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FEATURED Q&A

How Important Are Trans-Pacific Partnership Trade Talks?

Q Negotiations of the Trans-Pacific Partnership concluded Oct. 9 in Brunei with countries including Chile and Peru at the table. What was achieved during the negotiating session? How meaningful is the TPP for the Latin American countries involved? How important is Asia for Peru and Chile, specifically? Will the TPP help those countries form closer ties with Asia?

A Felipe Ortiz de Zevallos, former Peruvian ambassador to the United States and founder of Grupo Apoyo in Lima: "The recent meeting in Brunei went well. It was the third round of nine that have been programmed. The last one will take place in Peru by the end of October 2011. The main consensus this time was the inclusion of Malaysia as a full member. For Peru, the main benefit of the Trans-Pacific Partnership is gaining access to five new markets—Australia, Brunei, Malaysia, New Zealand and Vietnam—with a higher income per capita level than Peru and which currently only take one percent of our exports. The TPP aspires, in the long run, to become an FTA between the Pacific region and Asia. It benefits Peru to have been a member since its inception. Currently 30 percent of Peru's exports (50 percent in the case of Chile) go to the Asian market. Three other Latin American countries—Colombia, Uruguay and Costa Rica—have also shown interest in participating in the ongoing negotiations."

A Jorge Heine, former Chilean ambassador and cabinet minister and chair in Global Governance at the Balsillie School of International Affairs in Canada: "The third negotiating round of the TPP in Brunei is important for two reasons. It saw the joining of Malaysia to the group, which now has nine members (the others are Brunei, Chile, New Zealand, Singapore, the United States, Australia,

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Colombia Central Bank Will Not Impose Capital Controls: Uribe

Amid talk of a global "currency war," Colombian central bank chairman José Dario Uribe on Tuesday moved to dispel the impression that the country might impose capital controls to tamp down the value of its peso. See story on page 3.

File Photo: Gold Mercury International.

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NEWS BRIEFS

Chilean Commission Investigating New Allegations in Mine Incident

A Chilean legislative commission said Tuesday it is investigating reports that a mine's operators ignored danger warnings from a man who was later among 33 men trapped when the mine collapsed, the Associated Press reported. Deputy Carlos Vilches, a commission member, told reporters that rescued miner Juan Illanes has alleged that operators refused his request to leave the mine three hours before it collapsed on Aug. 5. Illanes reportedly had heard loud sounds that indicated a collapse could be happening.

Banorte Looking into Merger with IXE Grupo Financiero

Banorte, Mexico's third-largest bank, said Tuesday it had signed a preliminary agreement to explore a possible merger or alliance with tenth-ranked bank **Ixe Grupo Financiero**, EFE reported. Mexico's top two financial institutions are foreign-owned: Spain's **BBVA Bancomer** and **Citigroup's Banamex**. A merger would depend upon due diligence results and requires approval from regulators.

Judge in Dominican Republic Could Halt Canadian Gold Project

Opponents of a \$3 billion mining project in the Dominican Republic asked a judge Tuesday to halt the Canadian-led operation until their concerns over the environmental impact of the mine are addressed, the Canadian Press reported. A consortium involving **Barrick Gold** and **Goldcorp** plans to reopen the Pueblo Viejo mine, aiming to begin extracting gold and silver late next year. The judge on Tuesday ordered a 20-day period for each side to respond with arguments.

Political News**Madrid Wants ETA Suspect Tried in Venezuela If Not Extradited**

Spain's foreign minister, Miguel Ángel Moratinos, said Tuesday that the country's current extradition treaty with Venezuela would allow Venezuela to prosecute alleged ETA member Arturo Cubillas if Caracas authorities refuse to hand over Cubillas to Spanish courts,



Miguel Ángel Moratinos

File Photo: El Pais.

local daily *El Universal* reported. Moratinos said that Spain's Ministry of Foreign Affairs will act "diligently, urgently and immediately" if Spanish Judge Eloy Velasco seeks the extradition of Cubillas, as Spain's attorney general requested on Monday. Venezuela said last week it would not extradite Cubillas, the Basque separatist group's alleged top militant in Latin America, because local law does not allow extraditions of citizens. Cubillas left Spain decades ago and became a naturalized citizen in 1993. He is currently head of security at the National Lands Institute, or INTI, an agency attached to the Venezuelan Ministry of Agriculture and Lands, according to an *El Universal* report. In an interview published in a pro-government Venezuelan newspaper this week, Cubillas denied any relationship with the Revolutionary Armed Forces of Colombia (FARC) and denies that he provided "training in explosives" to ETA activists in Venezuela, as Spanish authorities allege. Last week, Venezuelan President Hugo Chávez categorically denied that his government supports the

ETA, saying his enemies on the "far right" were carrying out a "permanent, systematic and well-orchestrated attack" in an attempt "to convince the world that in Venezuela there are terrorist training camps," the *Financial Times* reported.

Mexican Police Seize 105 Tons of Marijuana Near U.S. Border

Municipal police in Tijuana, Mexico, this week seized 105 tons of marijuana near the border with the United States, Mexico's national defense agency said Tuesday. The chance discovery of a suspicious convoy on the highway led to the arrest of 11 people and seizure of numerous trailer trucks and vans filled with hundreds of packages of marijuana. Authorities say the seizure is one of the largest drug busts in recent memory. The marijuana carried a street value of more than \$340 million, Reuters reported. Last week, nine Mexican governors and governors-elect signed a security pact with the federal government in an effort to boost crime-fighting efforts, combat kidnapping and improve state police forces, EFE reported. Among the state leaders signing the 12-point "Chihuahua Accord" were Chihuahua Gov. César Duarte, Zacatecas Gov. Alejandro Alonso Reyes and Durango Gov. Jorge Herrera, all states hit particularly hard by drug violence in recent years. The pact outlines the establishment of evaluation centers for police

Some Mexicans have been critical of a ballot initiative in California next month that would legalize possession of marijuana.

and other safety officials. In addition, it calls for creating special law enforcement units within seven months to fight kidnapping, and the creation of a new model of law enforcement with a central command. Calderón has proposed creating 32 new state police forces, which would operate under the federal government's standards and incorporate municipal police departments. While the Mexican

government frequently publicizes arrests of drug gang leaders to reassure tourists, it has also criticized U.S. officials for not doing more to curb demand for illicit drugs at home. Some Mexicans have expressed dismay over a California ballot initiative next month that would legalize some possession of marijuana, questioning the utility of operations like this week's massive drug bust when the contraband would be legal across the border. [Editor's note: See related Q&A in the Sept. 15 [issue](#) of the *Advisor*.]

Economic News

Colombia Will Not Impose Capital Controls: Central Bank Chairman

The head of Colombia's central bank on Tuesday moved to dispel the impression that he could soon impose capital controls to cool off the surging valuation of its peso, Dow Jones reported. Central

bank chairman José Dario Uribe said Tuesday that "until this moment we have come to the conclusion that it's not justified" to impose capital controls. Uribe was commenting on a presentation by Nicolás Eyzaguirre, director of the International Monetary Fund's Western Hemisphere Department, in which he defended the use of capital controls as a policy option to halt excessive currency appreciations. "It's hard to envision the Colombian peso depreciating against the dollar," Eyzaguirre said at the conference. "Colombia needs to get used to a strong currency," he said.

Company News

Singapore Sovereign Fund Investing \$400 Million in Odebrecht Oil & Gas

Brazilian construction and engineering firm **Odebrecht** said on Tuesday its oil and gas division has received a \$400 mil-

lion investment from Singapore state sovereign wealth fund **Temasek**, Reuters reported. Odebrecht Oil and Gas is planning to invest \$3.5 billion over the next three years in Brazil's oil services market as the country's national oil company, **Petrobras**, ramps up to tap vast "sub-salt" oil reserves off its coast. Temasek is the smaller of Singapore's two sovereign wealth funds with a portfolio of about \$134 billion, Reuters reported. Less than 2 percent of Temasek's holdings are currently in South or Central America. In July, Temasek said it was investing \$200 million in a real estate joint venture with developer **Impulsora Mexicana de Desarrollos Inmobiliarios** in Mexico targeting middle-income housing projects, the company said in a press release.

India's Aegis Buying Argentine Business Outsourcing Company

India-based outsourcing firm **Aegis** announced Tuesday it has entered into an agreement to acquire **Actionline**, a business process outsourcing company in Argentina, IDG News reported. Aegis said it will take over Actionline's 5,000-staff operation in Argentina for an undisclosed sum. Actionline's senior management, led by CEO Fernando Padron, will continue lead the business after the deal, but its operations in Chile and Brazil are not included in the transaction. Actionline will serve as a base for Aegis to service customers in similar time zones, such as the United States and Canada, and to establish more business in Latin America, where it does not currently have a strong presence, according to the report. Actionline's clients include **Banco Galicia**, **BBVA**, **Corp Banca** and **Visa** in the financial services sector, **Claro** and **Telmex** in the telecom sector and **Repsol YPF** in the energy sector. India's **Tata Consultancy Services** (TCS), a competitor to Aegis, was founded in 2002 and now has operations in 11 countries in Latin America and the Caribbean, employing around 7,000 people there. TCS's Latin America group accounts for about 4 percent of the corporate parent's overall revenue, which was about \$6.3 billion last year. Aegis employs 39,000 people in 10 countries.

Featured Q&A

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Peru and Vietnam). This keeps the group's growth momentum. The Brunei meeting also gave occasion to the first steps for moving toward a high-standard regional integration agreement across the Pacific. A total of 24 subgroups have been formed to do that, on issues like industrial goods, intellectual property and competition. The fourth round will be held in December in New Zealand. The TPP is significant for both Chile and Peru. In the early 1990s, Chile took the lead in identifying Asia as its most promising export market, a crucial decision given the country's export-driven model. Today, 21 percent of Chile's exports and 15 percent of its imports are tied to Asia. China is Chile's number-one export market, Japan third and South Korea is sixth. The Asia-Pacific region represents 45 percent of Chile's foreign trade. Peru, with an export basket not too different from Chile's, is following the same steps, albeit with some lag. To be able to continue to open up Asian markets, the world's fastest-growing region, is crucial

for both. Conceptually, the TPP's progress ratifies the success of Chile's 'bi- and pluri-lateral' international trade policy by signing as many FTAs as possible (Chile has signed 20 such agreements with a total of 57 countries). Chile was one of the driving forces behind the original P4 group in 2004 that gave rise to the TPP."

A Patrick Kilbride, senior director for the Americas at the U.S. Chamber of Commerce: "The Trans-Pacific Partnership has the potential—however challenging to realize—of becoming the plurilateral leaders' agreement that sets global trade standards ahead of the WTO process. Latin America cannot afford to be left behind if this train leaves the station. Intra-Asian free trade integration is proceeding apace, and there is a danger of Asia-centric preferential arrangements drawing trade and investment from our region. A TPP that includes vigorous

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Featured Q&A*Continued from page 3*

Latin American participation helps keep the trade and investment center of gravity firmly over the Pacific. Latin America has tremendous capacity for negotiating and implementing world-class trade agreements, the legacy of the Free Trade Area of the Americas negotiations, U.S. trade agreements in the region and the countries' own proliferating trade initiatives. Nevertheless, Asia is viewed as the must-have market. The participation of Chile, Peru and the United States is a good start, but every Latin American country that has the wherewithal should be pressing for inclusion in the TPP, whether in the current negotiations, or by later accession. That said, we should recognize the difficulty of completing the negotiation. A high-standard, plurilateral agreement that must finesse pre-existing trade agreements is already a high hurdle. The Obama administration will raise the bar further by trying to put its own mark on trade. But it is unclear whether the rest of the world, not to mention the U.S. trade community, is ready for the Obama trade model—or if the administration knows yet what that model looks like."

A Rodrigo Contreras, director of bilateral economic affairs for Chile's General Directorate of International Economic Relations: "The TPP process represents a unique opportunity for not only Latin American countries but also for all APEC economies to join and create the future APEC Free Trade Zone. The liberalization of goods, services and investments will bring benefits to each individual country and will further facilitate trade flows among countries, thereby increasing exports and imports with the most dynamic and fast growing continent. In terms of trade, the TPP countries represent 15 percent and 21.6 percent of Chile's exports and imports respectively. Asia represents the present and the future for Chile and Peru. The first Asian country to sign an agreement with Chile was South Korea back in 2003. After that, Chile has signed FTAs with Japan, China, India, Australia, New Zealand, Brunei

and is currently negotiating with Vietnam. Peru seems to have followed a similar path as they have signed agreements with China and is currently negotiating with Japan and Korea."

A Alan Fairlie Reinoso, professor of economics at the Pontificia Universidad Católica del Perú: "Given the slow pace of negotiations that would liberalize trade at the multilateral level and among APEC member economies, the Trans-Pacific Partnership is a very useful initiative to counter the negative effects of the deepening spaghetti bowl. This kind of multipart FTA helps to reduce trade diversion caused by bilateral FTAs. However, the negotiated agreement should have cumulative rules of origin in order to avoid complications in the production of tradable goods. The Trans-Pacific Strategic Economic Partnership (P4), originally negotiated by New Zealand, Singapore, Brunei and Chile, had the flexibility to include five more countries (Australia, Malaysia, Peru, the United States and Vietnam). Some of these countries have bilateral FTAs among themselves, so the experience will be useful as a case of convergence that can be used in other dimensions, such as the possible expansion to other APEC member economies. Furthermore, the negotiations are horizontally including many crucial issues for trade in the 21st century, such as SME development, competitiveness, transparency and trade facilitation. For Latin American countries like Peru, the agreement will expand their access to new markets with high level of demand, like Australia and New Zealand, and will be useful to further agreements with other countries with which Peru already has FTAs in the Asia-Pacific zone."

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

Latin America Advisor

is published every business day by the Inter-American Dialogue
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Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at: 1211 Connecticut Avenue, Suite 510 Washington, DC 20036 Phone: 202-822-9002 Fax: 202-822-9553 www.thedialogue.org

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