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FEATURED Q&A

What Do Ties With Asia Have to Offer the Dominican Republic?

Q Dominican President Danilo Medina expressed interest in boosting trade as well as economic and political relations with Vietnam during a meeting with Tran Dac Loi, a Vietnamese Communist Party official who led a delegation last month to the Caribbean country. What are the most fruitful areas for economic collaboration between the Dominican Republic and other countries in Asia and elsewhere? How does the Dominican Republic's investment climate rate as compared to those of other countries in the region? How good a job has Medina's government done in fostering conditions to attract investment?

A José Hazim Frappier, rector of the Universidad Central del Este in the Dominican Republic: "Historically, the Dominican Republic's highest sources of income from exports have been mining, agriculture and industrial production from the country's free-trade zones. Although our partners have traditionally been the United States, Europe and Central America, I believe we have an opportunity to reach out and seek synergies between the Dominican Republic and this region of the world. In addition to the opportunities mentioned, our tourism industry is an area that can benefit by creating strong relationships with countries in Asia. The Dominican Republic has a stable macroeconomic and political environment that offers favorable opportunities for foreign investment as the country still has many undeveloped areas. Foreign investment in the country continues to increase particularly in the area of tourism. Compared to other countries our economy continues to grow thanks to the stable environment that the country has offered in the last few years. Although President Medina has not yet completed a year in office, his government has made strong efforts to maintain a climate of peace and security for all citizens of the country. I

Continued on page 4

Venezuela Has an 'Illegitimate President': Opposition's Capriles

Venezuela's Henrique Capriles (pictured) continued calling Monday for a recount of Sunday's presidential election results. Electoral officials certified the razor-thin victory of Nicolás Maduro, who defeated Capriles by less than two percentage points. See story on page 2.

Photo: Capriles campaign.

Inside This Issue

FEATURED Q&A: What Do Ties With Asia Have to Offer the Dominican Republic? 1

Venezuela's Electoral Council Rejects Recount, Certifies Maduro's Victory 2

Colombian Government Unveils $2.74 Billion Stimulus Package 2

Peru Economy Grows Less Than Analysts Expected in February 3

Nestle Cannot Sell Baby Formula in Mexico After Pfizer Deal: Regulators.....3

Comings & Goings: Chrysler, Heinz, Alcatel Lucent and More. 3

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NEWS BRIEFS

Economists Expect Brazil to Hike Interest Rates

Brazil's central bank is likely to increase interest rates at a faster pace than previously expected in an effort to tame inflation, according to a weekly central bank survey of economists released Monday, Reuters reported. Economists in the survey expected policymakers to leave rates unchanged in their two-day meeting that begins today, but forecast a 50-basis point hike next month.

Regulators Suspend Planned Banco do Brasil IPO for 30 Days

Brazilian securities regulators on Monday suspended a planned initial public offering by state-run **Banco do Brasil** for 30 days over irregularities in marketing the share offer, Dow Jones reported. The company announced upon receiving news of the ruling that it will carry out the measures required by Brazil's securities commission, known as the CVM, as soon as possible. The biggest bank in Latin America by assets, Banco do Brasil is hoping to raise as much as $6 billion by selling as many as 675 million of its existing voting shares in its insurance and annuity unit, **BB Seguridade Participações**.

IMAX to Install Five Theaters in Existing Mexico Multiplexes

New York-based **IMAX Corp.** said Monday it had received an order from **Cinepolis** to install five IMAX theaters in existing multiplexes across Mexico. No financial details were disclosed. Cinepolis currently has seven IMAX theaters open in Mexico and one open in Brazil. IMAX said its theaters were operating in Mexico's four highest-grossing complexes of 2012. Cinepolis operates more than 2,000 screens in six countries.

Political News

Venezuela's Electoral Council Rejects Recount, Certifies Maduro's Victory

Venezuela's electoral council on Monday certified the narrow presidential election victory of Nicolás Maduro, late President Hugo Chávez's handpicked successor, apparently ignoring the demands of the ruling party's opponents for a full recount, the Associated Press reported. Maduro, a former bus driver who rose to become Venezuela's foreign minister, vice president and then acting president upon Chávez's March 5 death, was elected Sunday with 50.8 percent of the vote, electoral officials said Monday in an updated tally. Maduro's rival, Miranda state Gov. Henrique Capriles, garnered 49 percent of the vote. The difference amounted to just 262,000 votes out of 14.9 million that were cast, officials said. Last October, Chávez defeated Capriles by nearly 11 percentage points in what would become his last election victory. Capriles continued calling for a full recount on Monday. Until a recount happens, the country has an "illegitimate president and we denounce that to the world," Capriles said in a posting on Twitter. One member of the five-person electoral council, Vicente Diaz, said he supported a recount. The United States and the Organization of American States also said Monday that they backed a recount. A "100 percent audit" would be "an important, prudent and necessary step to ensure that all Venezuelans have confidence in these results," said White House spokesman Jay Carney. OAS Secretary-General José Miguel Insulza also said Venezuela should conduct a "full recount." However, Tibisay Lucena, the head of Venezuela's National Electoral Council, said Monday that the election results were "irreversible." She called the country a "champion of democracy" and said that the U.S. and OAS calls for a recount were "interventionist." Maduro is to be sworn in Friday for a six-year term. The razor-thin result of Sunday's vote exposed the deep political divisions among Venezuelans. On Monday, protesters banged pots and pans on balconies to express their opposition to Maduro's being proclaimed the winner of the election. Thousands of young people, some throwing rocks and pieces of concrete, clashed in the afternoon with National Guard troops who shot tear gas and plastic bullets into the crowd to keep them from marching into the center of Caracas. No injuries were reported. [Editor's note: See Q&A on the election in Monday's *Advisor*.]

> *Maduro's margin of victory was just 262,000 votes out of 14.9 million cast.*

Economic News

Colombian Government Unveils $2.74 Billion Stimulus Package

Colombia on Monday announced a stimulus package that will cost the government 5 trillion pesos ($2.74 billion) as it works to boost the economy and cool the appreciation of the peso, Reuters reported. "This is a well-designed plan, well targeted. We've designed it with a lot of care so that it has an impact on productivity and the economy," President Juan Manuel Santos said alongside members of his cabinet. The government hopes the stimulus measures will allow the country's economic growth to reach its target of 4.8 percent this year. Growth slowed last year to 4 percent after posting 6.6 percent growth in 2011. The plan targets growth in the country's industrial, agricultural and construction sectors. It will also speed government spending on infrastructure. Pension funds will also be encouraged to invest higher amounts of money abroad in an effort to cool the peso's appreciation, said Finance Minister Mauricio Cárdenas.

Santos

File Photo: Colombian Government.

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Peru Economy Grows Less Than Analysts Expected in February

Peru's gross domestic product rose 4.98 percent in February, state news agency Andina reported Monday. For the first two months of this year, GDP grew 5.57 percent, among the fastest growth rates in Latin America and the Caribbean. Peru's National Institute for Statistics and Information, or INEI, said the economy has now expanded for 42 straight months. The farming and fishing sector increased 5.77 percent in February, while construction rose 14.56 percent. On the lower end of the spectrum, mining and hydrocarbons production fell 1.71 percent, while the manufacturing sector increased only 0.34 percent in February. Despite the strong gains overall, the economy grew "well below" most economists' expectation in February, Bloomberg News reported. Economists worry that slack demand from Asia, which has become a key trading partner for Peru, could further cut into Peru's economic growth this year. China's economy grew 7.7 percent on in the first quarter compared to last year, slightly slower than the 7.9 percent pace of the last three months of 2012, the government said Monday. In March, Peru's central bank said it expects the economy will expand 6.3 percent this year and next, while inflation will end the year at about 2 percent.

Peru's economy has now expanded for 42 consecutive months.

Comings & Goings

Chrysler Names Cattori as Mexico CEO After Diaz Jumps to Nissan

Chrysler Group, the automaker controlled by Italy's **Fiat**, announced Monday that Bruno Cattori, the director for retail sales and fleet for Chrysler brands in Mexico, has become president and CEO of **Chrysler de México**, a position formerly held by Fred Diaz, who last week jumped to competitor **Nissan**. Diaz was named CEO of Chrysler's Mexico operations in 2011 and also managed the Ram Truck brand at the company since 2009. At Nissan, Diaz will be responsible for the day-to-day operations of the Nissan division in the United States, *The Detroit News* reported.

Bernardo Hees to Be Named CEO of Heinz

Brazilian businessman Bernardo Hees will be named the CEO of **H.J. Heinz Co.** after its purchase by **3G Capital** and **Berkshire Hathaway** closes later this year, the companies said Thursday in a statement. Hees has been chief executive of **Burger King** since Brazil-based 3G Capital acquired it two and a half years ago. The Heinz transaction is valued at $28 billion, including the assumption of Heinz's outstanding debt, and remains subject to approval by Heinz shareholders and other conditions. Prior to Burger King, Hees spent 12 years at Latin America-focused logistics company **ALL**, where he served as CEO and a member of the board of directors from 2005 to 2010.

Alcatel Lucent Names Falcon to Run Brazil Operations

Telecommunications equipment maker **Alcatel Lucent** said April 9 it has appointed Javier Rodríguez Falcón as the company's president in Brazil. He succeeds Jonio Foigel, who is leaving the company to pursue other interests, according to the firm. Falcón, 44, previously ran the company's Latin America account with phone service provider Telefónica. He graduated with a degree in electronic engineering at the Instituto Tecnológico de Buenos Aires and holds a management degree from the Instituto de Altos Estudios de Argentina.

Sylvia Coutinho Likely to Take Over UBS Brazil Office After Restructuring: Report

Swiss bank **UBS** will fire as many as 60 employees in Brazil as part of its international restructuring plan, Bloomberg News reported Monday. That figure represents more than a quarter of its workforce of 220 people in Brazil, according to the report. Sylvia Coutinho, who heads retail banking and wealth management in Latin America for **HSBC Holdings**, is the leading candidate to replace the Brazil office's current chief executive officer, Lywal Salles, who will retire, two people told Bloomberg News. The companies have not confirmed the report.

Company News

Nestle Cannot Sell Baby Formula in Mexico After Pfizer Deal: Regulators

Mexican regulators on Monday announced the terms under which the government is requiring Switzerland-based **Nestle** to shed the assets of **Pfizer**'s baby food business in Mexico that it acquired under a nearly $12 billion deal last year, Reuters reported. Mexico's Federal Competition Commission, which in November rejected the massive deal on the basis it would give Nestle too much power in the baby food market, said the Swiss company must license the Pfizer brands for 10 years to whichever company buys the assets, according to the report. Nestle will not be allowed to operate Pfizer's baby food brands directly for 20 years. Nestle has been planning to sell the Latin American assets of the deal, valued at more than $1 billion, as part of its drive to win regulatory approval. Regulators determined that the deal would have given Nestle between 71 percent and 88 percent of the total volume of baby formula sales in Mexico, the world's fourth-largest baby milk market, according to the report.

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Featured Q&A

Continued from page 1

strongly believe that under his leadership, we can build close ties with most Asian countries, which will broaden opportunities for commercial trade and development of new sources of income for the Dominican Republic."

A Bernardo Vega, president of the Fundación Cultural Dominicana and former ambassador of the Dominican Republic to the United States: "The Dominican Republic is one of the few countries in the world that still recognizes Taiwan, and this limits its economic ties with mainland China. It has a commercial office there and members of its cabinet visit Beijing in search of tourism flows, investments and loans. It would seem, however, that China does not stimulate tourism, investments and loans with countries with which it does not have diplomatic relations. Locally, there is a small Chinese investment in a mine and Chinese businessmen are eager to sell electric plants to the government. Chinese tourism is increasing by leaps and bounds worldwide and it will soon get to the Caribbean. China is interested in mining resources in the Dominican Republic. Vietnam is of much less interest to the Dominican Republic and the visit had more to do more with local politics than trade. The Dominican investment climate compares well to that existing in Jamaica, Haiti and most Central American countries, despite evident corruption. The Medina administration is more honest and efficient than its predecessor. It has an open conflict with Barrick Gold which we understand will be solved soon."

A Christopher Mitchell, professor emeritus of politics at New York University: "Tentative Dominican contacts have begun with India and China as well as with Vietnam, and Taiwan is making moderate-scale investments and social-service grants, in line with its general policies in the Caribbean and Central America. The Dominican Republic's standing lags in relation to regional investment competitors Puerto Rico and Barbados, while nearly matching Jamaica and outstripping Haiti in the World Economic Forum rankings of competitiveness. The most dynamic sectors attracting foreign backers are currently mining and retailing; the Medina administration is encouraging China to invest in mines and in factories to export to the United States under CAFTA-DR. President Medina has boosted spending on education, a major investment-related condition. However, it will be years before better schools result; a project to wipe out illiteracy by the end of 2014 has thus far enrolled only 20 percent of its targeted participants. Little has yet been done to combat official corruption or reform the police, variables on which almost all other nations outperform the Dominican Republic. Electricity generation remains a troubling problem: the government spends $1.2 billion yearly (10 percent of its budget) to subsidize an outage-prone system, which urgently needs reforms that are politically costly. Most prominent in recent investment-related news, President Medina has denounced the government's 2009 contract permitting Canada-based Barrick Gold to develop a $3.5 billion mine 60 miles north of Santo Domingo. If the agreement cannot be renegotiated, the administration plans to impose an excess-profits tax. Barrick's contract does favor the corporation during the mine's first years of production, and many Dominican interest groups have protested the company's profits and environmental policies. The dispute, however, might well discourage varied future foreign investors."

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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