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FEATURED Q&A

Is Peña Nieto Surrounding Himself With the Right People?

Q Enrique Peña Nieto was inaugurated as Mexico's 57th president on Dec. 1. Just before taking office, he announced appointments to key cabinet posts, including Miguel Ángel Osorio Chong as interior minister, José Antonio Meade as secretary of foreign affairs and Pedro Joaquín Coldwell as energy minister. Do Peña Nieto's choices indicate anything new about his governing plans? Are his picks well-suited for their posts? What challenges await Peña Nieto and his new ministers in the short term?

A Duncan Wood, director of the Mexico Institute at the Woodrow Wilson Institute for Scholars: "The new cabinet, in its essence, is clearly a political creation. The goals were twofold and linked to satisfy the demands of key constituents within and outside the PRI, and to maximize the potential for negotiating crucial reforms. The appointments do not necessarily have anything to do with each individual's merits in that issue area. Take energy for example: the appointments of Coldwell as energy minister and Francisco Rojas as the head of the Federal Electricity Commission are a sign that Peña Nieto is calling on two of his big political guns to throw their weight behind the coming reform. José Antonio Meade was one of the bigger surprises. He has no prior experience himself in the area of foreign policy, although he does have international experience from his time at the Finance Ministry and the G20 finance minister meetings. But his appointment is a nod to continuity with the previous administration and a potential help with negotiating with the PAN. Osorio Chong's nomination as interior minister is an intriguing one. By naming him to this position, and by calling for a greatly increased area under his control, Peña Nieto is hoping to win Osorio Chong's loyalty and guarantee the support of an important section of the PRI. But overnight, Osorio Chong has become one of Mexico's most

Continued on page 3

Chávez May Be Too Sick for Jan. 10 Inauguration: Officials

Venezuelan President Hugo Chávez, who underwent a six-hour cancer surgery earlier this week, faces a difficult recovery and may be too ill to attend his own inauguration on Jan. 10, officials said Wednesday. See story on page 2.

File Photo: Venezuelan Government.

Inside This Issue

FEATURED Q&A: Is Peña Nieto Surrounding Himself With the Right People?....1

Venezuela's Chávez May Be Too Ill for Inauguration: Officials 2

Honduran Lawmakers Oust Supreme Court Justices.....2

Panama Files Complaint Against Argentina in WTO 2

Banco do Brasil Eyeing Acquisitions in South America.....3

YPF Offers Individual Investors Bonds in Push for Private Capital 3

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NEWS BRIEFS

Panama Files Complaint Against Argentina in WTO

Panama on Wednesday filed a complaint against Argentina at the World Trade Organization, Reuters reported. It is the eighth case lodged against Argentina with the WTO since May. That is equal to the entire number of complaints filed worldwide with the WTO last year. Argentina's taxes and rules on company registrations were among the points of dispute in Panama's complaint, the WTO said. The United States, European Union, Japan and Mexico have filed complaints against Argentina and Argentina has filed two complaints against the United States and one against the European Union.

Brazilian Congress Speeds Up Royalties Vote

Brazil's Congress has voted to give "urgent" status to the oil royalties bill and will debate the plan before lawmakers' recess begins on Dec. 22, Dow Jones reported. President Dilma Rousseff has vetoed parts of the bill that apply to distributing revenue from existing oil fields in a bid to appease the country's three main oil-producing states. The holdup in the legislation has delayed development of new oil fields.

Ecuadorean Economy to Grow 5 Percent in 2012: Correa

Ecuadorean President Rafael Correa on Wednesday said that the country's economy is likely to end the year with 5 percent growth and the full-year inflation rate will be under 5 percent, Reuters reported. Ecuador's economy grew 8 percent in 2011 and 3.3 percent the year prior. Strong economic growth is expected to help propel Correa to an easy victory in the February presidential elections.

Political News

Venezuela's Chávez May Be Too Ill for Inauguration: Officials

Venezuelan President Hugo Chávez, who underwent a six-hour cancer surgery earlier this week in Havana, faces a difficult recovery and may be too ill to attend his own inauguration on Jan. 10, Venezuelan officials said Wednesday, the Associated Press reported. The country's information minister, Ernesto Villegas, expressed hopes that Chávez would be able to return to Venezuela to begin his new term, but added that if he is unable to be sworn in

A president cannot designate another person as a stand-in at an inauguration and cannot be sworn in outside of Venezuela.

"our people should be prepared to understand it." In a statement posted on a government Web site, Villegas said it would be irresponsible for the government to hide information about the "delicateness of the current moment and the days to come." The information minister said the situation is akin to "when we have a sick father, in a delicate situation after four surgeries in a year and a half." Venezuela's constitution requires presidents to take the oath of office before the National Assembly or the Supreme Court. Román Duque-Corredor, a former magistrate of Venezuela's Supreme Court, told the AP that a president cannot designate another person as a stand-in at an inauguration or be sworn in outside of Venezuela. A new president could be sworn in if temporarily incapacitated, but must be in the country and conscious, he added. If lawmakers declare an incoming president incapacitated, a special election must be held within 30 days, with the president of the National Assembly filling the presidency in the interim. Just before leaving for Cuba, Chávez urged Venezuelans to back Vice President Nicolás Maduro as his chosen successor if his health forced him to step down. Maduro said Wednesday that Chávez faces a "complex and hard" recovery after this week's surgery. Despite some observers' views that Maduro would face difficulties in holding together the president's "Chavismo" movement, Maduro stressed unity. "We're more united than ever," Maduro said alongside Oil Minister Rafael Ramírez and National Assembly President Diosdado Cabello, who are both among the members of Chávez's inner circle. "We're united in loyalty to Chávez."

Honduran Lawmakers Oust Supreme Court Justices

In an early-morning vote on Wednesday, Honduras' Congress ousted four of the five justices of the constitutional chamber of the country's Supreme Court, the Associated Press reported. Attorney General Luis Rubi denounced the lawmakers' action after the justices rejected a proposal by President Porfirio Lobo aimed at fighting corruption in the national police. "No one is above the law, not the congress, not the president of the congress or of the republic," said Rubi, the AP reported. "We're analyzing the responsibility of those who made this decision and whether we need to act." Legal officials in Honduras on Wednesday were debating the move, which may have violated the constitution. The justices have been in place since January 2009 and have overruled several of Lobo's reform initiatives. "The conduct of the judges endangered citizen security and is manifestly contrary to the interests of the state," said the sponsor of the legislation, Congressman Jeffrey Flores, a member of Lobo's National Party. In a statement Wednesday, the justices said their dismissal was "illegitimate, illegal and unjust" and said they are entitled to due

Lobo

File Photo: Honduran Government.

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process. Congress also named replacements for the ousted justices, making it unclear who is actually serving on the court. Honduras' Congress elects justices, who can only be removed for malfeasance and not because of their rulings, an unnamed Supreme Court attorney told the AP. Members of Congress opposed to the justices' removal said the action sends a message to other countries that the Central American nation has chaotic politics. "The legislature is intimidating the judiciary," José Saavedra, the head of the Liberal Party in Congress, said Wednesday. "It violates the separation of powers." Late on Tuesday, lawmakers also approved legislation allowing the president or Congress to let the public vote on the police corruption measures and other issues through referendum.

Company News

Banco do Brasil Eyeing Acquisitions in South America

Banco do Brasil, Latin America's largest bank by assets, is eyeing acquisitions in Chile, Colombia and Peru as it seeks to expand in South America, the bank's international vice president, Paulo Rogerio Caffarelli, told Dow Jones Wednesday. The bank said earlier this year that its overseas units contribute less than 5 percent of the bank's profit, and that it aims to increase that to 10 percent within the next two years. The expansion plans are an effort to meet the needs of Brazilian companies with operations outside of the country, foreign companies operating in Brazil and Brazilians living abroad, said Caffarelli. Banco do Brasil recently was authorized to operate a banking agency in Shanghai where it currently has only a representative office, he added.

YPF Offers Individual Investors Bonds in Push for Private Capital

Argentine state oil company **YPF** is attempting to lure individual investors to raise private capital, Bloomberg News reported Wednesday. YPF, which was nationalized from majority owner **Repsol** earlier this year, hopes a yield of 19 percent will tap into the $71 billion that Argentina's citizens hold on deposit at local banks. The pricing of the one-year notes is above the 12.5 percent banks pay for 30-day deposits, but less than inflation estimates of most objective economists. YPF is trying to finance a $37.2 billion production plan, but due to Argentina's sovereign default a decade ago, it remains priced out of international capital markets.

Featured Q&A

Continued from page 1

powerful figures, and the president will need to take care to closely coordinate the approach of the his office with Osorio Chong's."

A James R. Jones, member of the *Advisor* board and Co-chair of Manatt Jones Global Strategies: "President Peña Nieto's cabinet choices indicate two things—first, that economic growth is his top priority and second, that he wants technically competent people who have experience in politics and public policy to push the reforms needed to grow the economy. Finance Minister Luis Videgaray, who headed the transition team, exemplifies this. He is a very smart economist who has held political office both in the state of Mexico and in Congress. That combination of practical politics and technical competence extends to Interior Minister Osorio Chong, Foreign Minister Meade, Economy Minister Guajardo and Energy Minister Joaquin Coldwell. His appointment of Emilio Chuayffet, a longtime antagonist of teachers' union president Elba Esther Gordillo, is a clear signal that Peña Nieto is serious about education reform, a measure so necessary to Mexico's long-term economic viability. Peña Nieto knows that his ambitious goals to grow the economy, improve the rule of law and reduce corruption can only be accomplished if the Congress and state governors support him. That's why he needs a team that knows both substance and politics to get things done. The immediate challenges are to pick a couple of significant reforms that can pass the Congress. Then, he can build on those early victories and gain political power to systematically push the remainder of the reform agenda."

A Ruben Olmos, partner at Global Policy Strategies in Washington: "As with most of his decisions since winning the presidency, President Enrique Peña Nieto was strategic in picking his staff at Los Pinos and his cabinet in general. There were very few surprises. The president decided to give key posts to the so-called technical group led by his friend, Finance Minister Luis Videgaray, who will have influence over key areas such as foreign policy, energy policy, especially in Pemex and the president's economic reforms. The security/political apparatus will be led by Miguel Ángel Osorio Chong, who was also appointed as chief of cabinet. Osorio Chong, a close ally of Peña Nieto, is a former governor and therefore knows states' needs firsthand and will be responsible for leading the new administration's security strategy. The third group is the so-called 'Toluca Group' who are the president's closest aides at Los Pinos, led by his head of communications, David López, his special assistant, Erwin Lino, and others. Peña Nieto has also placed key members of this group throughout the administration in several strategic areas. In the short term, the president needs to show that with these three groups he will both deliver results and break old paradigms and doubts about the PRI's return to power. Since his inauguration, Peña Nieto has brought back many presidential formalities, like having cabinet meetings in the National Palace, which were erased with the PAN administrations. Bringing back these formalities are a sign of discipline, tradition and order. The combination of formalities and a group of young technical politicians is likely to bring good results for the future of Mexico."

Continued on page 4

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Featured Q&A

Continued from page 3

Rogelio Ramírez de la O, president of Ecanal in Mexico City: "President Peña Nieto's appointments suggest an important change of emphasis. The Interior Ministry, or Gobernación, will absorb the responsibility of security, which will become part of and subject to the broader political aims of the government. This change is justified by the ministry's failure to guarantee the security of the people, as is demonstrated by 54,000 dead from violence, extensive extortion, kidnapping and crime. Gobernación is now responsible for an intelligence strategy, which in due time should be much more focused on the protection of citizens than on a silly war on drug cartels, as it was under Calderón. This and the launching of the Pact for Mexico signed by the three parties (PRI, PAN and PRD) makes this ministry the most powerful of the cabinet and indicates that politics is the number one priority, at least in the short term. In this process, the PAN and PRD have come across as junior members of the pact next to the president. In foreign affairs, the appointment of José Antonio Meade suggests this ministry will be more active in the promotion of Mexico as a destination for foreign direct investment and improving the country's image abroad. And in the Energy Ministry, the appointment of Pedro Joaquín Coldwell suggests there will be a skillful political negotiation of some energy reform not only with the PAN and PRD, but with members of the PRI itself. The changes reveal a defined strategy. Still, Peña Nieto faces short-term challenges. One arises from the Dec. 1 demonstrations and arrests of many innocent people. If not resolved with transparency, this could further alienate youths and university students from Peña Nieto. Another challenge is making state governors follow fiscal rectitude, not easy after 12 years of do-as-you like neglect by Fox and Calderón."

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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