit for. Paradoxically, his greatest flaws are the result of the administration's own: despite all the efforts and expenditures, the government has been incapable of building a strong national police force to both operate as an FBI-equivalent, the avowed goal, but also to replace the army, which was never trained to do police work. Four years on, the national police force is still too small, flimsy and incompetent to accomplish the task. It appears clear that Blake has been brought in to

streamline this process and bring about, at least, a more peaceful end for the administration. By concentrating on one issue, security, Blake could make some headway. However, his experience in Baja California, though ample, is not altogether encouraging."

A Sidney Weintraub, William E. Simon Chair in Political Economy at the Center for Strategic and International Studies in Washington: "José Francisco Blake Mora is little known in the country as a whole, although he served in the Mexican federal Congress for one term (between 2001 and 2003) and was serving when appointed to the federal cabinet as secretary-general of the state of Baja California. His experience in Tijuana, a city that has experienced much drug-related violence, should stand him in good stead as secretary of gobernación. Secretary of gobernación is usually translated as secretary of interior, but its responsibilities are more far-reaching in the Mexican context than the word 'interior' implies. Indeed, Gobernación is probably the most important cabinet post in Mexico because it is the lead agency in the Mexican confrontation with drug trafficking organizations. Blake is untested in dealing with issues as arduous as this. He is considered to be a loyal supporter of President Felipe Calderón and this may be an important reason for his selection. The internal reaction to his appointment is that Gobernación may be too important a post for someone as little known and with as little national experience as Blake. Calderón has had trouble in the past with his appointments to Gobernación and the turnover in this post has been high."

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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