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### FEATURED Q&A

#### How Strong Are U.S. Relations With Costa Rica?

**Q** In early May, U.S. President Barack Obama plans to visit Costa Rica, becoming the first U.S. president to visit the Central American nation since 1997. In an interview with Telemundo, Obama said strengthening economic ties would be among the top items for discussion on the trip, which also includes Mexico. What are the most critical parts of the economic and trade relationship between the United States and Costa Rica? How has the CAFTA-DR free-trade agreement, which went into effect in Costa Rica in 2009, affected the signatories' economies? How well are the United States and Central America working together in other areas, such as security?

**A** Muni Figueres, Costa Rica's ambassador to the United States: "The United States has been a key partner in Costa Rica's growth and development strategy, which has resulted in a strong export platform and in an increasing participation in global value chains. CAFTA-DR provides an important framework for promoting a more profound and integrated association between our countries and within the region as a whole, and has better positioned us to compete globally. Two-way trade between the United States and Costa Rica in 2011 reached \$16.2 billion, a 17 percent increase from 2010. To enhance the agreement's operation, there is a pressing need to eliminate barriers to efficient trade flows.

Hence, the governments of the region, under the leadership of Costa Rica, have been working with the private sector and the Inter-American Development Bank on a comprehensive trade facilitation initiative. However, a stronger involvement of the United States government is most welcome. In the area of citizen security, the Central American countries have a close, cooperative relationship with the United States at all levels of what is a complex battle against a web of organized crime involving drug and human trafficking, and the

*Continued on page 3*



#### Students Stage Chile's Largest Protests in Decades

Chilean students on Thursday staged what were believed to be the country's largest protests in more than two decades. More than 100 people were detained in Santiago and other locations around the country. See story on page 2.

*Photo: BBC News.*

### Inside This Issue

FEATURED Q&A: How Strong Are U.S. Relations With Costa Rica? .....	1
Venezuelan Presidential Candidates Hold Final Rallies Before Vote.....	2
Rousseff Reportedly to Make State Visit to United States This Year .....	2

Chilean Student Groups Draw Largest Protest in Decades .....	2
Britain Will Not Invite Argentina's Fernández to Thatcher's Funeral.....	2
Mobile Banking in Latin America to Grow 65 Percent Annually: Report. ....	3

## NEWS BRIEFS

**Britain Will Not Invite Argentina's Fernández to Thatcher's Funeral**

Britain's government will not invite Argentine President Cristina Fernández de Kirchner to the funeral of former Prime Minister Margaret Thatcher, who died on Monday, Reuters reported. Thatcher led Britain during the 1982 Falklands War between the two countries and three decades later, Fernández has attempted to renegotiate the sovereignty of the islands. A British government source said that every country that has "normal" relations with Britain will get an invitation to the funeral, and that Thatcher's family had objected to inviting Fernández.

**Mexico's Industrial Output Sees Largest Fall Since November 2009**

Mexico's industrial output in February fell by 1.2 percent compared to the same month a year earlier, Bloomberg News reported Thursday. The decline is the biggest drop since November 2009. Manufacturing contracted 0.9 percent and construction fell 2.3 percent, the national statistics institute said. Last month Mexico's central bank, aware that economic growth had begun to slow in the first quarter of this year, surprised market analysts by cutting its benchmark interest rate by half a point to a record low 4 percent.

**Urbi Desarrollos Urbanos Hires Rothschild as Financial Advisor**

Struggling Mexican homebuilder **Urbi Desarrollos Urbanos** has hired **Rothschild** as a financial advisor to consider a debt restructuring, Bloomberg News reported Thursday, citing a person with knowledge of the matter. Some of the company's bonds have fallen to the lowest price on record.

## Political News

**Venezuelan Presidential Candidates Hold Final Rallies Before Vote**

The two men vying to succeed late Venezuelan President Hugo Chávez made a final push Thursday to rally supporters ahead on Sunday's presidential election, triggered by Chávez's March 5 death. Opinion polls say Nicolás Maduro, the country's acting president and Chavez's handpicked successor, retains a lead over opposition Gov. Henrique Capriles, the Associated Press reported. However, a recent poll said Maduro's lead has narrowed as Capriles has continually blasted what he has said are the government's

"I can't remember a day in my life when I didn't work for Chávez."

— Nicolás Maduro

failures in fighting crime, food shortages, inflation and power outages. In Caracas, Maduro spoke to a sea of red-clad supporters, holding up a copy of Chávez's goals for his unfinished term and saying the late leader's goals were also his. "I'm not standing here because I'm ambitious," Maduro told the crowd. "I've never aspired to anything. My only aspiration has been to see my country stand on its feet. I can't remember a day in my life when I didn't work for Chávez." Meantime, Capriles spoke to another huge crowd in the city of Acarigua, promising to revive the country's economy, BBC News reported. "I ask you for the opportunity to show that I can indeed govern and make things right," said Capriles, adding that he would not dismantle the social programs created by Chávez, who spent 14 years in office. Capriles added that he would work to eliminate government corruption and also encourage free-market economic policies and tackle crime.

**Rousseff Reportedly to Make State Visit to United States This Year**

Brazilian President Dilma Rousseff will make an official state visit to the United States later this year, most likely in October, Reuters reported, citing unnamed officials familiar with the matter. The officials spoke on condition of anonymity because the White House has not yet announced the state visit, an honor including a military arrival ceremony and a black-tie dinner that is reserved for Washington's closest allies. The White



Rousseff

File Photo: Brazilian Government.

House declined to comment to the wire service on the report. The state visit will mark the first by a Brazilian president since 1995. The visit is likely to lead to greater hopes for a treaty between the two countries to avoid double taxation on companies in the United States and Brazil, as well as stronger commercial ties between the major economies. Bilateral trade amounted to approximately \$59 billion last year.

**Chilean Student Groups Draw Largest Protest in Decades**

Student groups in Chile demanding education system reforms turned out the largest number of protesters in 23 years, *La Tercera* reported Thursday. March organizers estimated the turnout in Santiago at 150,000, while police authorities said the figure was closer to 80,000. More than 100 people were arrested or detained, nearly a quarter of them minors. Eight police officers were wounded, one of whom had acid poured onto his skin, according to the report. Riot police fired tear gas and water cannons to break up the march in Santiago, while another 100,000 students were reported to have been on the march elsewhere in the country. Student groups complain that poor pupils do not have access to the same quality of education as middle class students, and that the education system in Chile perpetuates social and economic

inequality. The student protest movement caught fire in 2011, when repeated protests surprised the government of center-left President Michelle Bachelet in their vehemence and periodic violence. Last April, conservative President Sebastián Piñera, who replaced Bachelet, said his administration would seek to increase corporate taxes and other tax changes in order to spend \$1 billion more on education, Bloomberg News reported. Piñera's announcement came a day after some 48,000 students held a march through the country's capital to support free education.

## Economic News

### Mobile Banking in Latin America to Grow 65 Percent Annually: Report

The number of Latin Americans with access to a bank via mobile handsets will grow by 65 percent annually in the coming years and reach 140 million people by 2015, EFE reported this week. According to a **Deloitte** report released by the Latin American Federation of Banks (Felaban), the concept of "mobile money" could eventually transform the region's banking sector. With low penetration of traditional banks in rural areas, where mobile phone access is relatively prevalent, the region is ripe for a major shift in how

*The concept of "mobile money" could transform the region's banking sector, the report said.*

banking is done, according to the report's authors. Considering the United States is a model, Latin American banks should not give up on their brick and mortar branches just yet, the report added. The United States has more bank branches than ever, with nearly 100,000 in service today across the country, even while mobile banking adoption rates jumped to 32 percent in 2012, up sharply from 21 percent the previous year, according to **Bain & Co.** research.

### Featured Q&A

*Continued from page 1*

ensuing violence. Collaboration and capacity building in areas such as interdiction, information management, enforcement and community-based prevention are under way in all the countries showing results concomitant with each country's unique political and socioeconomic situation. The upside of these efforts is much institution building toward a culture of legality, albeit at great budgetary cost to each country. The downside is that organized crime has gone viral and global, along with the responsibility for it. Small countries are relying on leadership from the strongest members of the international community and far greater coordination to rein in these destructive forces."

**A José Antonio Muñoz, founding partner of Arias & Muñoz in San José, Costa Rica:**

"President Obama's visit to Costa Rica is most welcome. It underscores Mexico's and Central America's economic vitality and growth, and it builds on the Inter-American Development Bank plan to support Mesoamerica becoming an inter-continental and global logistics and infrastructure corridor. In meeting with the Central American heads of state in Costa Rica, President Obama will strengthen historical economic and social links with the United States while providing an alternative to Chinese financing, investment and cooperation, significant since Costa Rica established diplomatic relations with Beijing. Costa Rica's democracy, respect for institutions and the rule of law, and commitment to international opportunities for its citizens, provides an ideal backdrop for the visit. Social and economic cooperation as well as trade and investment drive the visit. This is cemented on both trade and investment success after passage of CAFTA-DR and on continued investment and trade between Costa Rica and the region and the nascent powers of the Pacific Alliance (Colombia, Chile and Peru). Interaction, economic and political, between these

countries provides an exceptional opportunity because of their shared objectives of promoting rule of law, governance, freedom of opportunity and equal access. President Obama's visit and proposals for cooperation will find receptive and willing partners in his Costa Rican hosts. A concurrent event, the launching of the Public Leadership Initiative for Civil Society, by academia, the IDB and U.S. and Central American businesses, will benefit from the visit as it highlights democracy and free enterprise in contrast with other forms of government and governance."

**A Kevin Casas-Zamora, OAS Secretary for political affairs and former vice president of Costa Rica:**

"For the second time in two years, President Obama will set foot in Central America. The economic ties that bind the United States and Central America are far from insignificant. In 2011, bilateral trade flows in goods between the United States and the other signatories of CAFTA-DR amounted to nearly \$60 billion, slightly larger than those between the United States and India. Costa Rica alone accounts for nearly 30 percent of that sum. The country has long enjoyed a robust relationship with the United States, political as well as economic. That relationship was cemented by the adoption of CAFTA-DR. While investment flows from the United States have not experienced dramatic changes since the adoption of the agreement, Costa Rica has made good use of increased trade opportunities: its exports to the United States grew 157 percent between 2008 and 2011; U.S. exports to Costa Rica actually decreased over the same period. The most dramatic impact of CAFTA-DR is perhaps found in the opening up of long-held state monopolies over telecommunications and insurance in Costa Rica. That move is already having visible effects in the country's competitiveness, as seen, for instance, in the explosive growth in the penetration of

*Continued on page 4*



**Featured Q&A***Continued from page 3*

mobile phones. Despite such robust economic ties, security issues inevitably will be at the center of the discussion during Obama's trip. While the region's security situation has somewhat stabilized over the past two years (except in Honduras, where it has sharply deteriorated), it remains very precarious. Regional and international efforts to fight organized crime in the isthmus, many of them spurred by the United States, are afflicted by lack of coordination and by the sheer weakness of police and judicial institutions in most countries. Much as Obama and his counterparts would like to talk about business, violence, much of it drug-related, is still the most pressing issue in Central America today."

**A** **Víctor Borge González, general manager of Borge y Asociados in San José, Costa Rica:** "For the United States, Costa Rica is the main economic and political partner in Central America. Obama's visit will help to promote more U.S. investment in the country and in the rest of Central America. CAFTA-DR did not produce as many benefits as the promoters promised during the negotiations. For example, insurance companies remain state owned, as they were before the treaty and

prices have not gone down as promised. The main benefit for consumers is variety of companies providing the services. In other countries such as Nicaragua, Honduras, El Salvador and Guatemala, the impact of the treaty is less important. U.S. government agencies such as USAID

**"CAFTA-DR did not produce as many benefits as the promoters promised during the negotiations."**

— **Víctor Borge González**

and other institutions have been working with projects like the Central American Regional Security Initiative (CARSI), which gives local partners social programs to help reduce crime and violence through education, sports and technical training."

*The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org) with comments.*

**Latin America Advisor**

*is published every business day by the Inter-American Dialogue, Copyright © 2013*

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**Latin America Advisor** is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at:

1211 Connecticut Avenue NW, Suite 510  
Washington, DC 20036

Phone: 202-822-9002 Fax: 202-822-9553

[www.thedialogue.org](http://www.thedialogue.org) ISSN 2163-7962

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