

INTER-AMERICAN DIALOGUE'S LATIN AMERICA ADVISOR

BOARD OF ADVISORS

Diego Arria Director, Columbus Group	Donna Hrinak Senior Director of Latin America Government Affairs, PepsiCo
Genaro Arriagada Board Member, Banco del Estado de Chile	Jon Huenemann Principal, International Department, Miller & Chevalier
Joyce Chang Global Head of Emerging Markets Research, JPMorgan Chase & Co.	James R. Jones Co-chair, Manatt Jones Global Strategies LLC
W. Bowman Cutter Partner, E.M. Warburg Pincus	John Maisto Director, US Education Finance Group
Rui da Costa Managing Director, Latin America & the Caribbean, Hewlett-Packard Co.	Nicolás Mariscal Chairman, Grupo Marhnos
Alejandro Delgado Economist for Latin America, Africa, the Middle East & Mexico, General Motors	Thomas F. McLarty III President, McLarty Associates
Dirk Donath Managing Director, Eton Park Capital Management	Carlos Paz-Soldan Partner, DTB Associates, LLP
Jane Eddy Managing Director, Corporate & Govt. Ratings Group, Standard & Poor's	Beatrice Rangel Director, AMLA Consulting LLC
Marlene Fernández Former Bolivian Congresswoman and Ambassador	José Antonio Ríos Chairman, Global Crossing Latin America
Javier Garza Chairman and CEO, Grupo Domos Internacional	Andrés Rozental President, Rozental & Asociados
Peter Hakim President, Inter-American Dialogue	Everett Santos President, DALEC LLC
	Shelly Shetty Senior Director, Latin American Sovereign Ratings, Fitch Inc.

FEATURED Q&A

Will the US Cut Off Trade Preferences to Bolivia?

Q The Bush Administration last Friday proposed the suspension of Bolivia's designation as a beneficiary country under the Andean Trade Preference Act (ATPA) and the Andean Trade Promotion and Drug Eradication Act (ATPDEA). Do you think that Bolivia's trade benefits will be suspended? If so, for how long? What are the consequences of the US taking that action, and how will Bolivia respond if they are cut?

A Board Comment: Jon Huenemann: "The origins of this step by the Administration are both with actions taken in Bolivia in mind and the views of some in the US Congress. Bolivia's decision to unilaterally alter its relationship on counter-narcotics and its expulsion of the US ambassador over allegations about efforts to undermine the Morales government were key factors. At the same time, it appears the Congressional trade leadership would rather extend the ATPDEA beyond the end of this year and, in effect, hand over precisely how to deal with Bolivia to the Administration. Make no mistake; there is chagrin about the Morales government in Congress, but there is also a recognition that the political and development environment in Bolivia is such that a decision by the Congress to remove Bolivia from the ATPDEA may not be the best way to proceed either. Another consideration is the mediation effort within Bolivia with

the help of others in South America and its outcome, which could implicate the Administration's review of Bolivia's ATPDEA status. There is a real possibility that Bolivia could be suspended from these preferences, but it is premature to draw timeframe conclusions. Public hearings are to be held, and no date has even yet been set. The consequences of ATPDEA loss need also be considered in light of Bolivia's eligibility for the Generalized System of Preferences (GSP) which might mitigate to some degree the adverse economic impact

Continued on page 3



Mexico Considers Legalizing Possession of Some Drugs

Mexican President Felipe Calderon proposed legislation on Thursday that would decriminalize the possession of small quantities of cocaine and other drugs for addicts who agreed to undergo treatment. See story on page 2.

Photo: Mexican Government.

Inside This Issue

FEATURED Q&A: Will the US Cut Off Trade Preferences to Bolivia?	1	Brazil Proposes More Real Estate Loans on Model "Different from US"	2
US Senate Extends Trade Benefits for Andean Nations	2	Puerto Rican Lawmaker Arrested on Bribery Charges	2
Mexican President Proposes Legalizing Possession of Some Drugs	2	Brazil Industrial Production Falls 1.3 Percent in August	2

NEWS BRIEFS

Puerto Rican Lawmaker Arrested on Bribery Charges

A Puerto Rican lawmaker was arrested by federal authorities on Thursday for allegedly accepting bribes totaling roughly \$500,000, reported the Associated Press. The FBI indicted Senator Jorge de Castro Font on 31 criminal counts including bribery and wire fraud, charging that he used his prominent position on the Senate's rules committee to extort money from businessmen, and threatened to damage their interests if they refused to pay. Some of the charges against de Castro carry a maximum prison sentence of 20 years.

Brazil Industrial Production Falls 1.3 Percent in August

Brazil's industrial output fell 1.3 percent in August on a seasonally-adjusted basis. The drop is the largest this year, Bloomberg News reported. Wall Street analysts said Thursday that IP came in much weaker than expected. Market consensus had been a decline of about half that amount. "Although the 3Q08 manufacturing industry performance should be quite robust, which should be confirmed by the September IP release, the odds of a more pronounced slowdown are increasing," **JP Morgan** noted.

Fersa Energias Wins Approval to Build Panama Wind Project

Spain's **Fersa Energias Renovables** on Thursday announced it had won permission to build a 225-megawatt wind park in Panama, Bloomberg News reported. The government approved its plans for the Toabre project, the nation's first wind park, which Fersa will carry out through its 92 percent owned Panamanian subsidiary **Enrilews SA**, according to the report.

Political News

US Senate Extends Trade Benefits for Andean Nations

The US Senate voted unanimously on Thursday to extend for another year trade benefits for Colombia, Peru, Ecuador and Bolivia. The Senate bill amended the House version, passed earlier this week, providing a one-year extension of benefits to Peru and Colombia, a one-year extension to Ecuador with a review in six



Schwab.

Photo: USTR.

months, and a six-month extension to Bolivia, after which preferences will terminate for that country unless the President finds it to be in compliance with ATPDEA regulations, according to a press release by Chairman of the House Subcommittee on the Western Hemisphere Eliot Engel (D-NY). "I commend the Senate for passing legislation that would extend the Andean trade preferences (ATPDEA) for Peru, Colombia, Ecuador and Bolivia, and I urge my colleagues in the House to quickly pass the Senate bill," Engel said. "ATPDEA has been enormously successful, having created hundreds of thousands of jobs for impoverished people in the Andean region, while also curbing drug production," he added. Last Friday, President George W. Bush sent a memo to USTR Susan Schwab calling for the suspension of trade preferences for Bolivia because of what the US said was poor cooperation on the war on drugs. That suspension will enter into effect after a public hearing on the issue, which has yet to be scheduled. The bills in Congress would not stop the suspension process, but would allow Bolivia to requalify for trade preferences if cooperation improves, Reuters reported. Ecuador's government said in a Web site statement that the House's passage of the initial bill earlier this week was "a recognition of the great work Andean countries have done, particularly Ecuador, in fighting drug trafficking." [Editor's note: see Q&A on page 1.]

Mexican President Proposes Legalizing Possession of Some Drugs

Mexican President Felipe Calderon proposed legislation on Thursday that would decriminalize the possession of small quantities of cocaine and other drugs for addicts who agreed to undergo treatment, the *New York Times* reported. Calderon said that the proposal was intended to attack the growing problem of drug addiction in Mexico, a country that until recent years had been considered a transit point for drugs bound for the US rather than a destination in itself. US policy has been against such moves to legalize drugs in Mexico, despite public opinion surveys suggesting openness to the idea within its own borders. A [Zogby/Inter-American Dialogue](#) survey released Thursday found that 76 percent of Americans believe the war on drugs is failing. When asked what they believe is the single best way to combat international drug trafficking and illicit use, 27 percent of likely voters said legalizing some drugs would be the best approach for the US.

Economic News

Brazil Proposes More Real Estate Loans on Model "Different from US"

Brazil's Minister of Planning, Budget and Management, Paulo Bernardo, said Thursday the government will announce new measures soon to better facilitate real estate financing, Agencia Brasil reported. Bernardo said Brazil "still has a lot of people who cannot finance a property." The minister stressed that Brazil's property system is "completely different" from the US, where a subprime mortgage crisis has sparked worries that other countries may have extended too much credit to too many people. Bernardo said the new plan will target families with lower purchasing power. Paulo Bernardo said the government wants to expand access and noted that he did not see any problem with the growth of property loans in the country. Brazil's real estate sector grew 92.5 percent from January to August, compared to same period last year.

Featured Q&A*Continued from page 1*

that may unfold if GSP is retained. Bolivia's government is likely to respond to an ATPDEA suspension by further distancing itself, while another concern is that US interests within Bolivia—although small—could see consequences."

A Guest Comment: Calman J. Cohen: "Under the Andean Trade Preference Act (ATPA) and the Andean Trade Promotion and Drug Eradication Act (ATPDEA), trade preferences are about to be suspended for Bolivia for its flagging efforts in stemming narco-traffick-

“The biggest losers in this are the workers of El Alto.”

— *Ivan Rebolledo*

ing. These trade preferences could be reinstated by the United States, once Bolivia improves those efforts pursued on its own and in cooperation with the United States. At the same time, the proposed suspension for Bolivia has important implications for Ecuador, another beneficiary of Andean trade preferences. Specifically, breaches of the basic rule of law in Ecuador are leading members of the business community to urge Congress and the Administration to reconsider how the preferences should apply, if at all, to Ecuador given its actions."

A Guest Comment: Ivan Rebolledo: "The Bush Administration unilaterally suspended ATPA for Bolivia based on parameters in the original legislation. This suspension will officially take place around November 1 after the public comment period is over. Since there is a strong probability that the House will not be back in session until after the elections and not before the

next Congress convenes or ATPA expires on December 31, the House had to pass some sort of extension for ATPA, as well as extending GSP for a year. Perhaps their thinking was that Bolivia should still be kept in the program so that when/if the suspension is lifted, it would be easier to get Bolivia back in. If Bolivia is taken out altogether, it would be close to impossible to get them back in. Now it is in the hands of the Senate and especially Senator Grassley, who, rumor has it, is supporting an extension for only six months for Bolivia and Ecuador. If trade preferences are suspended, I think it will be a long time before we see anything different. Unfortunately, the biggest losers in this are the workers of El Alto—whose labor union leadership has been closely watching this situation unfold. If ATPA is lost, a further deterioration of the bilateral relationship will continue. The government of Bolivia has proposed a new fund that will provide short-term loans to exporters to cover new import duties. However, the larger exporters do not seem to be interested."

Jon Huenemann is member of the Advisor board, a Principal in the International Department at Miller & Chevalier, and a former Assistant USTR with responsibilities for the Americas.

Calman J. Cohen is President of the Emergency Committee for American Trade (ECAT).

Ivan Rebolledo is Managing Partner with TerraNova Strategic Partners LLC and President of the Bolivian-American Chamber of Commerce.

Editor's note: The commentators sent their responses Wednesday, before the US Senate on Thursday voted to extend trade benefits to Andean countries for another year, but with only a six-month extension to Bolivia. See story on page 2.

Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2008

Erik Brand,
General Manager, Publishing
ebrand@thedialogue.org

Matthew Schewel,
Reporter, Assistant Editor
mschewel@thedialogue.org

Danielle Jetton,
Computer Services Coordinator

Inter-American Dialogue:

Peter Hakim,
President

Michael Shifter,
Vice President, Policy

Joan Caivano,
Director, Special Projects

Dan Erikson,
Senior Associate, US Policy

Claudio Loser,
Senior Fellow

Manuel Orozco,
Director, Remittances and Development Program

Tamara Ortega Goodspeed,
Senior Associate, Education

Marifeli Pérez-Stable,
Vice President, Democratic Governance

Jeffrey M. Puryear,
Vice President, Social Policy

Viron Vaky,
Senior Fellow

Subscription Inquiries are welcomed at fretrial@thedialogue.org

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

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.