

INTER-AMERICAN DIALOGUE'S

LATIN AMERICA ADVISOR

BOARD OF ADVISORS

Diego Arria

Director,
Columbus Group

Genaro Arriagada

Board Member, Banco
del Estado de Chile

Joyce Chang

Global Head of
Emerging Markets
Research, JPMorgan
Chase & Co.

W. Bowman Cutter

Former Partner,
E.M. Warburg
Pincus

Alejandro Delgado

Senior Economist for
Latin America, Africa,
the Middle East
& Asia Pacific,
General Motors

Dirk Donath

Managing Director,
Eton Park Capital
Management

Jane Eddy

Managing Director,
Corporate & Govt.
Ratings Group,
Standard & Poor's

Marlene Fernández

Corporate Vice
President for
Government Relations,
Arcos Dorados

Jason Hafemeister

Vice President,
Allen F. Johnson &
Associates

Peter Hakim

President Emeritus,
Inter-American
Dialogue

Donna Hrinak

Vice President,
Global Public Policy &
Gov't Affairs, PepsiCo

Jon Huenemann

Vice President,
U.S. & Int'l Affairs,
Philip Morris
International

James R. Jones

Co-chair,
Manatt Jones
Global Strategies LLC

Craig Kelly

Vice President,
The Cohen Group

John Maisto

Director,
U.S. Education Finance
Group

Nicolás Mariscal

Chairman,
Grupo Marhnos

Thomas F. McLarty III

President,
McLarty Associates

Carlos Paz-Soldan

Partner,
DTB Associates, LLP

Beatrice Rangel

Director,
AMLA Consulting LLC

José Antonio Ríos

Chief Executive Officer,
Vadium Technology Inc.

Andrés Rozental

President,
Rozental & Asociados
and Senior Fellow,
Brookings Institution

Everett Santos

President,
DALEC LLC

Shelly Shetty

Senior Director, Latin
American Sovereign
Ratings, Fitch Inc.

FEATURED Q&A

What Are the Benefits of Robust India-Latin America Trade?

Q In a statement last week, India's minister of state for commerce and industry, Shri Jyotiraditya M. Scindia, emphasized a need to deepen engagement with Latin America and the Mercosur bloc. Trade between India and the region has grown nearly eightfold from 2000-2009, reaching more than \$20 billion. However, India's presence in the region is often overshadowed by China, which trades approximately \$140 billion worth of goods with Latin America. What are the benefits of robust trade between India and Latin America? Which sectors, industries and countries does India have a strong presence in regionally? Where are there opportunities for growth? Should governments and the private sector promote Latin America-India ties and, if so, how?

A Rengaraj Viswanathan, Indian ambassador to Argentina, Uruguay and Paraguay: "Latin America can supply energy, minerals and agricultural products like vegetable oil and pulses. India has a deficit in domestic production and will import increasingly more. Also, from time to time when monsoons fail, India will import sugar and wheat from South America. In addition, Latin America can export manufacturing products in which they are competitive. India, on the other hand, will export more and more pharmaceuticals, chemicals and other products. Around 50 percent of India's exports to Latin America

are inputs into industries such as pharmaceutical raw materials, chemicals, yarn, fabrics and machinery which go to make Latin American industry competitive. It is thus clear that the bilateral trade is mutually beneficial and complements markets and industries on both sides. Indian companies operating in the region contribute to industries, exports and employment. Indian companies employ 35,000 Latin Americans. We don't bring Indians to work or settle here; 99.9 percent of those working in Indian companies are Latin

Continued on page 2



Martelly Takes Office Saturday as Haiti's President

Michel Martelly, a popular singer known as "Sweet Micky" takes office Saturday as Haiti's president. His inauguration will happen in front of a National Palace that remains in ruins after last year's massive earthquake. See brief on page 2.

File Photo: Martelly campaign.

Inside This Issue

FEATURED Q&A: What Are the Benefits to Robust India-Latin America Trade?	1
Cuban State-Run Media Says Dissident Died of Natural Causes	2
Martelly to Be Inaugurated Saturday as Haiti's President.....	2
Chile, Peru Raise Interest Rates to Two-Year High	2
Grupo Aval Expects 60 Percent Increase in Profits This Year	3
The Dialogue Continues: What Is the Status of U.S.-Cuba Intellectual Property Disputes?....	3

NEWS BRIEFS

Martelly to Be Inaugurated Saturday as Haiti's President

Michel Martelly is to be sworn in Saturday as Haiti's president, taking power in a ceremony outside the National Palace that still lies in ruins after the country's devastating January 2010 earthquake. Martelly, a popular singer known as "Sweet Micky" takes office as the country still struggles to move past the earthquake and a deadly cholera epidemic. "Everything is broken," Daniel Supplice, the head of Martelly's transition team, told *The Miami Herald*. "But we don't have a choice. The president has to be inaugurated either way. It has to be done."

Chile, Peru Raise Interest Rates to Two-Year High

The Chilean central bank raised its benchmark interest rates from 4.5 percent to 5 percent and Peru implemented a quarter-point increase to 4.25 percent Thursday, hitting two-year records, Bloomberg News reported. Peru's economy is expected to expand by 7.5 percent this year, while Chile is projected to grow by 5.9 percent.

United States Returns Artifacts Smuggled From Peru

U.S. Customs officials returned smuggled artifacts, including an 18th century manuscript and a 1,200- to 1,500 year-old sculpture, to Peruvian officials in Washington, Reuters reported Tuesday. In one case, leads from Peruvian officials and U.S. agents led U.S. Customs to search an antique dealer's luggage. The manuscript could be traced back to Recoleta Library in Araquipa, Peru. However, the suspect died before he could be prosecuted.

Political News**Cuban State-Run Media Says Dissident Died of Natural Causes**

Cuba's state-controlled media said Thursday that dissident Juan Soto died of natural causes, not due to a beating by police as some of his supporters have said, Agence France-Presse reported. Soto, who was in poor health, died Sunday in a hospital in Santa Clara three days after he was arrested in a park for involvement in what police called a "public scandal." Other dissidents say they are sure Soto died after being beaten by police. "There is not the slightest doubt that there was a cause and effect, and that Soto's death was related to the beating he was given," after refusing to leave the park, dissident Guillermo Farinas said shortly after Soto's death. However, state-run daily newspaper *Granma* quoted Soto's sister and doctor as saying Soto was not beaten. "This story, that he'd been beaten, it's a lie," *Granma* quoted Rosa Soto as saying. "There was no trace of any blow, it's all made up." Ricardo Rodríguez, the medical examiner who performed an autopsy, said "the cause of death was acute pancreatitis."

Featured Q&A

Continued from page 1

Americans. Of that total, 20,000 work with Indian information technology and outsourcing companies. They get trained by our companies for this new age of information. This is our contribution to human resource development of the region. The sectors that India has a strong presence in regionally are IT, pharma, energy, steel, chemicals and manufacturing. There are opportunities for growth in trade, investment and joint ventures. Besides the areas mentioned above, there is scope in agribusiness also. Governments should bridge the information gap and promote trade. The Indian government has a 'Focus LAC' program, under which support is extended to market studies, organization and participation in trade fairs, business

Economic News**Brazilian Senate Approves Tripling Energy Payments to Paraguay**

Brazil's Senate has given final approval to an agreement that triples payments to Paraguay for energy from the Itaipú hydroelectric dam, which lies on the border between the countries, BBC News reported. Under the deal, Brazil's annual

Brazil's annual payments to Paraguay will increase to \$360 million from their current level of \$120 million.

payments to Paraguay will increase to \$360 million from their current level of \$120 million. Then-Brazilian President Luiz Inácio Lula da Silva and Paraguayan President Fernando Lugo originally agreed to the deal in 2009. The two countries inaugurated the dam in 1984 and each country has the right to 50 percent of the energy generated. However, Paraguay

seminars and visits of delegations. Also, we have signed preferential trade agreements with Mercosur and Chile which facilitate trade. Private companies do the trade and investment; there is only one Indian public sector company, ONGC Videsh Limited, which has invested in energy."

A Jorge Heine, former Chilean ambassador to India and a Public Policy Scholar at the Woodrow Wilson International Center for Scholars: "Both India and Latin America have much to gain from expanded trade. For Latin America, it means an additional, quickly growing market, made up of a 300 million-strong middle class, in the most

Continued on page 4

uses only about 5 percent of its portion and under the terms of the original agreement had to sell its unused share to Brazil



Lugo

File Photo: Paraguayan Government.

at a fixed price. Lugo had argued that the price was too low as compared to the amount Paraguay could get by selling the energy elsewhere. Brazilians had contended that they paid for the majority of the project and that Paraguay had to contribute its fair share.

The deal has critics in Brazil, including Sen. Itamar Franco, who said the measure will force Brazilian consumers to pay more for energy. The vote comes ahead of a visit to Paraguay by Brazilian President Dilma Rousseff, who is due in the country on Sunday.

Company News

Grupo Aval Expects 60 Percent Increase in Profits This Year

Colombia's **Grupo Aval**, the country's largest banking conglomerate, is expecting its profits to soar more than 60 percent this year as it examines possible acquisition targets, the president of its board told reporters Thursday, Reuters reported. Grupo Aval is likely to see its profits increase to 1.5 trillion pesos (\$834 million) this year from \$517 million last year, said Luis Carlos Sarmiento Angulo. "[This] is thanks to organic growth, mainly due to new capitalizations that we have done, including at the Bank of Bogota, to justify the purchase of BAC in Central America," he said. Last year, Grupo Aval purchased **BAC-Credomatic** for \$1.9 billion. Grupo Aval has assets of approximately \$32 billion, with a 30 percent share of Colombia's financial market. It controls **Banco de Bogotá**, Colombia's **Banco Popular**, **Banco de Occidente** and Banco AV Villas. Sarmiento Angulo made the comments during an appearance to mark the launch of Grupo Aval's shares on Colombia's stock exchange. The \$1.11 billion float is the largest ever by a private

The Dialogue Continues

What Is the Status of U.S.-Cuba Intellectual Property Disputes?

Q Cuba's government last month condemned a ruling by the U.S. Court of Appeals that upholds a Treasury Department decision preventing Cubaexport from renewing the 'Havana Club' trademark which it had, at one time, registered in the United States. Cuba says it owns the trademark and has given the French beverage giant Pernod Ricard the rights to commercialize it globally. Competitor Bacardi, which also asserts ownership of the Havana Club name and currently uses it in the United States for rum produced in Puerto Rico, hailed the decision, however. The dispute over U.S. rights to the Havana Club name is one of several that will need to be worked out before the longstanding U.S. embargo against Cuba can be lifted in a functional way, some experts have said. What is the state of intellectual property disputes between the United States and Cuba? How do these disputes relate to unresolved expropriation claims, and how will they likely play out? How might they affect efforts to further moderate, or to remove, the Cuba embargo?

A **Javier Garcia-Bengochea, president of the Cuba Property Rights Initiative:** "What is largely overlooked in the by some of the commentators (Mr. Jones and Ms. Scheye) in the Q&A published May 6 on 'property rights' in Cuba is the fundamental issue that the uncompensated property claims are indisputably legitimate. The Cuban government or any other entity should

not be able to make legitimate claims of ownership or protection of stolen property—not in a civil and lawful society. In the case of Havana Club, there would be no discussion or controversy except for the fact that armed soldiers confiscated the property (stole) from Mr. Arechabala at gunpoint (no hyperbole—that is exactly how it occurred) and without forthcoming compensation. Cuba has expropriated property from three groups in ascending size: foreigners, most of whom ultimately received or gave up on compensation, except for the U.S. claimants (6,000); Cubans in exile (approximately 500,000) and millions of Cubans who remained in Cuba. The Cuban government continues to default on its obligations and since the dissolution of the Soviet Union has proven to be a bad credit risk; they are known as thieves. Cuba has no future under these conditions. Satisfactory resolution of the property claims will clear title in Cuba and would usher in stable and sustainable investment and growth in the Cuban economy. This is also indisputable. Unless these claims are properly settled, people and corporations who wish to do business in Cuba should expect the same treatment from Cuba in the future as in the past. Re-engaging Cuba without doing so is tantamount to giving consent to theft again in the future. Shakespeare put it best: 'past is prologue.' "

Editor's note: The above is a continuation of a Q&A published in the May 6 issue of the Advisor.

company in Colombia. The shares fell 2.6 percent Thursday to 1,310 pesos. The group may use the money generated from the share sale to pursue acquisitions. "In some countries we have begun to see the possibility of acquisitions of other banks, which could eventually lead to mergers

with banks we already have to expand our presence in the Caribbean," said Luis Carlos Sarmiento Gutiérrez, the son of Sarmiento Angulo. Grupo Aval is also close to offering shares on the New York Stock Exchange, added Sarmiento Gutiérrez.

Featured Q&A*Continued from page 2*

dynamic part of the world. For India, the region entails a market that, in some products, is better suited for its exports than the mature markets of the North. South America's abundance of land, water and energy resources makes it also attractive to India, with its enormous population and concomitant land, water and oil scarcity. This is a win-win situation, and Indo-LAC trade and investment flows should be promoted by governments. India, like China, has a strong interest in Latin American commodities like oil, copper, iron and soybean oil, but it has also a presence in IT and business process outsourcing, pharma, chemicals and steel, with a total investment of \$12 billion. Of the 35,000 Latin Americans employed by Indian firms in the region, half do so for IT and IT-enabled services companies. The strongest Indian presence can be found in Brazil (2010 trade totaled \$6 billion), Argentina (2010 trade totaled \$2.5 billion) and Chile (2010 trade totaled a little under \$2 billion), but Indian companies are really all over. According to some projections, total Indo-LAC trade could reach \$30 billion by 2013. For Latin American companies, the Indian food sector is an especially attractive one, though it means catering and producing especially for the particular needs of the Indian consumer. As India engages in multi-billion effort to upgrade its infrastructure, there are enormous opportunities there as well."

A **Mauricio Mesquita Moreira, principal economist in the Integration and Trade Sector at the Inter-American Development Bank:** "India and Latin America is a marriage that is just waiting to happen. There are huge complementarities and similarities between the two economies, both of which can translate into substantial trade and investment. India is even scarcer in natural resources than China and to continue to grow at a fast pace it will inevitably need to import massive amounts of food and minerals, which are abundant in Latin America. The region, in turn, will benefit from

another strong source of demand for its natural resources, reducing its dependency on China. Likewise, the large low-income populations in the two economies suggest that they can benefit from trading low-cost goods and services, opening up new markets for their indus-

“India and Latin America is a marriage that is just waiting to happen.”

— *Mauricio Mesquita Moreira*

tries. The most important trade partners are Brazil, Mexico, Chile, Argentina and Peru. India's exports to these countries are fairly diversified, led by textiles, medicines, chemicals and auto parts. On investment, India's IT companies have been leading the expansion, with operations in most Latin American countries, followed by investments in sugar refining and biofuels (Brazil), mining (Bolivia and Peru), cars (Argentina) and oil (Trinidad and Tobago). The complementarity of natural resources and the similarities of consumer demand suggest that sectors such as agriculture, mining and low cost manufacturing goods offer the best opportunities. There are two major obstacles to bilateral trade: very high trade barriers, particularly on the Indian side, and damagingly high transport costs, the result of the poor infrastructure in both sides of the relationship. So, if governments really want to boost trade, they need to address these two issues head on. The private sector could contribute by lobbying their governments in this direction."

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2011

Erik Brand

General Manager, Publishing
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Rachel Sadon

Reporter, Assistant Editor
rsadon@thedialogue.org

Inter-American Dialogue

Michael Shifter, President

Peter Hakim, President Emeritus

Katherine Anderson, V.P., Finance & Administration

Genaro Arriagada, Senior Fellow

Sergio Bitar, Visiting Senior Fellow

Joan Caivano, Director, Special Projects

Paul Isbell, Visiting Senior Fellow

Claudio Loser, Senior Fellow

Nora Lustig, Senior Fellow

Manuel Orozco, Director, Remittances and Development Program

Tamara Ortega Goodspeed, Senior Associate, Education

Marifeli Pérez-Stable, Senior Fellow

Jeffrey Puryear, Vice President, Social Policy

Viron Vaky, Senior Fellow

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at: 1211 Connecticut Avenue, Suite 510 Washington, DC 20036 Phone: 202-822-9002 Fax: 202-822-9553 www.thedialogue.org

Subscription Inquiries are welcomed at fretrial@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each Advisor and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.