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FEATURED Q&A

Will Higher Taxes Reduce Obesity in Mexico?

Q The fiscal reform plan that Mexico's Congress approved on Oct. 31 includes new taxes on sugary drinks and other so-called junk foods. Lawmakers who supported the new taxes said they will not only raise revenue, but also improve health in Mexico, where a third of the population is obese, according to the World Health Organization. Will the increased taxes on high-calorie foods help lower obesity in Mexico? How significant of a problem is obesity in Latin America as compared to other health issues? What role should food-producing companies play in improving health in the region?

A Rafael Fernández Quirós, vice president for public affairs and communications at The Coca-Cola Company Latin America Group: "At Coca-Cola, we recognize obesity is a complex and serious global health problem. Several factors contribute to obesity. Excessive calorie intake is a major contributor, but too much of virtually any type of food or beverage can threaten a person's health and overall well-being. Another key factor is a lack of movement. Too many people today—especially children and teenagers—are less active than they need to be. A world overwhelmed by obesity is a threat to every institution, including our company. We are deeply concerned about the problem. We have made global commitments to improve well-being, starting first with what we proudly make and sell. Through innovation, we have developed a wide variety of beverages, including low- and no-calorie drinks, which represent 40 percent of our total portfolio. We were the first beverage company to communicate our products' caloric information on the front of our labels. We also do not sell our beverages in primary schools and will not advertise our products to children under 12. For decades, we have been working to promote initiatives that support the health of our communities with educational and nutritional programs, as well as those that

Continued on page 3

Saieh Reportedly Nearing Deal to Sell Chile's CorpBanca

Billionaire Álvaro Saieh, who owns about 54 percent of the capital of Chile's CorpBanca, is reportedly nearing a sale or merger, with Brazil's Itaú and Spain's BBVA as the leading bidders. See story on page 2.

Photo: El Mercurio.

Inside This Issue

FEATURED Q&A: Will Higher Taxes Reduce Obesity in Mexico? 1

Radioactive Material, Truck Found After Theft in Mexico....2

Mexican Lawmakers to Begin Debate on Energy Reform Measure 2

Ten Die in Shootout Between Police, Gunmen in Nicaragua 2

Honduran Electoral Court Delays Recount of Presidential Vote....2

Itaú, BBVA Frontrunners as Chile's CorpBanca Nears Sale 3

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NEWS BRIEFS

Ten Die in Shootout Between Police, Gunmen in Nicaragua

Ten people—six gunmen and four police officers—were killed Wednesday in a shootout in northern Nicaragua, the Associated Press reported, citing local officials. The gunfight broke out after police encountered the armed men robbing a grocery store in the town of Bocas de Ayapal in Jinotega state, according to the National Police. However, Janeth Sobalvarro, the mayor of the nearby town of San José de Bocay, said there was no robbery, just an armed confrontation.

Honduran Electoral Court Delays Recount of Presidential Vote

Honduras' electoral court said Wednesday that it has delayed the recount of the country's disputed Nov. 24 election because representatives of the losing party did not show up for the recount of ballots, the Associated Press reported. The recount had been scheduled to begin Wednesday, but the Libre party of losing candidate Xiomara Castro did not arrive as agreed, said electoral court chief David Matamoros. Libre said on its **Facebook** page that the recount did not start because there was no consensus on how it would go forward.

Argentina Seeking $17 Billion in Investment in Russia, China

Argentina's planning minister, Julio de Vido, and his energy staff arrived Tuesday in Moscow, where they are seeking investors for $17 billion of infrastructure projects that will be auctioned off next year, including hydroelectric dams in Neuquén, a communications tower bear Buenos Aires and aqueducts in northern Argentina, Bloomberg News reported. The group will travel to Beijing next week to court investors there.

Political News

Radioactive Material, Truck Found After Theft in Mexico

Authorities in Mexico said Wednesday that they have found dangerous radioactive material that was taken in the theft of a truck earlier this week, BBC News reported. The material, cobalt-60, was taken on Monday when thieves stole a truck that had been transporting it after the driver stopped to rest at a gas station near Mexico City. The International Atomic Energy Association had expressed concern, saying the material was "extremely dangerous" and could be used to build a dirty bomb. The truck and the cobalt-60 were found near the town of Hueypoxtla, about a mile and a half from where they had been taken, according to Mexico's National Nuclear Security Commission. The radioactive material had been "removed from its container and left between 500 and 700 meters" from the vehicle, said Mardonio Jiménez, an official at the commission. Whoever opened the container could die "because the source's intensity is very high," said Jiménez. "They will eventually have to go to a hospital, and we'll be waiting for them," he added. The cobalt-60 is now in the possession of authorities, the military has sealed off the area where it was found and there is no risk to area residents, officials said. Although authorities had expressed concerns about the thieves using the material for a weapon, they now believe that the incident was an opportunistic theft that went wrong for the perpetrators. "The vehicles are expensive because of the mechanisms to load and unload heavy material. That type of theft is very common in that area. That's why we feel the people who did this have no idea what they stole," said Jiménez. The cobalt-60 is used in treating cancer and was being taken from a hospital in Tijuana to a disposal facility near Mexico City.

> "They will eventually have to go to a hospital, and we'll be waiting for them."
>
> *— Mardonio Jiménez*

Economic News

Mexican Lawmakers to Begin Debate on Energy Reform Measure

Mexican legislators will send a major energy reform bill to Senate committees today, beginning debate on one of President Enrique Peña Nieto's top reform priorities, Reuters reported Wednesday. On Wednesday morning, the Senate passed an electoral reform that opposition lawmakers set as a precondition for taking up energy reform, removing the last major obstacle in the way of taking up an energy bill. The head of the Senate's energy committee and ruling PRI party member, David Penchyna, said the bill will go to Senate committees on Thursday, but added they will not vote on the bill until Friday at the earliest. The committees will determine a plan for debating the bill. If the committees approve the bill, both the Senate and lower house must approve it. "We are very close to finishing drawing up the bill to be able to present it…not just the changes that will be proposed, but also a presentation of the reasons," Penchyna said Wednesday. The energy overhaul aims to attract more private investment to Mexico's oil and energy sector in an attempt to increase the country's decreasing production. Despite having the third-largest proven oil reserves in Latin America, the country's production has declined by almost a quarter since its peak of 3.4 million barrels per day in 2004. Tens of thousands of opponents of the reform protested last weekend, arguing that it privatizes state resources, BBC News reported. However, the leftist PRD withdrew from the three-party "Pact for Mexico" last week, mean-

Peña Nieto

File Photo: Mexican Government.

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ing the ruling PRI will work with the conservative PAN to pass the overhaul, making it likely that the reform will be more extensive and go beyond the production-sharing model proposed in August.

Company News

Itaú, BBVA Frontrunners as Chile's CorpBanca Nears Sale

Chile's **CorpBanca** is close to finalizing a merger or sale, and Brazil's **Itaú Unibanco Holding** and Spain's **Banco Bilbao Vizcaya Argentaria** are the frontrunners to acquire a controlling stake, Reuters reported Wednesday, citing three unnamed sources. The winning bidder would buy a stake from billionaire Álvaro Saieh, who owns about 54 percent of the Chilean bank's capital. Saieh wants to remain a relevant shareholder after the sale, Reuters reported. "There has been no decision in respect of whether the deal will involve shares, cash or both. The only thing that is clear so far is that the formula being discussed is one of co-control" for the billionaire, an unnamed source with knowledge of the discussions told the wire service. CorpBanca, Chile's fourth-largest bank, also has operations in Colombia. Saieh is looking to raise cash after **SMU**, the retailer in his **CorpGroup** conglomerate, suffered accounting errors that led it to breach debt covenants earlier this year. SMU operates **Unimarc**, which is among Chile's largest supermarket chains. SMU announced that it had uncovered the accounting errors in August during a review of first-quarter earnings. That led the company to raise its liabilities and breach the debt covenants. BBVA was beginning to pull ahead of Itaú in the talks, the *Diario Financiero* newspaper reported Wednesday, citing sources knowledgeable about the talks.

CorpBanca, Chile's fourth-largest bank, also has operations in Colombia.

Featured Q&A

Continued from page 1

support active lifestyles and sports, like the one recently launched by the National Sports Commission of Mexico to fight childhood obesity: Ponte al 100. We believe that the initiative to apply a 1 peso per liter tax to all sugared beverages, which Mexico's Congress approved, will be ineffective in combating obesity. It is also discriminatory and inconsistent with a good tax policy. Studies show soft drinks account for 5.5-6.6 percent of calories in the average Mexican diet. We are convinced that the solution to obesity requires the collective effort of everyone working together-individuals, academia, civil society, communities, business and government. It is a problem too big and complicated for any one company, agency or group to solve."

A Enrique Jacoby, advisor on nutrition and physical activity at the Pan American Health Organization: "Mexico's new taxes on soda and what Michael Pollan aptly terms 'edible food-like products' (a.k.a. junk food) are a major step in the right direction and could be quite effective if they are part of a carrot-and-stick approach that combines government regulation with incentives for production and consumption of traditional whole foods (legumes, meat, fish, vegetables, grains, nuts, fruits, poultry, dairy foods, etc.). Such an approach appropriately frames the obesity problem as one of overconsumption of ultra-processed products that are aggressively marketed by multinational companies at the expense of traditional foods that are primarily produced by small- and medium-scale agricultural units, including family farms. Mexico's action recognizes the failure of 'self-regulation' by industry, but, to be successful, it also needs to support smaller-scale agriculture so that it can compete with large-scale agriculture and the massive junk-food marketing machine. We urgently need public policies that tackle these issues head-on, and not just in Mexico. At least half of adults in Latin America as a whole are obese or overweight, and rates among children have doubled or tripled over the past 20 years (ranging now from some 35 percent in Mexico and Chile to 16 percent in Colombia and Peru). Obese children are five times more likely to become obese adults, so we can expect ballooning rates of related chronic diseases including stroke, diabetes, cardiovascular diseases and cancer (which already represent 50 percent of the burden of death and illness in Latin American countries, with an additional 30 percent related to tobacco and alcohol consumption). How can beverage and junk-food multinationals play a more positive role? They could start by respecting WHO recommendations and fully abiding by countries' laws, rather than undermining efforts to strengthen government regulation. They can also reformulate their products to reduce salt, sugar and fat (which can make their products less harmful but not necessarily nutritious) or—better yet—redirect their investments into real food or some other non-harmful economic sector. "

A Elizabeth Johnson, food policy consultant to the Snack Food Association and principal and founder of Food Directions LLC: "Obesity is due to an imbalance of calorie input and physical expenditure. Consuming too many calories from any food source without adequate physical activity will lead to overweight and obesity. Consumers are changing the way they eat. No longer do we depend on three balanced meals a day. Instead, more and more individuals are getting important nutrients through smaller meals that include healthy snacks. Getting to the root of obesity is something experts around the world have invested significant resources in, coming to the conclusion that it isn't easy and there isn't just one answer. It is certainly true that taxes on sugar-sweetened beverages and high-calorie foods will raise revenue, but it could also have unintended consequences; some high-nutrient

Continued on page 4

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Featured Q&A

Continued from page 3

foods—nuts and seeds for example—are also considered in the tax reform as 'high in calories'. Obesity is a multifactorial problem that needs to be addressed through different sectors; hence SFA members have worked tirelessly to be responsible when it comes to health and wellness. In fact, food manufacturers were among the first in the food industry to offer smaller, portion-size packages to help consumers manage their caloric intake. Additionally, companies have developed new and have reformulated existing products to provide consumers with choices that are lower in fat, calories and sodium. Finally, many SFA member products feature a voluntary front-of-package label to provide better information and follow the advertising to kids regulation code."

> "Companies have developed new and have reformulated existing products to provide consumers with choices that are lower in fat, calories and sodium."
>
> — ***Elizabeth Johnson***

A Katherine E. Bliss, senior associate at the CSIS Global Health Policy Center: "According to recent surveys, 70 percent of adults, and one-third of children, in Mexico are overweight or obese. The new taxes on high-calorie snacks and sugary soft drinks are part of a broader public campaign to reduce Mexico's high rates of obesity and associated Type II diabetes, which are estimated to cost the national health system $3 billion per year. Other proposed measures include banning the marketing of snack food to children, promoting physical activity and providing greater federal funding for safe drinking water in schools. The taxes will certainly raise public awareness about the health hazards of excessive sugar and snack food consumption. However, if they are to be successful in discouraging the purchase of cheap snacks of low nutritional value in a country where families spend almost 25 percent of their income on food, they must be combined with a focus on increasing the access of workers and students to inexpensive and high-value foods away from home. The food industry in Mexico has protested the taxes, warning that they will force manufacturers to lose revenue and cut jobs. However, as outlined in the 2011 Aruba Call for Action on Obesity, food producers can contribute to anti-obesity efforts by providing nutritional information about their products, marketing healthy foods and supporting programs that promote healthy food and lifestyle choices. With high rates of obesity and low rates of physical activity throughout the Americas, other countries in the region are closely observing how the response to the taxes unfolds in Mexico."

> "[Taxes] must be combined with a focus on increasing the access of workers and students to inexpensive and high-value foods away from home."
>
> — ***Katherine E. Bliss***

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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