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FEATURED Q&A

Will Relations Between the U.S. and Brazil Remain Frosty?

Q U.S. Vice President Joe Biden met briefly last week with Brazilian President Dilma Rousseff as part of an effort to patch up bilateral relations following Rousseff's cancellation last year of her planned state visit to Washington in the wake of revelations that the U.S. National Security Agency spied on her personal communications. What is the current state of U.S.-Brazil relations? What did Biden's meeting with Rousseff accomplish? Will the White House have to apologize to Rousseff to put the episode behind them?

A Rubens Barbosa, former Brazilian ambassador to the United States: "The political and diplomatic relationships between Brazil and the United States are at their lowest levels in the past 30 years. Conversations on agreements of mutual interest are paralyzed; high-level visits and meetings are suspended. The main official dealings wait for the presidential deadlock to be overcome. The apology that President Dilma Rousseff requested for the monitoring by the NSA will not come. There was no great expectation surrounding the goodwill visit during the World Cup by Vice President Biden, but a gesture was expected in order to help all parties save face. According to the very little information that was leaked from the meeting, there was no signal in that direction. In this context, I don't think that the current situation will change soon, and the deadlock will continue at least until the election. The postponement of the state visit to Washington and the delay in finding a political compromise to the crisis shows how low of a priority the two governments attach to their bilateral relationship. The private sector CEO forum and the Brazil-U.S. Business Council, together with other areas with concrete interests, should stimulate the two governments to overcome the current difficulties. The relationship between the two countries is too important to be left to the bureaucracies of the State

Continued on page 3

América Móvil Eyeing Options Amid Regulatory Changes

América Móvil, which is controlled by billionaire Carlos Slim, is considering strategic options in the wake of Mexico's regulatory changes. Investors have shed the company's stock this year amid worries that the changes will hurt the company's profits. See brief on page 2.

File Photo: Carlos Slim Foundation.

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NEWS BRIEFS

Chilean Teachers Take to Streets to Protest for More Say in Reforms

Chilean teachers' union leaders claimed 50,000 educators marched in the streets of Santiago Wednesday among a total of 150,000 nationwide to demand improved working conditions and more say in education reforms, the *Santiago Times* reported. Union president Jaime Gajardo also said teachers want better pension plans and more job security.

América Móvil Eyes Options Amid Mexico's Regulatory Changes

América Móvil has established a new committee to examine options as a consequence of regulatory changes in Mexico, its home market from which it receives nearly half of its profits, Bloomberg News reported Wednesday. The mobile-phone company, which is controlled by billionaire Carlos Slim, will weigh "different alternatives of a structural, commercial and technological nature," the company said in a regulatory filing. América Móvil's shares have fallen 15 percent this year in Mexico City on worries that the government's efforts to increase competition will crimp profits.

Dominican Republic to Receive $100 Million IDB Loan for Health

The Washington-based Inter-American Development Bank, or IDB, is finalizing plans to loan the Dominican Republic $100 million to boost health care in the country, *Dominican Today* reported Wednesday. The financing, part of a credit line for projects that could be augmented to as much as $300 million, would benefit almost 900,000 people of "modest resources," or about 29 percent of the poor in the country, with particular focus on primary and preventive care.

Economic News

U.S. Supreme Court's Decision Could Have Global Impact: U.N.

The U.S. Supreme Court's refusal to hear Argentina's appeal of a lower court ruling that requires it to fully pay holders of defaulted debt could have a far-reaching impact on the global financial system, a United Nations agency said Wednesday, Bloomberg News reported. "The rulings will make future debt restructuring even more difficult," because they will discourage creditors from participating, the U.N. Conference on Trade and Development said in a statement on its Web site. The agency, which is governed by the United Nations' member states, handles issues of economic development, including international trade. "Likely large" amounts of debt that lack collective action clauses could make debt relief especially difficult, the U.N. agency said. Collective action clauses allow a supermajority of bondholders to force dissenting creditors into restructurings. The Supreme Court's rejection of Argentina's appeal in the case left intact a lower court ruling that the government must pay $1.5 billion to holdout bondholders, including billionaire Paul Singer's **NML Capital**, at the same time that it pays holders who accepted Argentina's debt swaps. Argentina's next bond payment, of $900 million, to the holders of the restructured bonds is due June 30 and would be blocked unless the government also pays the holdouts. If Argentina does not make the payment after the expiration of a 30-day grace period, it would be pushed into a default. Another U.S. court order that requires financial institutions in the United States to provide details about Argentine assets held abroad "erodes sovereign immunity," the U.N. agency added on Wednesday.

> "The rulings will make future debt restructuring even more difficult."
>
> ***— U.N. Conf. on Trade and Development***

Company News

Petrobras to Buy More Production Rights From Gov't for $6.8 Billion

Brazil's government on Tuesday agreed to sell billions of dollars of offshore oil rights to state-owned oil company **Petrobras**, which is already heavily indebted and struggling to meet current production targets, Reuters reported. Brazil's National Council of Energy Policy on Tuesday approved a deal that will give expanded production rights to four offshore pre-salt oil fields, including the giant Búzios field, where the company originally acquired rights to produce 5 billion barrels in 2010. In exchange, Petrobras will pay the government 15 billion reais ($6.82 billion) by 2018, including a two billion real signing bonus this year, according to *The Wall Street Journal*. Since Petrobras originally acquired rights to the fields, the government has increased estimates of potential oil reserves in the fields, with the new deal giving Petrobras rights to produce 9.8 billion to 15.2 billion barrels of oil through 2051. Petrobras CEO and president Maria das Graças Silva Foster said Tuesday at a press conference that "Petrobras doesn't have the least doubt that this is an exceptional opportunity," *The Journal* reported. She added that the company expects production will begin in 2021 and peak at around 1 million barrels per day in 2026. The deal will increase the company's 2014-2018 investment budget by about 3 percent, and Petrobras is considering selling as much as $11 billion in assets over the next five years or restructuring projects to help finance the purchase, according to the company's presentation. Critics of the government's heavy-handed role in Petrobras' managment and decision making have noted the deal was made public before it was presented to the company's full board of directors, Bloomberg News reported Wednesday.

Foster

File Photo: Brazilian Government.

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Featured Q&A

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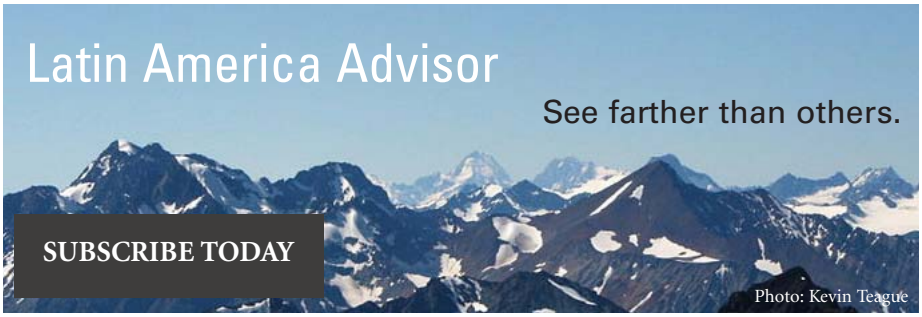
Department and the Brazilian Foreign Ministry."

Riordan Roett, director of the Latin American Studies program at the Johns Hopkins School of Advanced International Studies: "The meeting between Vice President Biden and President Dilma was a 'feel good' moment—the two apparently have a good relationship. But it in no way restores the level of involvement between the two countries that existed prior to the events of last year. Any meaningful change in the ties will need to await the outcome of the general election in Brazil in October, and possibly a second round in November. A Dilma victory may open the way to address the very sensitive issue of the NSA scandal, but common sense should prevail in both Brasília and Washington to allow a resumption of normal relations. But the left-wing of the Workers Party will always oppose strengthening ties between the two countries, preferring South-South relations. If Dilma were to lose to Aécio Neves of the Social Democratic Party, the party of former President Fernando Henrique Cardoso, it will be easier to continue to improve the relationship with the caveat that as of 2015, President Obama is a 'lame duck' and the global agenda, complicated and difficult, may make it difficult to heighten the importance of U.S. ties to Brazil."

> "Any meaningful change in the ties will need to await the outcome of the general election in Brazil in October, and possibly a second round in November."
>
> *— Riordan Roett*

Gilberto Rodrigues, professor at the Universidade Federal do ABC in São Paulo and board member of the Coordinadora Regional de Investigaciones Economicas y Sociales in Buenos Aires: "Since President Dilma Rousseff asked the United States to publically apologize for spying on her communications and the White House never agreed to do that, the bilateral relationship has been almost frozen. During that period, the announcement that Brazil would buy defense aircraft from a Swedish company rather than U.S.-based Boeing, which had been expected to have a real chance for that dream contract, revealed Brazil's lack of confidence in the U.S. government. One cannot forget that both countries have a deep and rich relationship in the private sector, educational exchange and tourism. Anti-Americanism in Brazil is among the lowest in the region. Also, though bilateral trade has decreased in recent years, there is a good potential for it to increase, as the United States is recovering from the economic crisis. It seems that the electoral process in Brazil is playing a positive role in facilitating a new approach between the two countries, and Vice President Biden's visit during the World Cup happened in this context. Rousseff needs to recover the private sector's support for her re-election as well as a better relationship with the United States. Promising to revitalize business between the two countries is probably a pragmatic choice to rebuild bilateral ties for the sake of mutual interests."



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