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FEATURED Q&A

What Hurdles Face Brazil Ahead of the Olympics & World Cup?

Q At the closing ceremony of the London Games on Sunday, the Olympic flag was officially passed to Rio de Janeiro, beginning the four-year countdown to the first Olympic Games to be held in South America. Brazilian organizers have said they have learned valuable lessons from London and are on track for the 2016 Games. What are the biggest challenges that Brazil faces in preparing for the next Olympics, as well as the 2014 FIFA World Cup? Will the country's transportation systems and other infrastructure be capable of handling the mega-events? How well will the country deal with security, corruption and other issues?

A Alberto Murray Neto, partner at Paulo Roberto Murray—Advogados: "The biggest challenge that Brazil faces is organizing an Olympic Games that will fit into the initial estimated budget and leave a valuable legacy to the Brazilian people, particularly the citizens of Rio de Janeiro. The Pan American Games cost 1000 percent more than initially presented. And there was no legacy for Cariocas. The World Cup has an even bigger challenge, as some of the stadiums that are being built will surely be useless after the tournament. The government is constructing major stadiums in cities that do not have basic sanitation systems for the entire population. This is outrageous. Transportation is a key issue in Brazil, not only because of the mega-events, but for the country's own needs. However, construction is far behind schedule and there may not be enough time to do all that is needed. Authorities will not do in four years what they have not done in 400. A rapid train linking São Paulo and Rio will not happen. Traffic jams in the cities are terrible. Our airports are packed. My hope is that, at least for the Olympics, Rio will provide some alternative transportation means to bring people from the center of the city to Barra da Tijuca, where most of the events will take place. Rio is

Continued on page 3

Medina Takes Office as the Dominican Republic's President

Danilo Medina, who won a first-round victory in the Dominican Republic's presidential election three months ago, took office on Thursday. In his inaugural address, Medina vowed to fight poverty and corruption and create jobs. See story on page 2.

Photo: Dominican Government.

Inside This Issue

FEATURED Q&A: What Hurdles Face Brazil Ahead of the Olympics & World Cup?.....1

Britain, Sweden Criticize Ecuador's Decision on Assange.....2

Medina Sworn in as Dominican Republic's President 2

Vale Postpones Canadian Potash Project 2

Colombian, Peruvian Consortium Wins $396 Million Highway Bid 3

Argentina's Capital Flight Accelerates in Second Quarter 3

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NEWS BRIEFS

Vale Postpones Canadian Potash Project

Vale is postponing a $3 billion potash project in Canada's Saskatchewan province, CEO Murilo Ferreira said, Bloomberg News reported Thursday. The Brazilian company is focusing on its biggest project, the $8.04 billion expansion of Serra Sul, the world's largest iron-ore mine. Ferreira said the company is also reassessing other projects as it reviews spending plans. Iron-ore prices are at their lowest level since December 2009 amid weaker growth in China and the shaky global economy.

Colombian, Peruvian Consortium Wins $396 Million Highway Bid

A consortium of Colombian and Peruvian companies won a concession to build and maintain a 267-mile highway in Peru that connects Arequipa to the Chilean border, Bloomberg News reported. The group of companies includes Peru's **Chung & Tong Ingenieros** and Colombian firms **Pavimentos Colombia** and **Nexus Infraestructura**.

Western Union Imposes Transfer Limit in Jamaican Parish

Western Union has reopened three locations in Jamaica's northern St. James Parish, but has imposed money transfers to $400 there in the wake of a scam in which criminals have conned victims, mainly elderly American tourists, out of millions of dollars. In early August, Western Union shut down its outlets in the parish, which includes the Montego Bay resort city, after the emergence of the swindle, in which crooks tricked victims into transferring money through the use of mobile phones in order to claim fake lottery winnings.

Political News

Britain, Sweden Criticize Ecuador's Decision on Assange

British and Swedish officials on Thursday criticized Ecuador's decision to grant political asylum to Julian Assange, the WikiLeaks founder who has been holed up in the South American country's London embassy since June. Assange is seeking to avoid extradition to Sweden where he faces questioning over allegations of sexual assault. Ecuadorean Foreign Minister Ricardo Patiño announced Thursday morning that Ecuador was granting Assange's asylum request, but Britain has refused to grant the Australian safe passage out of the embassy. British Foreign Secretary William Hague said there is "no legal basis" for allowing Assange to leave the embassy without fear of arrest and said the case would drag on for a "considerable time," BBC News reported. Hague added in a statement that Britain has a "binding obligation" to extradite Assange to Sweden. "It is important to understand that this is not about Mr. Assange's activities at WikiLeaks or the attitude of the United States of America. He is wanted in Sweden to answer allegations of serious sexual offenses," said Hague. Patiño expressed hopes Thursday that talks with British officials would "overcome this." British officials should respect Ecuador's "sovereign decision," or else "we will use the alternatives under international law to demand the safe passage," Patiño told BBC Mundo. "We don't think it is reasonable that, after a sovereign government has made the decision of granting political asylum, a citizen is forced to live in an embassy for a long period." Anders Joerle, a spokesman for Sweden's foreign ministry, said it was "unacceptable that Ecuador would want to halt the Swedish judicial process," BBC News reported. Britain has threatened to revoke the embassy's diplomatic status, which could allow British authorities to enter the embassy and arrest Assange. Claes Brogstrom, the attorney representing the two Swedish women who have lodged the sexual assault complaints against Assange, said that if brought to Sweden, the WikiLeaks founder would be treated as a "normal case" in the country's justice system. "There's no demand from the United States that he should be extradited to the U.S.," he added.

Assange

File Photo: Interpol.

Medina Sworn in as the Dominican Republic's President

Danilo Medina, who was elected the Dominican Republic's president three months ago in a close vote, was sworn in on Thursday. Medina, of the Dominican Liberation Party, or PLD, vowed in his inaugural address to create jobs, invest in the country's educational systesm and fight corruption, BBC News reported. "I'll be good for the honest and poor, but merciless with the dishonest and opportunistic," said Medina, a 60-year-old economist. In addition, Medina said he would expand projects to improve the Caribbean nation's infrastructure, including roads and a subway system as well as hospitals, the Associated Press reported. Medina added that fighting poverty would be a main objective of his administration. "I launch an appeal to all sectors to come together and form a pact to lift one and a half million Dominicans out of poverty over the next four years," he said during the swearing-in-ceremony, Agence France-Presse reported. "I came here not driven by a desire for power but by my unwavering commitment to serve my people." Medina won 51 percent of the

> "I'll be good for the honest and poor, but merciless with the dishonest and opportunistic."
>
> ***— Danilo Medina***

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vote in the first round of the presidential election on May 20. That percentage allowed him to avoid a runoff against his rival, former President Hipólito Mejía. Mejía, of the Dominican Revolutionary Party, or PRD, refused to immediately concede and accused Medina's party of vote-buying. Mejía finally conceded and wished success for Medina's government. Outgoing President Leonel Fernández was constitutionally barred from running for a third term and left office with an approval rating of 70 percent, the AP reported.

Economic News

Argentina's Capital Flight Accelerates in Second Quarter

Capital flight from Argentina sped up in the second quarter after President Cristina Fernández de Kirchner's government tightened controls on foreign exchanges and required companies to repatriate revenues from exports, Bloomberg News reported. In a statement Thursday night, the central bank said investors pulled $1.96 billion out of the South American country's economy from April through June. That compares with $1.6 billion that was withdrawn in the first quarter. Last year, Argentines withdrew $21.5 billion from the country, as compared to $11.4 billion the previous year. Argentina's currency controls, a slowing economy and inflation have put pressure on borrowing costs, pushing them to 1,010 basis points above U.S. Treasuries. "The more measures you take to control the outflows, the more incentive people have to try to get dollars out," Alberto Bernal, head of fixed-income research at **Bulltick Capital Markets** in Miami, told Bloomberg News. "In the short term, these measures help contain outflows, but it costs them in the long-term in stronger expectations for a currency depreciation."

Fernández

File Photo: Argentine Government.

Featured Q&A

Continued from page 1

undertaking projects to enhance its transportation system and I hope they have time to do it all. Another key issue is cleaning the polluted Guanabara Bay, where the sailing will take place. Security, I believe, will not be a major problem because the Brazilian army will go to the streets in a coordinated action with the federal and state police. Rio has shown good security organization when hosting major events. Corruption is very difficult to control and stop. Non-governmental organizations must control expenses by keeping a very close watch and figures must be totally transparent."

Andrés Rozental, member of the *Advisor* board, president of Rozental & Asociados in Mexico City and senior fellow at the Brookings Institution: "After what has been universally characterized as a tremendous success by London in organizing the Olympics, Rio de Janero and Brazil will have a tough act to follow. While London is generally a disciplined and orderly city, Rio, like many other large urban concentrations in developing countries, is somewhat chaotic and disorganized. The biggest challenge the Brazilians face is to somehow make logistics work during both the World Cup in 2014 and the Olympics in 2016. A large hotel deficit in Rio, combined with poor public transportation networks and phenomenal traffic congestion—especially in São Paulo—will present huge challenges to the authorities as they prepare for the influx of tens of thousands of athletes and spectators. While there is still time to build the necessary new infrastructure, Brazil needs to accelerate preparations and ensure that the airports, roads, transportation facilities and stadiums are ready. Neither FIFA nor the International Olympic Committee seem to be worried that things are not on schedule, but the risk remains that some of the major projects might not be in place by 2014. Security is also a concern, but more from the perspective of localized crime and violence, than from any terrorist threat. The mayor of Rio de Janeiro was in London twice during these past Olympics and was able to take advantage of watching the recently concluded Games to better understand the size and complexity of the events and how to adequately prepare for every contingency. Having attended several of the events in London myself, I can't underestimate the task ahead and Brazil's challenges in preparing for their time in the sun."

> "While London is generally a disciplined and orderly city, Rio, like many other large urban concentrations in developing countries, is somewhat chaotic and disorganized."
>
> — *Andrés Rozental*

Thomas Rideg, managing director of Global Intelligence Alliance: "One challenge is what payback Brazilians will receive from their investments. The Olympics present an easier argument as Rio will double its hotel capacity, have new state-of-the-art parks and sport centers and the utilization of the city's public transportation will increase from 18 percent to 63 percent of the population. This is less arguable regarding investments in stadiums in other cities, such as Natal, which are required for the World Cup. Another challenge has to do with the governing environment. Dealing with a federal government, 12 states and cities in preparation for the World Cup involves more bureaucracy than dealing with the federal government, one state and one city for the Olympics. The biggest challenge facing both events is the constant suspicion of corruption in the bidding process and construction rollouts. Even though construction is underway, FIFA

Continued on page 4

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Featured Q&A

Continued from page 3

has more to worry about than does the International Olympic Committee. Most stadium improvements have begun but none are within the scheduled timeframe. Transportation, infrastructure and safety developments are harder to measure and some are ahead of others. On the other hand, Rio's Olympic organizing committee stated this week that 47 percent of the projects are ready (though critics say this figure is bloated). Two critical steps that remain to be tackled are transportation and safety. Some credible measures have been taken, such as the development of a Pacifying Police Unit, but these are very big issues. Brazil has taken a wise step by seeking a partnership with Britain. The British would cooperate with planning for both events, leveraging the successful experience of the London Olympics. Of Brazil's 30 billion real budget, 22.5 billion reais in investments have been announced. Critics say this doesn't cover everything promised, such as rebuilding Maracanã Stadium, the international airport, communications, safety and other related investments which will likely push the figure to twice the proposed budget. Having seen Brazil's trajectory at hosting events, albeit smaller ones, I remain confident that both events will be a success, but the steps to get there will be bumpy."

> "The biggest challenge facing both events is the constant suspicion of corruption in the bidding process and construction rollouts."
>
> — ***Thomas Rideg***

Otávio Nese, president of the Project Management Institute's Brazil Chapter: "From the delivery of the official flag to Rio de Janeiro, Brazil has four years to plan, execute and deliver a city that is ready for the 2016 Olympics. If we compare it with the World Cup, which is rather more worrying, the challenges are fewer because it is a mega-event in just one city, but they are no less relevant. The major problem for both events is adequate planning. All programs and projects that involve the government suffer excessive bureaucracy. This means they face excessively long waiting periods for approval, and as a result cannot reflect the scope and budget originally approved. Another important factor in an already tight deadline, especially for the World Cup, is the municipal elections. They are causing a standstill for various projects until next year as a result of the parties' political concerns and strategies. This lost time can be costly, invariably at the expense of additional contracts. It is good to remember the need for professionals in all areas, especially in the form of communication with the thousands of tourists and fans. This is a major factor in the reflection of the image and hospitality of Brazil abroad. Finally, it is expected that the private sector projects, which include the World Cup stadiums and facilities for the Olympics, will be ready on time. But considering the other infrastructure projects and support projects that are the public sector's responsibility, such as urban mobility and public safety, the situation is still worrisome, since the planning is slow and tenuous. "

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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