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FEATURED Q&A

Will Mexico's Plan for New Economic Zones Work?



President Enrique Peña Nieto has had to contend with persistent problems in areas of Mexico that many consider long neglected by the government. // File Photo: Government Mexico.

Q Mexican President Enrique Peña Nieto on Sept. 29 unveiled a plan to create special economic zones in order to spur the economies of some of Mexico's poorest southern states. The legislative initiatives would include tax incentives for private investment as well as duty-free customs measures and streamlined regulatory processes. The plan also includes additional investment for infrastructure. Would the initiatives give the targeted areas the economic boost that officials are seeking? What type of investment do states in southern Mexico most need? In which industries can they be most competitive? How much of a factor will the area's history of violence and insecurity play in perceptions of the business climate and influence investment decisions?

A Nicolás Mariscal, member of the Advisor board and chairman of Grupo Marhnos in Mexico City: "I believe that the initiative to create special economic zones has the right elements to be successful. First of all, it aligns the three branches of the government on the same objective: the economic development of regions that are not currently doing well but have a lot of potential. For that to happen, a great amount of political will and economic resources will be required. As an example, think of the Salina Cruz-Coatzacoalcos corridor that connects the Atlantic to the Pacific. The governments there do not have the same access to resources as in the more developed regions, and so in this case, the federal government would provide resources for infrastructure development and other strategies that would contribute to sparking the conditions the region requires in order to be-

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TODAY'S NEWS

POLITICAL

Panama's Former President Wants Asylum in U.S.

Former President Ricardo Martirelli is seeking political refugee status in the United States as his 180-day tourist visa is expiring, local media reported.

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ECONOMIC

Colombia Fines Sugar Firms for Anti-Trust Rules

Colombian regulators have fined sugar producers a combined total of more than \$111 million, finding they conspired to block imports of the commodity from Bolivia, Guatemala, El Salvador and Costa Rica.

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POLITICAL

Argentine Cabinet Chief Asks U.S. for Intel on Fugitive

Argentine Cabinet Chief Anibal Fernández said Thursday that, in light of new information, he hopes the U.S. will provide details on the whereabouts of fugitive spy chief Antonio "Jaime" Stiuso.

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Fernández talking with reporters Thursday // Photo: Telam.

POLITICAL NEWS

Panama's Martinelli Seeking Political Asylum in U.S.

Panama's former President, Ricardo Martinelli, is seeking political refugee status in the United States as his 180-day tourist visa is expiring, La Estrella de Panama reported Thursday. Attorneys for Martinelli, who served in office from 2009 to 2014 and is now living on a tourist visa in Miami, will claim he is a victim of political persecution by the government of current President Juan Carlos Varela, according to the report. A right-of-center businessman, Martinelli is facing charges in Panama for accepting bribes, illegal wiretapping and insider trading. Panama's Supreme Court last month approved two new investigations against Martinelli,



Martinelli // File Photo: World Economic Forum.

Reuters reported. In one of the new cases, Panama's stock market regulator asked for an investigation into whether Martinelli, through the brokerage firm Financial Pacific, was insider trading on shares of Canadian miner Petaquilla, according to the report. Martinelli denies wrongdoing and suggested last month the Supreme Court was pressured to "falsely accuse me." Martinelli has had a contentious relationship with President Varela, who served as his vice president in what was seen to be a marriage of convenience. The two split abruptly in 2011 when the president, who at one point had publicly endorsed Varela as his candidate for the race in 2014, fired him as foreign minister. The flap resulted in a number of cabinet resignations, but Varela served out his elected term as vice president through 2014.

Argentine Cabinet Chief Asks U.S. for Intel on Fugitive Spy

Argentine Cabinet Chief Aníbal Fernández said Thursday that he hopes the United States will provide information on the whereabouts of fugitive spy chief Antonio "Jaime" Stiuso, who reportedly flew to the United States earlier this year, Telám reported. The former head of SIDE, the country's now-renamed intelligence agency, Stiuso has been summoned by a local court to provide information on the investigation of the AMIA Jewish center terrorist attack, of which he was in charge, before he was dismissed by President Cristina Fernández de Kirchner last December. Stiuso flew from Porto Alegre, Brazil, to Miami on Feb. 19 using an Italian passport, Fernández said Thursday citing an Interpol information, Reuters reported. The administration thinks Stiuso is linked to the death of state prosecutor Alberto Nisman, who was found with a single bullet to the head days after accusing Fernández of trying to cover up Iran's alleged role in the 1994 truck-bombing in Buenos Aires. Last month Fernández publicly criticized Washington for failing to answer repeated inquiries about the spy master's whereabouts.

ECONOMIC NEWS

Colombia Fines Sugar Producers for Anti-Trust Violations

Colombian regulators have fined sugar producers a combined total of more than \$111 million, EFE reported Thursday. Authorities found Colombian producers conspired to block imports of the commodity from Bolivia, Guatemala, El Salvador and Costa Rica. Those fined include Colombia's sugar producers' association, known as Asocaña, along with C.I. de Azucares y Mieles, an import and distribution company. Fourteen company executives also were fined

NEWS BRIEFS

Violent Deaths in Brazil Rise 5 Percent Last Year

Violent deaths in Brazil rose 5 percent last year to a new peak of 58,000 violent deaths, the Associated Press reported Thursday. A watchdog group, the Brazilian Forum of Public Security, said the northeastern state of Alagoas had the highest rate of violent deaths, with 66.5 such deaths per 100,000 inhabitants. The number of reported killings committed by police went up 37 percent, with 3,022 people dead as the result of police actions, according to the report.

Chinese Companies to Build Six Hydro Plants in Ecuador

Companies from China will build six of eight new hydroelectric plants planned in Ecuador, El Comercio reported Thursday. To address climate change, the South American country has set a goal to generate more than 90 percent of electricity through water by 2016, according to EFE. Ecuador's Foreign Minister, Ricardo Patiño, who is wrapping up a trip to China this week, said 91 Chinese companies have operated in Ecuador to date across a range of sectors.

Youth Unemployment on the Rise in Brazil

The International Labor Organization said on Thursday that youth unemployment has been rising in Brazil, Economic Times reported. Brazil's youth unemployment rate, at 14 percent or below for the past three years has averaged 15.8 percent this year.

SUBSCRIBER NOTICE

The Advisor will not be published Monday in observance of the Columbus Day holiday in the United States. We will resume publishing on Tuesday, Oct. 13.

for authorizing and facilitating anti-competitive conduct, according to the report. Colombia's Superintendency of Industry and Commerce, or SIC, launched its investigation in 2010 in response to complaints from several manufacturers that use sugar as an input in production. Colombia's influential National Business Association, or Andi, said in a statement Thursday that the fines could affect the sector's viability, confiscating perhaps 100 percent of some companies' profits, but the government said no entity would be fined more than 7 percent of its annual revenue. Colombia has 3,300 sugar farms, with an average of 60 hectares per farm.

Venezuela, Russia Say Oil Producing States to Meet Oct. 21

Venezuela announced Thursday that a technical meeting of OPEC and other non-member crude-producing countries would take place on Oct. 21, Agence France-Press reported. The South American country, which has been suffering most from the oil price shock that has hit producers around the world over the past year, has been seeking to push the price of oil higher. Oil and Mines Minister Eulogio del Pino said in a statement Thursday he had spoken by telephone with his Russian counterpart, Alexander Novak, on topics including "cooperation among members of the Organiza-

Oil futures briefly topped the \$50-a-barrel level for the first time since July.

tion of Petroleum Exporting Countries (OPEC) and other non-OPEC oil-producing countries." The Russian foreign ministry also released a statement, saying the two discussed "bilateral cooperation in oil, gas and power spheres... and the situation on the global oil markets and cooperation with the oil-producing countries, including OPEC states," Sputnik News reported. The next scheduled meeting of OPEC oil ministers is Dec. 4. Oil futures on Thursday gained

THE DIALOGUE CONTINUES

Is Peace in Colombia Finally Within Reach?

Q **Colombia's government and the FARC rebels on Sept. 23 announced what they called a breakthrough in their nearly three-year peace talks, saying they had come to an agreement on one of the toughest points of their agenda for the negotiations—a method for punishing those who committed human rights abuses during the country's armed conflict. They also set a six-month deadline for reaching a final accord. How close is peace for Colombia? What are the major roadblocks to an eventual accord? How difficult will it be for a peace agreement to win the support of Colombian lawmakers and the public in a referendum—two required steps before a peace accord can take effect?**

A **Jorge Lara-Urbaneja, partner at Arciniegas, Lara, Briceño & Plana in Bogotá:** "The Sept. 23 announcement issued by the Colombian government and FARC opens more questions than answers. This process does not protect Colombia's institutions. Instead, the institutions are being negotiated to fit the FARC's demands. Colombia will have new criminal laws and judges that will play around with crime definitions so that, in the end, the FARC's illegal financial activities, such as drug-trafficking, extortion and kidnapping, will be linked to political subversion that will go unpunished by definition. Although the International Criminal Court has taken a firm position that major crimes must be severely punished, there will be new reclusion systems that will permit the FARC leaders, who must spend some time in pris-

more than 3 percent, with U.S. prices briefly topping the \$50-a-barrel level for the first time since July, MarketWatch reported. OPEC says it expects oil demand will increase by 1.5 million barrels a day this year, Bloomberg News

on, to serve their sentences 'in their areas of influence,' as President Santos said. The U.S. special envoy to the peace process, Bernie Aronson, remarked that this is not a process to defeat the FARC but to terminate a war. Consequently, the FARC, or its leaders, will secure a bright political and economic future as a result of the peace. Their right to remain in their 'areas of influence,' whether serving a nominal sentence or engaged in political activities, means that the FARC leaders will increase control of the land and population

“ FARC leaders will increase control of the land and population that they have extensively exploited. ”

— Jorge Lara-Urbaneja

that they have extensively exploited. It is unclear how the FARC will 'leave' their weapons. Besides, nothing has been said about FARC's turning in their huge resources so as to compensate the victims of 50 years of crimes. Rather, such compensations will come from all Colombians by way of post-conflict efforts. But, above all, this is a geopolitical process against Colombia in the scope of the São Paulo forum."

EDITOR'S NOTE: The above is a continuation of the Q&A in the Sept. 30 edition of the Advisor.

reported, but experts say agreeing on ways to cut production will prove difficult. [Editor's note: See also [Will Venezuela Ever Find Allies for Its Oil Price Plans?](#) in the June 19 issue of the weekly Energy Advisor.]

FEATURED Q&A / Continued from page 1

come competitive. The region is expected to generate an exceptional business environment with tax incentives, an agile regulatory framework and a special vigilance toward upholding the rule of law. The Ministry of Economy will look for companies to anchor these areas, as a way to generate jobs and create value chains. For their part, different business chambers have been involved in this issue as well and suggest the establishment of food, biotechnology, pharmaceutical, recycling, technology and nanotechnology industries, among others. While this initiative represents a mid- and long-term effort, fast and concrete results will need to emerge soon. This is only possible if we succeed in sustaining coordination between the three levels of government, independent of who is or is not in power."

A **Jana Nelson, country manager at Speyside Corporate Relations in Mexico:** "Success for the special economic zones (ZEEs) will hinge on the size and quality of foreign direct investment, and infrastructure and commercial ties connecting them to the rest of Mexico. The main challenge for the ZEEs is not insecurity, nor its militant politics, which are a byproduct of poverty. The challenges are relative geographic isolation, weak institutions and dislocated markets. To bridge the gap between the NAFTA Mexico and the old Mexico, FDI needs to be greater than public investment and incentives. Some investment will come from new energy projects, such as wind farms in Oaxaca, and oil and gas extraction off the coast of Veracruz, but most investment will likely come from shipping and logistics companies. Mexico's border with the United States and history as a thoroughway between Asia and Europe mean that the main container ports in Mexico—Lazaro Cardenas, Chiapas, and Veracruz—, all in the ZEEs, could become the dry-equivalent of the Panama Canal. By summer 2016, Lazaro Cardenas, on the Pacific, will boast the first fully automated port in Latin America, costing \$900 million

and connecting via rail to the United States. If similar investment goes to Veracruz, Mexico could move millions of twenty-foot equivalent unit containers (TEUs) from the Pacific to the Gulf, seamlessly. The project is feasible and has many of the ingredients for success—diligent research and effective leadership among them. Over the last year, Mexican officials carefully planned and prepared for this announcement. They visited many of the successful existing ZEEs and chose Abraham Zamora to lead the project, a policy-maker with a proven record."

A **Ruben Olmos, managing partner of Global Nexus in Washington:** "In order for this special economic zone to be successful, just as it has been in Shannon, Ireland, in Shenzhen, just north of Hong Kong or Korea, the government must think of how to better coordinate this part of the country with the rest of the well-developed central and northern Mexican states, and furthermore with the global economy. Without the construction of new ports, airports, modern highways or basic services for industries such as electricity, running water or access to fuels, investors are likely to turn their eyes to other areas. Projections from two key Chambers of Commerce in Mexico—Consejo Coordinador Empresarial and Coparmex—point out that the tangible benefits of the special economic zones will consolidate within 5 to 10 years. The southern region of Mexico has already had important industry clusters that could be boosted by new foreign direct investment attracted by special economic zones. For instance, Oaxaca and Veracruz have developed valuable economic units and a skilled labor force for the agri-food industry. Meanwhile, Chiapas, Yucatán and Quintana Roo have made remarkable advances on tourism. Another strategic sector that can develop further is the renewable energy industry. The hope is that these zones could help strengthen the rule of law and change, over time, the insecurity that affects the business climate."

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