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FEATURED Q&A

What Is the State of the Pacific Alliance Trade Bloc?

Q Last month, cabinet ministers from Peru, Colombia, Mexico and Chile announced they had come to an agreement on eliminating all trade tariffs between their countries and are nearing consensus regarding rules of origin. They also expressed optimism that their Pacific Alliance bloc will formalize the entrance of Costa Rica later this year. What is the state of the Pacific Alliance? How far have negotiators come in meeting their goals, and what bumps in the road might lie ahead for the two-year-old bloc? How might the inclusion of Costa Rica and other countries change things?

A Barbara Kotschwar, research fellow at the Peterson Institute for International Economics: "The Pacific Alliance has been billed as Latin America's 'next big thing'—a pragmatic accord among Latin America's free traders aimed to bolster members' participation in global supply chains. Excitement about the initiative is underscored by the number of observer countries: seven from Latin America and 10 from outside the region—including both China and the United States. The group has done quite a lot in its first year of existence, from eliminating most tariffs among members (although the very long timeframes for elimination of sensitive products that should already have been on track to elimination is somewhat worrying) to removing visa requirements (hopefully with a view to allowing the free exchange of professionals in a way that will allow labor supply and demand to better intersect) to setting up joint embassies and trade promotion agencies (which will hopefully soon market Pacific Pisco to the rest of the world) to the establishment of the MILA, a regional stock market that will rival the Bovespa in size once Mexico joins. Much work remains to be done. Next on the agenda should be an effort to upgrade transportation infrastructure, to eliminate one significant source of cost differential with Asian partners, and to

Continued on page 4

U.S. Pledges to Address Brazil's Concerns Over Spying

The White House on Wednesday pledged to address concerns about U.S. spying on President Dilma Rousseff and others. The statement came after a meeting between the U.S. national security advisor and Brazil's foreign minister. See story on page 2.

File Photo: Brazilian Government.

Inside This Issue

FEATURED Q&A: What Is the State of the Pacific Alliance Trade Bloc?.....1

Thousands of Striking Teachers Seize Mexico City Streets.....2

White House Pledges to Address Brazil's Spying Concerns.....2

Argentina's Congress Approves Debt Swap 2

Chile's SQM Accused of Market Manipulation 3

Comings & Goings: Colombia Cabinet Shuffle, Holland & Knight, Damco and More 3

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NEWS BRIEFS

Argentina's Congress Approves Debt Swap

Argentina's Congress on Wednesday approved a debt swap giving hold-out bondholders an unlimited amount of time to restructure bonds they held when the country defaulted on its debt in 2002, Reuters reported. The offer has terms in line with the country's 2010 restructuring offer. In restructurings offered in 2005 and 2010, the country offered less than 30 cents on the dollar, terms that 93 percent of bondholders agreed to. The main holdouts have said they will not accept the restructuring offer.

Mexico's Government Open to Discussing Tax Overhaul

The government of Mexican President Enrique Peña Nieto is open to modifications of its newly unveiled tax reform proposal, the country's finance minister said Wednesday. The reforms would include increased taxes for high earners and a new tax on stock market gains. However, critics have voiced concerns about parts of the overhaul that would tax private education and end mortgage rebates. The administration is "more than ready" to work with lawmakers to adjust the plan so that it does not harm the middle class and families, said Finance Minister Luis Videgaray.

Peru's Sol Sees Largest Increase in Four Months

Peru's sol rose 0.7 percent Wednesday to close at 2.773 per U.S. dollar, its largest increase in four months, after forecasts for China's economic growth this year rose to 7.6 percent from 7.5 percent, Bloomberg News reported. China is the largest purchaser of Peru's metals and fishmeal.

Political News

Thousands of Striking Teachers Seize Mexico City Streets

Thousands of teachers blocked two of Mexico City's main roads Wednesday, a day after definitively losing their battle to prevent an overhaul of the country's education system from becoming law, the Associated Press reported. President Enrique Peña Nieto signed the reforms, which include mandatory teacher evaluations, into law on Tuesday. Despite the law's approval, teachers say that simply blocking the overhaul is no longer their aim. Instead, the protesting teachers say they want to protect their rights and privileges as the government wrests control away from the country's teachers' unions. Wednesday's demonstration, in which two groups of protesters marched toward the president's residence and snarled traffic in the process, were at least the 14th such protest in two months. The demonstrations have become part of Mexico City's morning traffic reports and have fueled anger from commuting motorists. "This hurts a lot of people. It creates more unemployment and hurts small businesses like us," Faustino Gregorio Sotero, who operates a car-repair shop on Constituyentes Avenue, told the AP. The six-lane avenue was nearly empty Wednesday morning as teachers gathered on both sides of it to prepare for their march to Los Pinos, the presidential residence. In addition, teachers blocked highways and main plazas in at least 15 other states across Mexico on the day that the National Education Workers Coordinating Committee union, or CNTE, the smaller of the country's two main teachers' unions, called for wide-scale protests. "Unfortunately, in Mexico, political pressure has more weight than reason and dialogue," Renato Jiménez, an instructor at a teacher-training school in Mexico City, told the AP as he prepared to march down Constituyentes Avenue. "It's a shame, but we feel it's necessary." However, independent observers say that many of the teachers involved in the protests are from poor states in southern Mexico where they wield significant political power and can essentially extort improved pay and benefits from their state governments. [Editor's note: See related Q&A in Tuesday's *Advisor*.]

> "Unfortunately, in Mexico, political pressure has more weight than reason and dialogue."
>
> — ***Renato Jiménez***

White House Pledges to Address Brazil's Spying Concerns

The White House on Wednesday pledged to address Brazil's outrage about recent reports of U.S. spying in Latin America, including instances in which the United States spied on Brazilian President Dilma Rousseff and the South American country's state-owned oil company, **Petrobras**, Reuters reported. U.S. National Security Advisor Susan Rice met in Washington with Brazilian Foreign Minister Luiz Alberto Figueiredo to discuss the reports, which were based on documents leaked by former U.S. National Security Agency contractor Edward Snowden. "The United States is committed to working with Brazil to address these concerns, while we continue to work together on a shared agenda of bilateral, regional and global initiatives," National Security Council spokeswoman Caitlin Hayden said in a statement. Washington understands why Brazil's government is angry over the matter, and some news reports that were based on the leaked documents "have distorted our activities," Rice told Figueiredo, said Hayden. Other details that were disclosed "raise legitimate questions for our friends

Rice

File Photo: U.S State Department.

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and allies about how these capabilities are employed," she added. Figueiredo did not have any public comment after meeting with Rice, the Brazilian Embassy in Washington told Reuters. However, the embassy said the foreign minister would remain in Washington for additional talks today with U.S. officials. U.S. President Barack Obama has sustained criticism in the United States and abroad over the reports of espionage. He has vowed to improve oversight of the NSA's programs in an effort to restore Americans' trust in the intelligence system. During a meeting last week on the sidelines of the G-20 summit in Russia, Rousseff told Obama that she wants to "know everything" about the spy agency's activities in Brazil, Reuters reported. Rousseff is scheduled to travel to Washington next month for a state visit, the only such visit the White House is holding this year. However, anger in Brazil over the espionage reports has opened the possibility that Rousseff may cancel the trip.

Company News

Chile's SQM Accused of Market Manipulation

Chile's securities regulator has accused the chairman of **SQM** and top officials at the fertilizer business' holding companies of market manipulation in connection with trades made between 2009 and 2011, Reuters reported Wednesday. The regulator, known as SVS, accused the chairman, Julio Ponce, of purchasing shares below market prices and then reselling them for more than their prices on the open market. The regulator also has accused Patricio Contesse, Aldo Motta and Roberto Guzmán, the chief executive officers of SQM's holding companies, of related charges. Ponce, the son-in-law of late Chilean dictator Augusto Pinochet, controls SQM through his ownership in the holding companies. If the regulator decides to press charges and the executives are found guilty, they would face unspecified penalties. The executives must respond to the allegations within 20 days. Reuters was unable to reach SQM for comment.

Comings & Goings

Colombian President Juan Manuel Santos Names New Cabinet Members

Colombian President Juan Manuel Santos on Sept. 6 reshuffled his cabinet, naming five new ministers, according to *The Guardian*. All 16 of Santos' cabinet members resigned on Sept. 2 to allow Santos to make changes. Santos named Amylkar Acosta as the country's new energy minister, Aurelio Iragorri as interior minister, Ruben Dario Risalde as agriculture minister, Luz Helena Sarmiento as environment minister and Alfonso Gómez Méndez as justice minister, according to Reuters. Keeping their posts were Finance Minister Mauricio Cárdenas, Defense Minister Juan Carlos Pinzón and Foreign Minister Maria Angela Holguin. The move was widely seen as a way to strengthen Santos' hand ahead of next year's presidential election and address criticisms of his government's handling of agricultural protests in recent weeks. Santos asked what he called a "cabinet of unity and peace" to help bring an end to the nation's decades-long conflict with the FARC.

Santos

File Photo: Colombian Government.

Holland & Knight Announces Opening of New Mexico City Office

Holland & Knight announced in late August that it will open a new office in Mexico City that will focus on corporate and project finance, energy, capital markets and mergers and acquisitions, among other fields. Holland & Knight previously worked in Mexico as part of a joint venture it established in 1998. The new office will be led by Boris Otto, who was formerly a managing partner at the Mexico City office of **Chadbourne & Parke**. Alejandro Landa Thierry and José Antonio Prado, also formerly partners at Chadbourne & Parke, will join Holland & Knight's Mexico office as partners. Including counsels and associates, the new office will have a staff of 10 attorneys.

Damco Appoints New CEO for Latin America

Netherlands-based supply chain management and freight forwarding company **Damco** in late August announced the appointment of Samuel Israel as the company's new regional chief executive officer for Latin America. Israel has worked in the logistics industry for more than 30 years, including as the Mexico country manager for **Danzas** and his 12 years as the CEO for **DHL Global Forwarding** Latin America. Before moving to Latin America in 1999, Israel held various positions in France at Danzas and **Panalpina**.

Cisneros Group Names Adriana Cisneros as the Media Conglomerate's New CEO

Gustavo Cisneros, the chairman of the **Cisneros Group**, Latin America's largest privately held media company, in late August selected Adriana Cisneros as the company's new chief executive officer, according to the *Miami Herald*. Cisneros has worked at the company for seven years, serving for the last three as the company's vice chairman and director of strategy, where she implemented many digital media and e-commerce initiatives. In her new role, Cisneros will focus on expanding the company's content and digital media platforms while increasing the company's social responsibility initiatives, with a focus on education in Latin America. Cisneros is the only female head of a major Hispanic media company and moved from New York to Miami to take the position. Cisneros's father, Gustavo Cisneros, will remain the company's chairman, while CEO Steven Bandel will become the company's co-chairman.

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Featured Q&A

Continued from page 1

streamline customs and administration procedures. Next is smoothing out national and subnational regulations that keep energy and connectivity prices high. To be truly successful, PA members—all middle-income countries with rising middle classes—must enhance and maintain their citizens' prospects for enhancing economic well-being by addressing remaining poverty and inequality. And, finally, the PA must not become a victim to its own success by allowing in members unwilling to take on the serious commitments required to be successful."

> "Importantly, the private sector is fully engaged."
>
> *— Antoni Estevadeordal*

Antoni Estevadeordal, integration and trade sector manager at the Inter-American Development Bank: "The Pacific Alliance countries have made significant progress in achieving their goals to date. It is an excellent example of 'FTA convergence' among four countries with bilateral agreements: market access negotiations have successfully concluded, allowing more than 90 percent of goods to enter duty free immediately and permitting accumulation of origin among PA countries. Beyond market access, visas among members have been eliminated; a cooperation fund has been established; a scholarship program is running successfully into its second year; and, importantly, the private sector is fully engaged. The PA Business Council agreed to a specific working plan, and concrete proposals were submitted to heads of state in May in areas such as financial and fiscal integration, implementation of single windows and other trade facilitation schemes, as well as in promotion of regional value chains, homologation of technical standards and identification of education policies best practices. In addition, PA countries are implementing a collective export and investment promotion strategy, including the opening of joint offices abroad and the celebration of business matchmaking forums and joint investment promotion events. The first PA Business Matchmaking Forum took place last June and resulted in more than $100 million of business opportunities. An ongoing study will assess and recommend the implementation of mechanisms to promote free movement of people across members. Challenges ahead include consolidating progress achieved so far, implementing negotiated agreements and showing progress in areas of interest to the private sector beyond trade liberalization, such as financial and fiscal integration, movement of people, homologation of standards and the interoperability of trade facilitation mechanisms. Another challenge is how to handle the expansion of the bloc to deal with an increasing number of observer countries and to encourage dialogue with other integration initiatives in the region and outside the region, in particular in Asia and the Pacific. Inclusion of Costa Rica and other countries such as Panama should strengthen the initiative. They are like-minded countries and, as such, should be able to live up to the PA standards and objectives, reinforcing them and promoting convergence in the region."

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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