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FEATURED Q&A

Will Chile Successfully 'Import' Tech Entrepreneurs?

Q On Jan. 11, the Chilean government officially launched a program called **Start-Up Chile**, which seeks to strengthen the country's technology sector by offering entrepreneurs \$40,000, a visa and office space to develop their businesses in Santiago for a six-month period. The government says the initiative differs markedly from other top-down efforts to build tech-clusters, whereby states sponsor research universities and tech parks in an effort to attract companies and venture capital. Will the program's efforts to 'import' tech entrepreneurs be successful? What is the state of tech entrepreneurship in Chile and the rest of Latin America? What initiatives should governments in the region undertake to kick start the tech industry's development? Is there a danger that too much public money put into developing a technology industry is wasted?

A Michael Leatherbee, assistant professor of innovation at the Universidad Católica de Chile and advisory board secretary general for Start-Up Chile: "During the last decade, Chile has advanced by leaps and bounds in creating a fertile ecosystem for technology ventures. Start-Up Chile is another important jump in the right direction. There are two key challenges the country must face at this stage that are being addressed by the Start-Up Chile initiative. The first is the need to connect the

local venture capital deal-flow with the primary venture capital markets, such as Silicon Valley. There are some very promising venture-backed technology start-ups in Chile that have had difficulties obtaining later-stage funding and penetrating developed economy markets due to weak ties between local venture capitalists and their developed economy counterparts. These same start-ups would grow much quicker if the bridge between Chilean venture capitalists and U.S. venture capitalists were more developed. In this regard, Start-Up

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Colombia, Venezuela Agree to Closer Anti-Drug Cooperation

Colombian Defense Minister Rodrigo Rivera and Venezuelan Justice Minister Tareck El Aissaimi (L-R) signed an agreement Wednesday for closer cooperation on fighting drug trafficking. See story on page 2.

Photo: Colombian Defense Ministry.

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NEWS BRIEFS

At Least 21 Believed Dead in Colombia Coal Mine Explosion

An underground blast Wednesday in the La Preciosa coal mine in north-eastern Colombia seriously injured six miners and is believed to have killed at least 21, Dow Jones reported. Officials said the explosion at the small, locally-owned mine was likely a result of combustible gases.

Rescuers reportedly pulled out five bodies and 16 others are trapped and presumed dead. Six miners were brought out in "extremely serious" condition. Thirty-two miners were killed at the same mine in a 2007 blast.

Haiti's Ruling Party Announces Célestin's Withdrawal

The party of Haitian President René Préval formally announced Wednesday that its presidential candidate, Jude Célestin, was dropping out of the race, the Associated Press reported. A review of the first-round election by an Organization of American States team concluded the vote was rigged in Célestin's favor and called for his name to be dropped from the runoff ballot. A spokesman from Haiti's electoral council told the AP Wednesday that the council had not received a formal withdrawal from the Célestin campaign.

Chávez Threatens BBVA Banco Provincial Over Housing Issues

Venezuelan President Hugo Chávez on Wednesday threatened to nationalize **BBVA Banco Provincial**, a unit of Spain's **Banco Bilbao Vizcaya Argentaria**, if it did not provide the funding to finish a Caracas housing project. Following a meeting with the foreign minister, the bank's president said the bank and government agreed on an outline for resolving the problem.

Political News**Venezuela, Colombia Agree to New Anti-Drug Cooperation**

Top Venezuelan and Colombian officials signed an agreement Wednesday to cooperate more extensively in fighting drug trafficking along the countries' shared border, the Associated Press reported. Under the pact, signed by Venezuelan Justice Minister Tareck El Aissaimi and Colombian Defense Minister Rodrigo Rivera, the neighboring countries will share intelligence in an effort to coordinate anti-narcotics raids along the 1,378-mile border. The agreement will also allow the countries to exercise tighter control over chemicals used in the production of cocaine, execute money-laundering investigations and form a commission to oversee cooperation on anti-drug efforts. "This agreement reaffirms the commitment and concern of our presidents, governments and peoples to stop illegal-drug kingpins,"

said El Aissami during the meeting in Venezuela. "This is a commitment allowing us to increase the levels of cooperation and understand that this is a worldwide problem that requires a joint effort." For his part, Rivera added cooperation on anti-drug efforts is essential. "Only coor-

“ This agreement reaffirms the commitment and concern of our presidents, governments and peoples to stop illegal-drug kingpins. ”

— Tareck El Aissaimi

ordinated, joint work between both countries and the authorities of both countries is going to allow us to end the nightmare of illegal drug trafficking and all the activities associated with this criminal chain and the terrible consequences they have for our countries," he said. U.S. officials

Featured Q&A

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Chile helps to build this bridge by promoting connections between the Chilean entrepreneurial ecosystem and the international entrepreneurial community.

“ Chilean entrepreneurs tend to think small and to design their business models for the South American market rather than for the world. ”

— Michael Leatherbee

The second challenge has to do with changing the local entrepreneurial mindset. Chilean entrepreneurs tend to think small and to design their business models for the South American market rather than for the world. Nevertheless, Chileans are good at following role models. Start-Up Chile is attracting interna-

tional entrepreneurs who think big and will be able to build successful ventures that leverage Chile's advantages. These entrepreneurs will become role models that will help to prove to Chilean entrepreneurs that it is possible to build world-class ventures from Chile."

A Carlos Lara, president of **Lara & Associates LLC** and chair of **Houston Technology Center Americas**: "Emerging technologies are definitely the best tool to boost any world economy, but there are some key elements to be considered for success. First, the effort should include a committed private sector and a supportive government. It is the leadership of successful entrepreneurs and business owners that encourages and facilitates a 'new entrepreneurial spirit for their industries.' Government money may be used to complement such already developed leadership, not the other way around. The risk of making money avail-

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have criticized the government of Venezuelan President Hugo Chávez, saying he has not done enough to fight cocaine trafficking. Chávez has said his government is doing everything it can to fight illegal drugs and often criticizes the United States, saying its demand fuels the drug trade. Chávez also has said his country is seizing more drugs than ever and that anti-drug operations have improved since Venezuela stopped working with the U.S. Drug Enforcement Administration in 2005.

Economic News

Lending Growth in Brazil Increased at Slowest Pace Since July

Expansion of credit in Brazil last month grew at its slowest rate since July after policymakers tightened requirements for liquidity in an effort to prevent consumer credit from forming a bubble, Bloomberg News reported Wednesday, citing the country's central bank. Lending by gov-

ernment and nongovernment banks grew 1.6 percent in December to 1.7 trillion reais (\$1 trillion), the central bank said in a report. Policymakers tightening of capital and reserve requirements caused the average interest rates for vehicle loans to increase to 25.2 percent last month. The increase from 22.8 percent in November was the largest monthly increase in two years, the bank said. Last month, the central bank worked to remove 61 billion reais from the country's credit market. Financing for vehicles grew 49 percent in 2010. Credit is expected to increase 15 percent this year, a slower pace than last year's 20.5 percent growth, said Altamir Lopes, who heads the research department of the central bank. Bank President Alexandre Tombini, who took office Jan. 3, has said the country must avoid formation of a credit bubble by monitoring credit growth that is unsustainable. The bank boosted the benchmark interest rate to 11.25 percent from 10.75 percent last week, saying higher borrowing costs and credit curbs would be used to let Brazil meet its inflation target of 4.5 percent.

In Focus

Colombian Vice President Urges U.S. to Approve Trade Agreement

By Rachel Sadon

WASHINGTON—The United States should ratify the stalled free-trade agreement with Colombia this year as well as approve an 18-month extension of the Andean Trade Preference Act and continue support for Plan Colombia, Colombian Vice President Angelino Garzón said Wednesday during a weeklong visit to Washington in support of those objectives.

If any country doesn't ratify a free-trade agreement, "relations will not deteriorate, we will remain friends, but commerce and business relations will move," Garzón said at the National Press Club. Garzón has been meeting with members of Congress, union leaders and government officials, including U.S. Trade Representative Ron Kirk and Rep. Sander Levin (D-Mich.), to bolster approval for the stalled FTA. He is scheduled to meet with Vice President Joe Biden and Secretary of State Hillary Clinton on Friday.



Garzón

File Photo:
Colombian Gov't.

Garzón expressed confidence that the agreement, which was originally signed in 2006 but has languished in Congress alongside free trade accords with South Korea and Panama, would be signed this year, citing the support of President Barack Obama. "I made it clear that we would enforce our trade agreements, and that I would only sign deals that keep faith with American workers and promote American jobs. That's what we did with Korea, and that's what I intend to do as we pursue agreements with Panama and Colombia," Obama said Tuesday in the annual State of the Union address.

Garzón echoed the notion that the agreement was "not a handout" to Colombia, but rather a "win-win situation" that would promote economic growth and reduce unemployment in both countries. Nonetheless, he said Colombia would continue its policy of seeking out and executing trade accords with other countries, including ratification of an agreement with the European Union and an FTA with Canada that will go into effect later this year.

One of the main criticisms from the detractors of the trade deal with Colombia is the country's record of human rights violations. The vice president, a former labor activist, affirmed Colombia's commitment to human and labor rights and dedication to fighting impunity. "Action against corruption is as important on a judicial and political level as the fight against criminal groups," he said.

Company News

Oil Discoveries May Double Brazil's Output Quicker Than Expected

Recent oil discoveries off the coast of Brazil may help the company double its output more quickly than expected, the chief executive officer of state-run oil company **Petrobras** said Wednesday, Bloomberg News reported. The discoveries include a "very important" find in deep water in Brazil's offshore Carioca field, José Sergio Gabrielli added in an interview with Bloomberg TV in Davos, Switzerland. With the oil from Carioca and other discoveries, the Rio de Janeiro-based company may be able to double its domestic production to 4 million barrels daily before its 2020 target, Gabrielli said.



Gabrielli

File Photo: Petrobras.

Featured Q&A*Continued from page 2*

able without a private-sector structure may release funds for individual projects that mean little regionally, and the technology may leave the city from where it belongs; or worse, not be a feasible project at all. Second, the effort should be focused in those sectors that the region has a competitive advantage of targeted

“Government money may be used to complement such already developed leadership, not the other way around.”

— *Carlos Lara*

market, talent and/or expertise. Focusing in those sectors will motivate entrepreneurs to propose solutions to existing industry needs, create synergies with other existing technologies and definitely import capital and talent; all which will benefit the region. Again, not doing this, the region may be exporting ideas, instead of attracting resources. Finally, is not just about the money; the education, insight and access to the targeted market are important requirements to foster regional technology entrepreneurship. It's about creating a path to commercialization of the technologies, with a full scope for a true success. Any region in the world should analyze its industries, motivate its business community and get public and private sector together to encourage emerging technologies."

A **Gate Ambrose, president of the Latin America Venture Capital Association:** "The Latin America Venture Capital Association (LAVCA) has tracked a number of important state-sponsored initiatives in Latin America that aim to spur the development of venture capital industries: programs hosted by CORFO in Chile, FINEP and BNDES in Brazil, Bancoldex in Colombia and Fondo de

Fondos in Mexico. Rather than investing in tech parks or channeling public funds to targeted high-tech industries, many of these agencies host funds-of-funds that back venture capital managers, often investing alongside the local pension funds and development finance institutions such as FOMIN/IDB, IFC or CAF. Under this model, the state puts the onus on venture capital and private equity managers to identify ventures with high growth/high profit potential. The LAVCA Scorecard ranks 12 countries in the region on the investment environment for venture capital based on indicators that measure public policy and regulation, as well as entrepreneurship. Government contracts and public funding have been critical ingredients in the genesis of venture capital industries in the United States, Israel and Singapore. In Brazil, the Inovar program launched by FINEP 10 years ago resulted in the first generation of early-stage fund managers in that country. CORFO in Chile has been active for more than five years backing local fund managers, with the requirement that the businesses they invest in qualify as 'innovative.' New efforts by the Piñera administration, such as Start-Up Chile, send a positive signal and are already attracting global investors to the country, but there is a general sense that some of the premises and goals (such as launching 100,000 new start-ups in four years) will ultimately have to be revised. As to the competitiveness of the tech sector in Latin America, today Argentina and Chile are competing globally as markets for business process outsourcing and software development. Both countries have strong scientific and academic institutions, and Argentina is now a global leader in the design of video and online games. But it seems less likely that the region will lead in developing cutting-edge information technology innovation anytime soon."

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

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Erik Brand

General Manager, Publishing
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Rachel Sadon

Reporter, Assistant Editor
rsadon@thedialogue.org

Inter-American Dialogue

Michael Shifter, President

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Subscription Inquiries are welcomed at fretrial@thedialogue.org

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