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FEATURED Q&A

How Are Global Biofuels Trends Changing?

Q At the end of 2011, the United States overtook Brazil as the world's top ethanol exporter—though U.S. imports from Brazil have been growing as a result of domestic regulation in the United States. Countries like Thailand have also increased their ethanol exports to traditional Brazilian markets, such as China, as the South American nation struggles to meet domestic demand. What trends in the global biofuel market, including advanced biofuels and bio-based products, will be seen in the medium- to long-term future? How are Brazil's biofuels production trends and government policies for the sector changing, if at all? What accounts for the two-way ethanol trade between the United States and Brazil?

A Bob Dinneen, president and CEO of the Renewable Fuels Association: "The global ethanol industry is in an exciting period of evolution as greater emphasis on trade and a focus on technological innovation is increasing supplies, developing new feedstocks and reducing costs. The result has been an increasingly globalized commodity driven by market forces. For example, after years of being a safe harbor for exporters of ethanol, the United States has become the world's largest producer and exporter. Last year, more than 1 billion gallons of the nation's 14 billion gallons of ethanol production found its way into gas tanks all over the world, including Brazil. This dramatic shift from importer to exporter is indicative of the growth of the global industry and the opportunities a robust ethanol industry represents for many nations. Threats to increased trade among nations do exist, and Brazil is a prime example. After decades of protest against U.S. ethanol policies, the Brazilian government has engaged in far more unpredictable and trade-distorting practices than were ever in place in the United

Continued on page 4

Argentine Labor Confederation Splits With Moyano's Election

Truckers' union leader Hugo Moyano was re-elected Thursday as head of the umbrella CGT labor confederation in a vote opposed by rival unions and President Cristina Fernández de Kirchner. Moyano's election led the CGT to split in two. See story on page 2.

File Photo: Buenos Aires Diario.

Inside This Issue

FEATURED Q&A: How Are Global Biofuels Trends Changing? 1

Argentina's CGT Labor Federation Splits in Two With Moyano's Election 2

López Obrador Files Legal Challenge to Mexican Election Results 2

Wreckage of Downed Colombian Air Force Plane Found 2

Bolivia Willing to Compensate South American Silver Corp. 3

The Dialogue Continues: How Significant Is Obama's Immigrant Amnesty Action? 3

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NEWS BRIEFS

Wreckage of Downed Colombian Air Force Plane Found

The wreckage of a Colombian Air Force plane was located Thursday, a day after it went missing, the BBC reported. FARC rebels have claimed responsibility for downing the Embraer Super Tucano, though President Juan Manuel Santos said it was highly unlikely that the rebel group had the capacity to shoot the plane down. The FARC handed the body of one of the two pilots to the International Committee of the Red Cross, while the other was recovered at the crash site.

Chile's Piñera Signs Anti-Discrimination Law

The president of Chile signed an anti-discrimination law on Thursday after the law was approved by Congress in May, the Associated Press reported. The hate-crime law had been stalled for seven years but the brutal killing of a gay man, Daniel Zamudio, prompted its passage. Prosecutors are seeking murder charges against four suspects in Zamudio's death, some of whom have a history of attacks on gays. "Without a doubt, Daniel's death was painful but it was not in vain," said Piñera.

BTG Pactual, Former Vale CEO Establishing Mining Venture

Brazil's **BTG Pactual** and Roger Agnelli, the former chief executive officer of mining giant **Vale**, are setting up a new mining venture, the bank said Thursday in a securities filing, Reuters reported. The venture, involving Agnelli's investment company, **AGN Participações**, will focus on Latin America and Africa and will have investments of as much as $520 million to finance the business' growth, including acquisitions, said BTG.

Political News

Argentina's CGT Labor Federation Splits in Two With Moyano's Election

Argentina's largest organized labor federation, the CGT, fractured on Thursday as backers of the group's leader, Hugo Moyano, re-elected him in a vote that rival union leaders and President Cristina Fernández de Kirchner rejected, Reuters reported. Moyano, who heads the 200,000-worker truckers' union, is able to bring the industry to a halt during labor disputes. Last month, a two-day strike of fuel truckers led to shortages at gas stations and an angry response by Fernández's government. Moyano, a former ally of the president, also has the support of unions connected to the country's oil, shipping and travel industries. Union leaders opposed to Moyano will hold their election in October and are expected to choose Antonio Calo, the head of the metal workers' union, as their leader. Calo, a Fernández supporter, has blasted Moyano for seeking a third term as leader of the umbrella CGT federation. "The division of the labor movement, of the CGT, isn't good for the workers," Calo said in a local radio interview. "Up until the very last minute, we tried to see if we could unify the two ballots in October, but we couldn't reach an agreement." The CGT's split could temper Moyano's power, but it also could lead to greater unrest in organized labor. Moyano has been demanding that due to the country's double-digit inflation, Fernández's government should raise the threshold for the requirement of paying income tax. "This issue of inflation is getting unsustainable," Moyano told his backers after winning Thursday's election. "The workers can't support this unjust tax any longer." Late last month, Moyano led a protest that drew thousands of truckers to the presidential palace in Buenos Aires, the largest demonstrations against Fernández's government since a farmers' protest in 2008. [Editor's note: See related Q&A in Thursday's *Advisor*.]

Union leaders opposed to Moyano will hold their election in October.

López Obrador Files Legal Challenge to Mexican Election Results

Andrés Manuel López Obrador, who came in second in Mexico's July 1 presidential election, on Thursday filed a legal challenge to the results, alleging that Enrique Peña Nieto won the vote through fraud by his Institutional Revolutionary Party, the PRI, BBC News reported. Last Friday, electoral authorities confirmed Peña Nieto as the winner, saying he was elected with 38.21 percent, to López Obrador's 31.59 percent. López Obrador, of the Democratic Revolution Party, or PRD, claims that Peña Nieto won through vote-buying and other illegal actions by the PRI. "The purchase and manipulation of millions of votes cannot give certainty to any result nor to the overall electoral process," López Obrador told reporters Thursday night. Peña Nieto also violated campaign finance rules barring overspending and Mexico's media were slanted in support of Peña Nieto, López Obrador alleged. "Article 41 of the constitution, which states that elections must be free and fair, was violated," he said. In 2006, López Obrador lost the presidential election by less than one percentage point and led weeks of demonstrations that gridlocked downtown Mexico City. Pedro Joaquín Coldwell, the head of the PRI, on Thursday called López Obrador a "sore

López Obrador filed the legal challenge on Thursday.

Photo: López Obrador campaign.

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loser" and called his allegations "baseless." López Obrador's complaints after the July 1 election led electoral authorities to re-check about half of the ballots. After the recount, election officials said the result would stand. The Federal Electoral Institute, which received López Obrador's legal challenge just before a midnight deadline, will submit the challenge early next week to the Federal Electoral Court. The court then must rule on the election's validity by September.

Economic News

Chilean Central Bank Keeps Key Interest Rate Unchanged

Chile's central bank on Thursday kept its key interest rate unchanged at 5 percent for a sixth straight month as economy of the world's largest copper producer continues growing despite global economic turmoil, Bloomberg News reported. The bank, led by Rodrigo Vergara, kept the rate unchanged, as predicted by all 16 analysts in a recent Bloomberg survey. The last time the bank changed the rate was in January, when policymakers cut the benchmark rate a quarter point. Chile's economy is on pace for faster growth than the regional average, according to the United Nations. The country also has low inflation. Those factors will lead monetary policymakers to avoid cutting rates until Chile sees more of an effect from China's slowdown and Europe's debt crisis, Felipe Jacque, lead economist at **BBVA Research Chile**, told Bloomberg News. "In light of what's happening with the global and domestic economies, the wait-and-see approach is much more appropriate than anything else," he told the news service in a phone interview. Chile's gross domestic product grew 5.6 percent in the first quarter as compared to the same period last year. That was its fastest growth rate since the second quarter of 2011.

Vergara

File Photo: Chilean Central Bank.

The Dialogue Continues

How Significant Is Obama's Immigrant Amnesty Action?

Q President Barack Obama announced on June 15 that the United States would no longer initiate deportation proceedings against undocumented immigrants who arrived in the country before age 16, are younger than 30 and meet other conditions that include having clean criminal records. Obama made the announcement five months before the U.S. presidential election in which Hispanics are playing an increased role. What are the economic and political impacts of Obama's announcement? Will it have a significant effect on the presidential race? Is the decision significant for U.S. relations with Mexico or other Latin American countries?

A Jim Kolbe, former U.S. congressman from Arizona and a member of the Inter-American Dialogue: "President Obama's decision can be seen as either a humanitarian gesture or a cynical political maneuver—or both. And both would be the correct answer. Only a few months ago, the president said he could not take this action on his own accord because the law would not permit it. That he has chosen to do so now shows he has a clear eye on the election politics of the decision. On the other hand, it is hard to find a justification for deporting young people who came here as children, usually not of their own volition, but who have adjusted quickly to their adopted country and now consider themselves Americans. Since these are people who have been here for years, the economic and political impact of removing the cloud of deportation will have little economic or political impact. Similarly, while the gesture will be seen in Mexico and Central America in a positive light, it is not likely to have a major effect on relations with the United States, which revolve around much more fundamental issues. Where it is likely to have a significant impact is in the presidential race and the battle to secure the Hispanic vote. Therein lies the dilemma for both candidates. Romney needs more of the Hispanic vote, but he cannot afford to alienate his base, which demands a hard line on illegal immigration. Obama needs gestures like suspending deportation of young people to keep his base happy, but in doing so risks turning away many independents who also want a tough approach to illegal immigration. It is an unsteady tightrope both Obama and Romney find themselves on. We'll know in a few months which of the candidates successfully navigates their way to the other side of this cultural and ethnic chasm."

Editor's note: The above is a continuation of a Q&A published in the July 2 issue of the Advisor.

Company News

Bolivia Willing to Compensate South American Silver Corp.

Bolivia's government said Thursday that it is willing to compensate Canada-based **South American Silver Corp.** for revoking its concession on a project that had been expected to produce approximately 13.2 million ounces of silver per year, Reuters reported. However, the government said the compensation would not be anywhere near the $16 million the company has said it already invested in the Malku Khota project. Bolivian President Evo Morales said earlier this week that he had signed an agreement with demonstrators opposed to the project. The agreement said the government would revoke all the concessions it granted to the company's local unit.

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Featured Q&A

Continued from page 1

States. Unpredictable tariffs, lavish government subsidies and vacillating government mandates all contribute to limiting the amount of U.S. ethanol entering Brazilian markets, despite the cost benefits of U.S. ethanol use. The potential of ethanol and biofuels to reduce the world's dependence on oil and create economic opportunity in nations big and small is incredible. Thoughtful policies and international cooperation will be critical to ensuring new technologies succeed and markets grow. The United States is committed to seeing ethanol and other biofuels achieve this potential."

Mark Langevin, director of BrazilWorks and associate researcher at the Centro Universitário de Brasília: "According to the IEA, biofuel consumption could reach 20 percent of liquid fuels by 2050. Like many newcomers, Thailand instituted a national biofuel policy to boost production, but it has failed to regulate the domestic fuel market to balance consumption of ethanol (blend mandate) and gasoline (taxation). The result has been surplus production for export to China and Japan and idle capacity. This outcome stands in stark contrast to Brazil and the United States, where demand is carefully regulated to absorb supply with oscillating periods of surplus or excess demand. Brazil's capacity to export ethanol to the United States during the last decade led U.S. policymakers to introduce policies to generate greater production and demand for ethanol, unleashing a torrent of investment in the production chain. Today, the United States can export its surplus to meet Brazil's mounting demand. This scenario is unlikely to hold as the United States considers policy alternatives to raising domestic demand (such as the E15 blend) while Brazilians aim to guarantee nationally produced supplies. Brazil's regulatory agency is considering new rules mandating that producers hold ethanol reserves to meet periodic demand spikes and the government's economic and social development bank, BNDES, will now finance projects to store these needed reserve supplies. To reach the IEA biofuel consumption goal, producer nations and investors throughout the world will need to raise productivity (and develop second-generation fuels) and manage supply and demand through national policies and the liberalization of exports to insure stable and competitive prices at the pump."

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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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

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Subscription Inquiries are welcomed at freetrial@thedialogue.org

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