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THEDIALOGUE

FEATURED Q&A

What Is the Future of Brazil-India Relations?

Brazilian President Michel Temer and Indian Prime Minister Narendra Modi met Oct. 17 in Goa. // Photo: Indian Government.

Q On the heels of the 8th BRICS summit in mid-October, Indian Prime Minister Narendra Modi and Brazilian President Michel Temer met to discuss cooperation and trade ties between the two countries. What are the most crucial and fruitful avenues for cooperation between India and Brazil? Will trade between the two countries triple within a few years, as Temer predicted? What industries in India and Brazil have the most to gain from each other, and what are the most likely sticking points in their commercial relationship?

A Rengaraj Viswanathan, former Indian ambassador to Venezuela, Argentina, Uruguay and Paraguay: "India's trade of $6.7 billion with Brazil last year was more than India's trade with its close neighbors Bangladesh and Sri Lanka as well as traditional trade partners Russia and Canada. Brazil-India trade has the potential to reach $20 billion in the next five years. In the long term, Brazil is going to be useful for India's energy and food security. India will import more crude oil from Brazil (which has the potential to export more) as part of its strategic policy of diversification of sourcing of oil. India, which faces the serious agricultural challenges of the loss of arable land to urbanization and a shortage of water, can source vegetable oil, pulses and other food products from Brazil, which has surplus cultivable land and abundant water reserves. The rapid growth of aviation in India is an unmissable opportunity for Embraer to export aircraft. The revolution in the Indian banking sector is a boon for Perto, the Brazilian company

Continued on page 2

TODAY'S NEWS

POLITICAL

At Least One Killed, Dozens Injured in Venezuela Protests

Anti-government protesters took to the streets after electoral officials halted an attempt to force a recall vote against President Nicolás Maduro.

Page 2

BUSINESS

Odebrecht's Sale of Peru Pipeline Stake Collapses

The deal collapsed in the final stage of negotiations.

Page 2

POLITICAL

U.S. Abstains From Annual U.N. Vote Condemning Cuba Embargo

The vote marked the first time that the United States did not vote against the annual resolution. Samantha Power, the U.S. ambassador to the United Nations, said the abstention did not mean the United States agrees with all of Cuba's policies.

Page 2

Power // File Photo: United Nations.

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POLITICAL NEWS

U.S. Abstains as U.N. Members Condemn Cuba Embargo

For the first time, the United States on Wednesday abstained from voting on an annual United Nations resolution condemning the U.S. trade embargo of Cuba. The U.N. General Assembly resolution, which has been proposed every year since 1991, has consistently drawn "no" votes from the United States. However, the country's abstention this year from the vote was its latest move in the thaw in relations between the Cold War foes that was announced in December 2014. The U.S. ambassador to the United Nations, Samantha Power, called the resolution "a perfect example of why the U.S. policy of isolation toward Cuba was not working—or worse, how it was actually undermining the very goals it set out to achieve," The New York Times reported. She added, however, that "abstaining on this resolution does not mean that the United States agrees with all of the policies and practices of the Cuban government." Israel also abstained from the vote, while 191 countries voted for the condemnation and none voted against it. Cuban Foreign Minister Bruno Rodríguez was on hand for the vote at the United Nations and acknowledged progress that Washington and Havana have made in restoring relations. Still, most of his prepared remarks were aimed at criticizing the embargo and urging the Obama administration to do more. "The human damages caused by the blockade are incalculable," he said. "There isn't any Cuban family or sector in our country that has not suffered from its effects." The Obama administration has taken several steps to restore relations, including reopening the U.S. Embassy in Havana, allowing more commerce and eased restrictions on Americans visiting the island. Only the U.S. Congress can lift the embargo, however.

BUSINESS NEWS

Odebrecht's Plan to Sell Stake in Peru Pipeline Collapses

Plans for Brazilian engineering giant Odebrecht to sell its 55 percent stake in a $5 billion natural gas pipeline project in Peru to a Sempra Energy-led consortium collapsed in the final stage of negotiations, according to a person with knowledge of the matter, Reuters reported Wednesday. Odebrecht is planning to launch a new bidding round after the deal fell flat over "commercial differences," following

FEATURED Q&A / Continued from page 1

that supplies ATM machines and has just now set up a production plant. Brazilian companies need to explore such opportunities in the large and growing Indian market. India has helped Brazilians to reduce their cost of health care by the supply of generic medicines. Indian companies, which conduct around half a billion dollars of pharma business in Brazil, can double it. Indian IT and BPO firms operating in Brazil employ several thousand Brazilians and have become a source of inspiration for Brazilian IT entrepreneurs. India supplies to Brazil raw materials such as chemicals, bulk drugs and yarn, which help Brazilian manufacturers to cut their production costs and remain globally competitive. There is truth in the Brazilian and Indian mutual complaint about protectionism and trade barriers. These are resolvable issues. The two countries, which have many common developmental challenges, can learn from other's stories of success and failures. For example, India can learn from the Brazilian fuel ethanol policy, Bolsa Família and anti-corruption success, while Brazil can get inspiration from India's affordable and extensive railways and dairy cooperatives."

Continued on page 4

NEWS BRIEFS

At Least One Killed, Dozens Injured in Venezuela Protests

One police officer was killed and dozens were injured during anti-government protests in Venezuela on Wednesday, BBC News reported. A local rights group reported at least 20 people injured and 80 detained nationwide. Hundreds of thousands of Venezuelans took to the streets in protest of President Nicolás Maduro's government on Wednesday after the recall referendum process against him was suspended last week. On Sunday, Venezuela's opposition-led National Assembly voted to put Maduro on trial for violating democracy, in a move that was seen as mostly symbolic.

Brazil's Supreme Court Rules Against Hike in Pension Payouts

Brazil's Supreme Court on Wednesday ruled that tens of thousands of retirees cannot seek an increase in their pension payouts, The Wall Street Journal reported. The court ruled that early-age retirees who continue to work and contribute to the pension system cannot ask for an increase after a few years. Advocates of the recalculation had argued that because Brazilians, regardless of age, can retire after 30 years of service, working for extra time and continuing to participate in mandatory social-security contributions should entitle those workers to larger payouts.

Panama Signs Agreement on Fighting Tax Avoidance

Panama on Thursday signed on to an international agreement to combat tax avoidance, following the "Panama Papers" incident earlier this year in which leaked documents showed that a Panamanian law firm had created hundreds of thousands of shell companies and offshore accounts for tax avoiders around the world, The Wall Street Journal reported.

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a change the U.S.-based company made to its initial offer. Odebrecht and Sempra Energy both declined to comment, as did Italian-Argentine conglomerate Techint Group, which is part of the Sempra-led consortium. The failed negotiations mark another setback for Odebrecht as it looks to shed assets after being embroiled in the far-reaching Petrobras corruption scandal in Brazil. The failure for Odebrecht to sell its stake is also a setback for Peruvian President Pedro Pablo Kuczynski as he seeks to build the project quickly in hopes of bringing jobs and capital to the South American country amid slowing demand and lower investment levels. A group of banks had requested that Odebrecht sell its stake in the project before the banks would provide a $4.1 billion syndicated loan needed to continue the pipeline's construction. The banks had previously rejected three offers on Odebrecht's stake, sources with knowledge of the matter said in July. The pipeline's construction is expected to be completed by 2019, and was approximately 35 percent complete in July. The pipeline is designed to transport natural gas from Peru's Camisea fields to feed power plants and a future petrochemical complex on the country's Pacific coast.

Repsol Consortium, Bolivia to Develop Two Gas Fields

The Bolivian government and a consortium led by Spain-based energy company Repsol on Wednesday signed an agreement to develop two natural gas fields that could cost more than $1 billion, said Bolivian Hydrocarbons and Energy Minister Luis Sánchez, Terra reported. Repsol President Antonio Brufau attended the signing in Bolivia to develop the Boicobo and Boyuibe fields in the southern Caipipendi block, which are believed to contain some five trillion cubic feet of natural gas, Reuters reported. "We are going to start making very strong investments in the Caipipendi field," Sánchez said. "We're talking about a $350 million exploration phase, and a $500 million development phase." Natural gas accounts for approximately half of Bolivia's exports, primarily to Brazil and Argentina.

THE DIALOGUE CONTINUES

Will Haiti Be Able to Recover From Hurricane Matthew?

Q Hurricane Matthew, the most powerful Caribbean hurricane in nearly a decade, ripped through Haiti early this month. The storm is believed to have killed more than 1,000 people and displaced thousands more. In light of the storm and its anticipated aftermath, authorities postponed until November presidential elections that had been scheduled for scheduled for Oct. 9, following repeated delays after a presidential election last year had been declared null. What parts of the country and sectors of Haiti's economy are most in need of aid following the hurricane? How and from where will assistance to Haiti materialize? What does the further postponement of Haiti's presidential elections mean for the country's political stability, and when is it likely that a vote will finally be held?

A James Morrell, executive director of the Haiti Democracy Project: "Some vignettes: four of our 12 electoral observers in the Grand Anse came down with cholera. These were young people in the pink of health and have since recovered. A fifth bringing supplies from Port-au-Prince also caught it despite all her precautions, but quickly recovered as well. The money-transfer houses were operating in Jérémie almost immediately after the hurricane. Even bottled water may not be safe, however, amid reports of people filling bottles with any water and selling it as pure. The 12 U.S. helicopters that ferried supplies to remote villages and the 500-truck Dominican convoy saved lives, and both countries can be proud. Now, we hear from the mayor of Port-à-Piment and the few professionals living there that the real challenge is to put people back on their feet. They need to be relocated off the beach to higher ground. A hangar should be built for the community to take shelter in future disasters. Farmers should be given seeds and livestock to restart agriculture. Schools need to be re-roofed so that classes can resume and polling stations can be set up. A canteen should be established in each school to head off famine. To finance the home construction, a former business delegate of the Haiti Democracy Project, the first woman to have headed a Haitian state bank, is working on a real estate-development project. The storm did not budge the electoral commission from its plan to unnecessarily repeat the first round, although a year later no substantive evidence against the original election has yet been adduced. Haiti's Trump-like politicians, crying fraud when they lose, succeeded in getting 1.5 million votes thrown into the trash. Now the imperative is to hold firmly to the amended schedule, ignore the distractions from those who cannot win at the ballot box and endow Haiti with an elected president. Recent polls indicate that the Haitians may be plotting their revenge against those who trashed their votes. The front-runner who got 32 percent in the last election has now advanced to 50 percent, which would effectively turn the election into a second round anyway."

> **"The real challenge is to put people back on their feet."**
>
> **— James Morrell**

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in Monday's Advisor.

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FEATURED Q&A / Continued from page 2

Tapen Sinha, professor of risk management at the Instituto Tecnológico Autónomo de México: "India and Brazil have been colonies of Portugal—Brazil in a big way and India in a small way. They are both developing countries that are geographically and culturally very far apart. Not surprisingly, there is not much trade between them. Trade between them represents less than 2 percent of each of their total trade. Their total trade hit an all-time high in 2014 at $12 billion. However, in 2015-16, India's total export to Mexico overtook the total export of India to Brazil. The reason is that with the recession in Brazil, the exports to Brazil fell substantially. India's trade in general with Latin America fell by 30 percent in 2015-16, compared with the previous fiscal year. Half of that trade happens with the countries of Mercosur. India's biggest trading partner in the region has been Venezuela. The biggest item is the import of oil. This is the area where Brazil can grow as a trading partner. With the current chaos in Venezuela and a strategic presence in Brazil of Reliance Industries—one of the largest energy businesses in India, oil business has the largest growth potential as a trading commodity between India and Brazil. If and when the financial activities among BRICS get some serious traction, financial services could potentially become an important focal point."

R. Evan Ellis, research professor of Latin American Studies at the U.S. Army War College Strategic Studies Institute: "The outlook for the India-Brazil commercial relationship is positive, in spite of, not because of, BRICS. Brazil and India invite comparison as large, diverse, and imperfect democracies; aside from the fascination with Cuba and Venezuela among Indian academics, most of the limited political attention India gives to Latin America goes to Brazil. Yet the bright prospects for their commercial relationship owes to the initiatives of their respective companies, more than the action of either government. Brazil's large market and industrial-technology base has attracted investment by Indian pharmaceutical companies (Stride Arco, Aurobindo, Glenmark and Ranbaxy), technology service companies (TCS, Wipro and Infosys), and industrial conglomerates such as Aditya Birla (aluminum), Mahindra and Bajaj (vehicles), Suzlon (wind turbines), Pidilite (adhesives) and Renuka (sugar). Indian companies have also purchased significant quantities of Brazilian soybeans, and have become players in the Brazilian petroleum sector (ONGC, Reliance and Bharat). Major Brazilian companies, such as Embraer, Marcopolo and CVRD, have similarly been attracted to India by its large population and potential market. Ironically, neither government has effectively promoted the initiatives of its companies in the other. For Indian companies, if the Temer government can escape the paralysis of corruption cases and attacks from the left, Brazil's emergence from recession and possible improvements to its regulatory environment will make it a more attractive place to do business. Reciprocally, India's continuing 6-7 percent annual rate of GDP growth will make it an ever-stronger market for Brazilian soy and petroleum, and for those Brazilian consumer products that can successfully navigate India's complex, highly protected market."

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> **— R. Evan Ellis**

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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