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FEATURED Q&A

What Does the Future Hold for U.S.-Venezuela Relations?

Q The future of U.S.-Venezuela relations remains uncertain in the early days of the Nicolás Maduro administration. Maduro has voiced a desire for "respectful relations" with the United States, though Washington has still not recognized his government. The United States has denied that it is considering sanctions against Venezuela, and Venezuelan authorities recently arrested a U.S. citizen on accusations of attempting to spark social unrest. The State Department has denied any efforts to destabilize the Venezuelan government. Will U.S.-Venezuela relations be better or worse under Maduro than they were under Hugo Chávez? What do Maduro's cabinet picks portend about the future of bilateral relations? Should businesses be more worried about political risk in Venezuela now than they were when Chávez was alive?

A Michael Shifter, president of the Inter-American Dialogue: "The prospects for improved relations between the United States and Venezuela under the Maduro administration now appear rather dim. Maduro's rhetoric directed at Washington has been notably tough and aggressive, as he seeks to shore up support among the Chavista base. Arresting a U.S. citizen and accusing him of stirring up trouble in Venezuela is a vintage Chávez tactic, aimed at diverting attention from the country's myriad, fundamental problems. Lacking Chávez's political skills

and common touch, Maduro is in a particularly shaky position, compounded by questions of legitimacy following the April 14 elections. To date, personnel picks and policy signals coming out of the administration have been confusing and mixed. Some in Maduro's team are hardliners, while others, such as Calixto Ortega—the recently appointed representative in Washington—are more open and moderate. Ortega, for example, was very active in the so-called Boston Group, an effort that

Continued on page 4



Mexican, U.S. Presidents Discuss Security, Economy

Mexico's Enrique Peña Nieto on Thursday hosted his U.S. counterpart, Barack Obama, for talks on issues ranging from security to the economy. The presidents downplayed Mexico's policy shift restricting U.S. security agencies access to Mexican authorities. See story on page 2.

Photo: Mexican Government.

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NEWS BRIEFS

Ecuador, Peru Temporarily Recall Envoys Over Supermarket Scuffle

Ecuador and Peru on Thursday recalled their ambassadors on a temporary basis following an incident at a Lima supermarket in which Ecuador's ambassador was accused of hitting and kicking a woman and her daughter, Reuters reported. Rodrigo Riofrío, Ecuador's ambassador to Peru, says he acted in self-defense during the checkout line argument on April 21. While the incident has sparked outrage and nationalist sentiment in Peru, a supermarket video shows him swatting a woman with a magazine after she hit him, according to the report.

Capriles Campaign Challenges Venezuela Election Result

A constitutional lawyer representing the Venezuelan opposition campaign on Thursday formally challenged the April 14 presidential election results to the country's Supreme Tribunal of Justice, *El Universal* reported. Opposition candidate Henrique Capriles has demanded a vote-by-vote recount by the National Electoral Council, which has pledged to do a partial recount by June, but Capriles says that response is insufficient and too slow.

Chilean Bank Loans Rise Nearly 10 Percent in March

The Chilean banking system reported a 9.7 percent increase in loans in March compared to the same month last year, Dow Jones reported. The SBIF banking regulatory agency said loans in March totaled nearly \$216 billion, an amount in line with government expectations, according to the report. Among individual banks, **Banco de Chile** made the most loans, followed by **Banco Santander's** Chilean unit.

Political News

Obama, Peña Nieto Downplay Mexico's Security Policy Shift

Presidents Barack Obama and Enrique Peña Nieto on Thursday downplayed Mexico's recent policy shift affecting cross-border security cooperation during the U.S. president's visit to Mexico City, the Associated Press reported. Obama's visit to Mexico is his fourth as president, but the first since Peña Nieto took office last

“I agreed to continue our close cooperation on security, even as the nature of that cooperation will evolve.”

— Barack Obama

December. Peña Nieto's administration confirmed earlier this week that it will end the broad access that U.S. security agencies have had to their Mexican counterparts and instead will route all communication through Mexico's Interior Ministry, which is responsible for coordinating Mexico's fight against organized crime. Obama said Thursday that the policy change will not harm bilateral cooperation. "I agreed to continue our close cooperation on security, even as the nature of that cooperation will evolve," Obama said during a joint news conference with Peña Nieto at the National Palace in Mexico City. "It is obviously up to the Mexican people to determine their security structures and how it engages with the other nations—including the United States." Peña Nieto's policy change is a departure from the policies of his predecessor, Felipe Calderón, whose relations with the United States won him plaudits from Washington, but cost him support at home. Peña Nieto downplayed the notion that the new security arrangement would harm relations with the United States. He said Thursday that he and Obama had agreed to "cooperate on the basis of mutual respect." The debate over immigration reform in the U.S. Congress also followed Obama to Mexico,

where the discussion has been watched intently. Legislation under debate has a strong focus on tighter border security and makes that a condition for creating a pathway for citizenship for immigrants who are in the United States illegally. Obama said Thursday that security does need to be strengthened at some points along the 2,000-mile U.S.-Mexico border. "I suspect that the final legislation will not contain everything I want. It won't contain everything that Republican leaders want, either," Obama said Thursday. "What I'm not going to do is to go along with something where we're looking for an excuse not to do it as opposed to a way to do it." Peña Nieto said he welcomed efforts to tackle immigration reform, but he avoided stepping into the debate, calling it "a domestic affair." Obama and Peña Nieto have both said they want to refocus their countries' relationship on trade and economics. In line with that goal, the two leaders announced a new joint commission on trade and the economy, which will include U.S. Vice President Joe Biden and other top officials. Today, Obama will speak to Mexican students before heading to Costa Rica for meetings with Central American leaders.

Guatemala Declares State of Emergency to Quell Mining Protests

Guatemala's government has declared a state of emergency, banning public gatherings in four townships in an effort to quell anti-mining protests that have left one police officer dead and six residents injured after being shot with rubber bullets, the Associated Press reported Thursday. The protests, which began last weekend in Jalapa and Santa Rosa provinces, also resulted in 23 police officers being briefly held as hostages. "The investigation has revealed that a series of criminal acts were committed, from murder to kidnapping to the destruction of government property," said President Otto Pérez Molina in explaining his emergency declaration for the townships of Jalapa, Mataquescuintla, Casillas and San Rafael Las Rosas. Local residents claim the Escobal silver mine will threaten water supplies. Vancouver-based **Tahoe Resources**, which owns the mine, denies the allegation.

Economic News

Food and Beverage Prices Lead Peru Inflation in April

Peru's benchmark consumer price index increased 0.25 percent in April from March, state news agency Andina reported Thursday. The gain, which brought the 12-month increase in inflation to 2.31 percent, was due in large part to higher prices in the food-and-beverage sector, the government's National Institute for Statistics and Information said. Food costs in April rose 0.56 on higher fish, eggs, meat and vegetable prices. Prices in the housing, fuel and electricity sector gained 0.32 percent. The increase in April was lower than the prior month, suggesting that consumer prices remain in check, according to the report. Peru's central bank, led by Julio Velarde, aims to keep inflation this year under 3 percent.

Company News

Sempra Energy Sees Lower Earnings From Mexico, South America Units

San Diego-based **Sempra Energy** on Thursday reported first-quarter earnings of \$178 million, a decline from a year earlier with weaker results across its Latin America units. In Mexico, Sempra's earnings fell in the first quarter of 2013 to \$31 million, a \$2 million decline from last year's first quarter. Also last quarter, Sempra Mexico completed separate debt and equity offerings, raising nearly \$1 billion of external capital. The initial public offering, which it described as the first for an energy company in Mexico, sold nearly 19 percent of the equity in the company. The Mexican operating company was renamed "IEnova." In its South America utilities operations, Sempra recorded earnings of \$37 million in the first quarter this year, compared with \$40 million in the first quarter 2012. The decrease in earnings was due primarily to an impairment charge on its investment in Argentine utilities, which was partially offset by higher earnings in Chilean and Peruvian operations, the company said.

In Profile

Obama Nominates Close Advisor for Top Trade Post



File Photo: U.S. State Department.

Name

Mike Froman

In the News

U.S. President Barack Obama on Thursday nominated Mike Froman, 50, to become the next United States trade representative. Froman currently serves as an assistant to the president and deputy national security advisor for international economics. He is not expected to face much resistance during the Senate confirmation process, *Politico* reported. The position, which is currently filled on an interim basis by Demetrios Marantis, was last held by former Dallas Mayor Ron Kirk in Obama's first term.

Background

Froman worked extensively on the Obama administration's trade agenda for the past four years, including free-trade deals with South Korea, Colombia and Panama. He's also been the U.S. government's co-chair of the U.S.-Brazil CEO Forum. Froman and Obama were in the same class at Harvard Law School. When Obama decided to run for the Senate in 2004, Froman served as a policy advisor and reportedly introduced him to former Treasury Secretary Robert Rubin, with whom Froman had worked in the Clinton administration and as a managing director in New York at **Citigroup**. After Obama won the presidency in 2008, Froman served on a 12-member advisory board for his transition team.

Froman received a bachelor's degree in Public and International Affairs from Princeton University, a doctorate in International Relations from Oxford University and law degree from Harvard Law School, where he was an editor of the *Harvard Law Review*.

Notes

Froman's experience in international economics and business, along with his close ties to Obama, bode well for his tenure if confirmed, according to reports. Mickey Kantor, a former U.S. trade representative and commerce secretary who worked with Froman during the Clinton administration, hailed the pick. "He's going to be a terrific USTR. He knows the issues, he knows the people, he knows everyone in the White House, he's familiar with the challenges and the opportunities of the USTR." Froman's nomination is also getting support from the business community. U.S. Chamber of Commerce head Thomas Donohue said in a statement Thursday that his group will support Froman, who he said "has the vision and experience to deliver new trade opportunities for American workers and companies at the negotiating table."

Froman would join USTR at a time when trade talks are gaining steam. The Trans-Pacific Partnership, part of the Obama administration's "pivot" to Asia, which also includes Latin American countries, has sparked new life into trade negotiations after the stalled Doha Round at the WTO left primarily frustration behind. The next round of TPP negotiations is scheduled to begin May 15 in Lima, Peru. The list of participating countries is growing, as Japan is close to becoming the latest nation to join the talks. [Editor's note: See [Q&A](#) on TPP in the April 29 issue of the *Advisor*.]

Sources: Associated Press, Reuters, Politico, U.S. Department of State.

Featured Q&A*Continued from page 1*

sought to facilitate dialogue between Chavista and opposition lawmakers. As long as Maduro's political standing remains precarious, he will be severely constrained in his ability to pursue closer ties with the United States. There is no appetite or interest in Washington to adopt punitive measures and apply sanctions against Venezuela. In light of Maduro's confrontational rhetoric and actions—and disturbing incidents of violence—no one is calling for a rapprochement. Still, assuming that things begin to settle down, and given that other governments have already recognized Maduro, it would be surprising if Washington didn't eventually come around and deal with the practical reality."

A **Gustavo Roosen, chairman of the Advisory Board of Instituto de Estudios Superiores de Administración (IESA) in Caracas:** "The U.S. embargo on Cuba has helped the Castro brothers to hide the total failure of their economic system from their citizens and the world. First Chávez, and now Maduro, are the Castros' pupils and are following in their footsteps. They have randomly attacked the United States based on unsubstantiated evidence to justify the collapse of their socialist model. With now-limited resources, members of Maduro's cabinet are beginning to mention efficiency and productivity as the key to solving complex problems, such as the country's electricity failures. Unlike the fundamentalist views of former Finance Minister Jorge Giordani, Nelson Merentes maintained a positive relationship with the Venezuelan private banking sector during his time as central bank president. This attitude could be expanded to the rest of the economy. The United States has taken the wise step of delaying recognition of the election results until a full satisfactory audit is conducted. However, as the saying goes, countries have no friends, but only interests. In the case of the United States and Venezuela, trade and direct investments will continue to guide the bilateral agenda. Exchange restrictions and the recent

devaluation could affect the long-term outlook of multinational companies toward Venezuela. In fact, the first-quarter earnings of several large U.S. companies were negatively affected as a result of the February devaluation of the bolivar. Venezuela is living a defining moment. The results of the April election suggest that under the guidance of UNASUR partners, public policy could move toward a model closer to that of Brazil."

A **Mark Weisbrot, co-director of the Center for Economic and Policy Research:** "According to a *New York Times* report on April 15, Maduro reached out to the Obama administration through Bill Richardson just before the election. The administration gave its answer within 48 hours, and it was a lot worse than 'no, thank you.' By refusing to recognize Venezuela's election results, and saying that a '100 percent audit' of the vote count was 'necessary,' the Obama administration was saying, 'we hate you, and we are going to do everything we can to undermine your ability to govern.' It was really an escalation of Washington's involvement in Venezuelan politics not seen since its support for the military coup of 2002. It was also disingenuous: given the results of the election-day audit of votes from 53 percent of the voting machines, a further audit could not possibly change the result. A statistical analysis we did shows that the probability of getting the April 14 audit result if the true winner were Capriles is far less than one in 1 quadrillion. The Obama administration's attempt to delegitimize Venezuela's election, although it was completely isolated in the world, indicates that there is no inclination from Washington to significantly improve relations with Venezuela in the foreseeable future. This is regardless of what Maduro does. As for businesses' political risk, I don't see any reason these would increase. The risk of expropriation has always been very small compared to normal investment risks such as prices of outputs or inputs."

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