



Inter-American Dialogue

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Featured Q&A With Our Board of Advisors

Q Mexico's new ambassador to the United States, Arturo Sarukhan, said last week before leaving for Washington that Mexico plans an aggressive lobbying effort for an immigration reform agreement with the US. Will President Felipe Calderon fare any better than his predecessor in pushing for immigration reform in the US? What will Calderon and US President George W. Bush talk about when Bush visits Mexico this month?

A **Guest Comment: Andrew Selee:** "President Felipe Calderon and his new ambassador in Washington, Arturo Sarukhan, will press for immigration reform in the United States, but it is likely that they will do so with far less noise and much greater skill. While the Fox administration privileged frequent public statements on US immigration policy—which often generated negative reactions among US policy-makers—the Calderon administration will privilege quiet diplomacy and coalition-building with pro-reform groups throughout the United States. Sarukhan is likely to use Mexico's consular network to contribute to discussion throughout the United States as well as use the embassy's presence in Washington. When Calderon administration officials make public statements, it is more likely to be about Mexico's responsibility in creating conditions so that Mexicans do not have to migrate—which should be the primary

responsibility of the Mexican government—or about their cooperation with the US government on matters of security, rather than in addressing the US immigration debate directly. This is smart politics and much more likely to succeed than the previous approach, although the fate of the immigration debate will ultimately hinge on factors outside their control."

A **Guest Comment: Pamela Starr:** "The Calderon strategy in its relationship with the United States is similar to its approach to the Mexican legislature at home. Given the numerous potential pitfalls associated with large, ambitious policy proposals, the

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PHOTO OF THE DAY



Mexico's new ambassador to the United States, Arturo Sarukhan.

Photo: Mexican embassy.

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NEWS BRIEFS

FDI in Mexico Likely to Fall This Year—Economy Ministry Official

Foreign direct investment in Mexico will likely fall this year to \$18.3 billion from \$18.9 billion in 2006, due to slower growth in the US and domestically, Deputy Economy Minister Carlos Arce said Wednesday, according to Bloomberg News. FDI this year will again be led by auto manufacturing and tourism, Arce said. Investment in factories that produce low-technology goods for export will likely drop, he said.

Honduras Names Envoy to Cuba, Restores Full Diplomatic Ties

Honduran President Manuel Zelaya announced Wednesday that he would send Juan Ramon Elvir to be the Central American country's first ambassador to Cuba in 45 years, completing the restoration of diplomatic relations, the Associated Press reported. Honduras ended diplomatic relations with Cuba in 1962, the same year Cuba was expelled from the Organization of American States. Honduras renewed formal relations with Cuba in January 2001, but did not name an ambassador until now.

IDB Lending Argentina \$1.2 Billion for Road Works

The Inter-American Development (IDB) bank announced Wednesday it will loan \$1.2 billion to Argentina to improve roads in the northern part of the country. In a press release, the IDB said the 25-year variable-interest rate loan will finance road works for about 870 kilometers of the South American country's national network and 600 kilometers of provincial networks in the provinces of Catamarca, Corrientes, Chaco, Formosa, Jujuy, Misiones, Tucuman, Salta, and Santiago del Estero.

Economic News

Brazilian Economy Grew 2.9 Percent in 2006, Slowest Rate in S. America

The Brazilian government's national statistics agency said Wednesday the country's economy expanded 2.9 percent in 2006, the slowest rate of growth in South America last year, Bloomberg News reported. Brazil's gross domestic product growth in 2006 was up from 2.3 percent the year before, and brought the average annual rate of growth during President Luiz Inacio Lula da Silva's first four-year term to 2.6 percent, the lowest in the Hemisphere except for Haiti and El Salvador, Bloomberg News reported, citing a Brazilian planning ministry estimate. Analysts surveyed by the *Advisor* in December predicted that Brazil's GDP would expand 3.4 in 2007. Brazil's disap-

pointing economic performance to date prompted Lula shortly after starting a second term in January to announce his "Growth Acceleration Program," or PAC, aimed at boosting economic growth to 5 percent per year by 2008, mostly through public and private investment in infrastructure. Analysts told the *Advisor*, however, that more, deeper measures are required, such as spending reductions, tax cuts, and labor and social security reforms [Editor's note: see related Q&A in the January 23, 2007 issue of the *Advisor*.]

Region's Stock Markets Recover Partially from Tuesday's Losses

Latin American financial markets on Wednesday partially recovered from steep losses the day before triggered by a stock plunge in China and concerns about the US economy that snowballed into a global sell-off. Brazil's Bovespa index ended 1.7 percent higher, while Mexico's IPC rose 0.8 percent. Stock markets also rebounded in Colombia's IGBC, Argentina, and

Brazil's average annual rate of growth of 2.6 percent during President Luiz Inacio Lula da Silva's first four-year term was the lowest in the Hemisphere, except for Haiti and El Salvador.

Chile, driven in part by bargain hunting and by comments made by US Federal Reserve Chairman Ben Bernanke, who reaffirmed his positive view of the US economy, according to Reuters. However, the gains were not enough to offset Tuesday's sharp declines. The Bovespa index lost 6.63 percent on Tuesday, its biggest one-day drop since the September 11, 2001 terrorist attacks in the United States, while Mexico's IPC index fell 5.8 percent, the worst decline in nearly seven years. Markets in Argentina, Chile, Colombia, and Peru also recorded steep declines on Tuesday. The massive sell-off in Latin America, other emerging markets, and in developed countries was triggered by an 8.8 percent drop Tuesday in China's Shanghai Composite Index, the Index's biggest fall in a decade, as well as by US economic data showing a bigger-than-expected drop in purchases of manufac-

Patino: Lawmakers Give Ecuador More Reason to Restructure Debt

The government of Ecuadorean President Rafael Correa has greater reason to move ahead with a restructuring of the country's foreign debt after the Andean nation's Congress voted this week to reduce debt service assignments in the government's budget plan, Economy Minister Ricardo Patino said Wednesday, according to Reuters. "Congress has put at my disposal the option of a debt restructuring to reduce debt payments, and we will certainly consider it," Patino was quoted as telling reporters in Quito. "This is one more reason to talk about debt

restructuring." On Tuesday, lawmakers approved the diversion of \$283.4 million earmarked for debt payments in the government's \$9.8 billion budget plan for this year. Correa, who took office in January, has pledged to restructure the country's \$10 billion debt in order to devote more government resources to social programs, and has said that some of the debt was contracted illegally by past governments, sparking concerns among investors. Patino said Wednesday that a commission to audit the country's public debt would be named soon to determine what debt was illegitimate. Despite the threats of a restructuring, the government made a \$135 million interest payment due February 15. In addition, Correa said last month that restructuring the debt would take a backseat to his push for an assembly to rewrite the country's Constitution and institute political reforms.

Company News

GE Money to Acquire 39.3 Percent Stake in Colombia's Colpatría

GE Money, the consumer lending unit of **General Electric Company**, announced Wednesday it would acquire a 39.3 percent stake in **Banco Colpatría**, Colombia's second-largest credit card issuer. In a press release, GE Money said under the agreement it would have the option to acquire up to an additional 25 percent stake in the Bogota-based Colpatría from its parent company, **Mercantil Colpatría**, by 2012. The initial purchase of the 39.3 percent stake, which GE Money expects to close within the next few months pending regulatory approvals, is worth an estimated \$227.9, based on GE Money's offer to buy the stake at \$ 0.016 per share and an estimate of 36.26 billion Colpatría shares outstanding at the end of last year, according to Reuters. Banco Colpatría has over \$2.4 billion in assets, 139 branches, and serves more than 1 million customers, according to the press release. GE Money's Latin America unit has operations in Mexico, Argentina, and Brazil, as well as in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama through a joint venture with a local partner.

Capitol Hill Watch

A Weekly Look at US Congressional Activity on Latin America

Democrats Worried Bush Won't Rally Republicans on Immigration Bill

Congressional Democrats expressed concern Wednesday that President George W. Bush will not be able to rally enough Republican support to pass a comprehensive immigration reform bill, which sponsors are expected to introduce as early as next week, the Associated Press reported. "Without the administration's earnest engagement on this issue, our efforts are likely to suffer the same fate they did last year," Senate Judiciary Chairman Patrick Leahy said at a committee hearing. Secretary of Homeland Security Michael Chertoff, who testified at the hearing, expressed hope a deal could be reached. "We believe that, with some hard work by both Republicans and Democrats, a solution can be found, and we pledge to roll up our sleeves and work with you over the next few weeks and months to find a solution that serves our national interest," Chertoff said, according to a prepared statement posted on the Judiciary Committee's Web site. Rep. Jeff Flake, an Arizona Republican, urged quick action on immigration reform. "There aren't many issues where President Bush and this Congress are going to be able to come together ... It's an opportunity that none of us can afford to squander," Flake said, according to the AP.

Lugar, OAS Sec. Gen. Insulza Call for More US-Brazil Cooperation on Biofuels

In an op-ed published Sunday in *The Miami Herald*, Indiana Republican Senator Richard Lugar and Organization of American States Secretary General Jose Miguel Insulza urged the US and Brazil to launch a program to invest in biofuels research and development. They pointed to US President George W. Bush's upcoming trip to Sao Paulo, where he and Brazilian President Luiz Inacio Lula da Silva are expected to sign a bilateral biofuels agreement aimed at improving private-sector cooperation and promoting the global use of sugar-based ethanol. But Lugar and Insulza argued that the presidents must go further. Lugar will soon introduce legislation in the US Senate to start a new program, according to the *Herald* op-ed. "Presidents Bush and da Silva should expand and energize the initiative by launching a joint program of investment, training, and research to build biofuels production capabilities throughout the region and the world," the op-ed stated. Lugar and Insulza touted the success of Brazil's 30-year ethanol production program, noting that the South American country has now replaced some 40 percent of gasoline consumption with ethanol. Additionally, "more than 70 percent of the new vehicles sold there are flexible-fuel models, which can burn a mixture of up to 85 percent ethanol and gasoline," Lugar and Insulza wrote.

Subcommittee to Hold Hearing Today on US Policy Toward Latin America

The House Subcommittee on Western Hemisphere Affairs will hold a hearing this morning on US policy toward Latin America. The Subcommittee, chaired by New York Democrat Eliot Engel, will hear testimony from US Assistant Secretary of State for Western Hemisphere Affairs Thomas Shannon, from Inter-American Dialogue President Peter Hakim, and from Arturo Valenzuela, director of the Center for Latin American Studies at Georgetown University and former senior director for Inter-American affairs at the US National Security Council. The hearing will start at 10 am and take place in Room 2172 of the Rayburn House Office Building in Washington, DC.

Featured Q&A*Continued from page 1*

administration has opted for a modest, and I would argue pragmatic and realistic, line of attack. This means that although migration will continue to be one of the most important issues in the bilateral relationship, it will cease to define that relationship. It also means that Mexico will be willing to accept a small step forward on this issue, given that the complexity of the problem makes a whole enchilada-style reform not only virtually impossible but counterproductive as well. This does not mean, however, that Mexico will remain silent while the US Congress debates legislation that directly affects the well-being of millions of Mexican citizens. Ambassador Sarukhan and his team will lobby key members of Congress in the hope that the final legislation will not harm Mexican interests. But they will do so quietly and largely behind the scenes due to the political sensitivity of this behavior (as evidenced by Lou Dobbs' quick reaction to it). With regard to the Bush-Calderon meeting in Merida on March 12, I would expect the same modest policy approach to prevail on both sides of the table. The Bush visit is clearly designed to send the message that the administration very much wants to help President Calderon succeed, but the resources available to the US government to promote this objective are very limited. I thus do not expect any grand policy announcements, but instead a spirit of pragmatic cooperation that will result in small but real advances in the bilateral relationship during the last two years of the Bush presidency."

A **Guest Comment: Tapen Sinha:** "The government of Felipe Calderon is showing signs that it is willing to negotiate immigration reform with an open mind. During the presidency of Vicente Fox, under Foreign Minister Jorge Castaneda,

the talk was about the 'whole enchilada'—a reform that would demand a huge change in immigration policy in the US. That approach was flawed. It is better to settle for incremental changes in immigration policy. Otherwise, there would be opposition from both the Democrats and the Republicans alike on various grounds. Consider the matter of money transfers. A US Federal Reserve-sponsored program called 'Directo a Mexico' allows customers without Social Security numbers to wire money through the US central bank to the Mexican central bank at little cost. About 27,000 transfers are made through the program each month. This program has enraged conservative Republicans. They argue that the program is nothing more than a disguised form of helping illegal immigrants. On the other hand, unions have traditionally opposed the hiring of immigrants (legal or otherwise), who form the bedrock of Democrats. Mexican politicians of all political colors have opposed the wall being built along the border. Thus, there are plenty of contentious issues to talk about during the visit by President Bush. Perhaps now both sides will recognize the weaknesses of their respective positions and be more accommodative in their negotiations."

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