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FEATURED Q&A

Where Are the Top Areas for Latin America-E.U. Cooperation?

Q Colombian President Juan Manuel Santos spent most of last week in Europe to seek support for his country's hoped-for post-conflict transition with the FARC rebel group. Also, Prince Charles and his wife Camilla visited Colombia and Mexico last month to promote cooperation between those countries and Britain, while avoiding recent tensions with Argentina. And the week that Chile's Michelle Bachelet was in Spain signing cooperation deals, Venezuela recalled its ambassador to the European country over statements that Spanish Prime Minister Mariano Rajoy made in support of jailed Venezuelan opposition leader Leopoldo López. Where are there the greatest possibilities for cooperation between Europe and Latin American countries? Will Charles' visit lead to any new initiatives, or was the visit purely symbolic? What kind of help might Santos get from Europe for a post-conflict Colombia?

A Julia Buxton, professor of comparative politics at the School of Public Policy of Central European University in Budapest: "Given the primacy afforded to dialogue and conflict resolution by the E.U., it is unsurprising that President Santos sees Europe as an important source of support for Colombia's peace negotiations. This has been forthcoming, with Germany committing \$100 million in credit and European Council head Herman

Van Rompuy announcing 'concrete assistance' once negotiations are complete. But the E.U. will be under pressure from influential human rights organizations that have consistently drawn attention to Colombia's poor record on labor as well as social and civic protections. There will be robust scrutiny of funds dispersed and of the European private investment courted by Santos. The political salience of European support is underlined by the lobbying activities of the Venezuelan opposition and recent meeting between Spanish

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Brazil Minister Quits, Urges 'Independent' Economic Team

Marta Suplicy, Brazil's culture minister, resigned Tuesday, urging the country's president to name an "independent economic team" that will restore the government's credibility. The statement highlighted a split within the ruling Workers' Party. See story on page 2.

File Photo: Brazilian Government.

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NEWS BRIEFS

PRI Office Burned in Protest Over Missing Students in Mexico

Protesters upset at the government's handling of the case of the disappearance of 43 students in Mexico set the offices of the ruling PRI party on fire in the town of Chilpancingo, the capital of southwestern Guerrero state where the students were last seen, BBC News reported today. Around 1,000 people marched in the city and then unrest broke out, with some protestors clashing with police, throwing stones and petrol bombs.

Two U.S. Senators Meet With Subcontractor Imprisoned in Cuba

Two U.S. senators met Tuesday with Alan Gross, the American who was arrested in Cuba five years ago while working on a U.S. Agency for International Development contract, NBC News reported. Jeff Flake (R-Ariz.) and Tom Udall (D-N.M.) met for two hours with Gross, who was sentenced to 15 years in prison in Cuba. Gross, who had been working covertly to expand Internet access, has denied that he was acting as a spy. The senators said Gross was positive during the two-hour meeting and added they are working to win his release.

U.N. Concerned About Trial of FARC Rebels in Indigenous Court

The United Nations on Tuesday expressed its concern at verdicts given to seven members of the FARC rebel group by an indigenous court in Colombia for the murder of two leaders of the Nasa community, BBC News reported. Five of the rebels were sentenced to jail for between 40 and 60 years, while two will receive 20 lashes. U.N. representative Fabrizio Hochschild said due process was not followed in the cases.

Political News

Brazilian Cabinet Member Quits, Urges 'Independent Economic Team'

Brazil's culture minister, Marta Suplicy, resigned Tuesday and urged President Dilma Rousseff to name a new "independent economic team," Reuters reported. Suplicy, a former mayor of São Paulo and leading figure in the governing Workers' Party, had been expected to step down before Rousseff's second term begins in January. However, her resignation letter contained unexpected advice that highlighted a split within the Workers' Party. In the letter, Suplicy urged the president to "choose ... an independent economic team, experienced and proven, that will recover the confidence and credibility of your government, and that is, above all, committed to a new agenda of stability and growth for our country." The letter was posted on Suplicy's Facebook page while Rousseff was out of the country, headed to a summit in Australia. Rousseff's decision on replacing outgoing Finance Minister Guido Mantega has been the subject of heated debate in Brazil. Workers' Party members close to former President Luiz Inácio Lula da Silva want a market-friendly finance minister, such as ex-central bank chief Henrique Meirelles, while party members farther to the left want a minister who will maintain the government's interventionist economic policies, *The Wall Street Journal* reported.

Economic News

Argentina's Tax Agency Raids 71 Financial Institutions

Agents of Argentina's tax authority, known as AFIP, on Tuesday conducted searches at 71 banks, currency exchanges and other financial institutions as part of an investigation into suspected money laundering, MercoPress reported. More than 250 agents took part in the raids, which included financial institutions in the city and province of Buenos Aires as well as in the provinces of Mendoza and Córdoba, according to AFIP. The tax

authority launched the investigation after it detected inconsistencies in tax returns of four companies involved in stock transactions. Those firms are suspected to have been operating as fronts for hiding income of individuals or entities, said AFIP. **Banco Mariva, Transcambio, Banco Columbia, Banco VOII and Caja de Valores** were among the financial services institutions targeted in Tuesday's raids. A federal judge in Quilmes, a Buenos Aires suburb, had issued warrants for the searches. The alleged money laundering operations involve some 120 million pesos (\$14.1 million), according to the tax agency, which said it provided the names of suspected entities to the country's central bank, financial crimes unit and stock market regulators. "The companies that carried out the buying



of the securities acted as fronts to hide the true beneficiaries which allowed them to carry out capital flight," AFIP said in a statement, Bloomberg News reported. The news service was unable to reach representatives of Banco Mariva or Caja de Valores for comment. On Sept. 30, Argentine President Cristina Fernández de Kirchner called for stronger regulatory control of currency trading and criticized the oversight of the central bank. Fernández's speech led to the resignation of central bank chief Juan Carlos Fábrega the following day. Fábrega's replacement, Alejandro Vanoli, has vowed to fight speculation in the country's currency market. [Editor's note: See related [Q&A](#) in the Nov. 6 issue of the *Advisor*.]

Fernández
File Photo: Argentine Government.

Company News

No Secret Clauses in Vaca Muerta Deal with Chevron: Argentina

Argentina's government on Monday denied reports that it had agreed to "secret clauses" in an agreement signed between state oil company YPF and U.S.-based oil

major **Chevron** last year, EFE reported. The contract contains confidentiality clauses that are usually found in such agreements, Cabinet Chief Jorge Capitanich said at his daily press briefing on Monday. "Everything that is on contract is what is normal on matters of transactions with multinational corporations," Capitanich said, according to Télam. Opposition media on Sunday published reports that Chevron's agreement to invest in Vaca Muerta was conditioned on the reform



Capitanich

File Photo: Argentine Government.

of several oil and gas sector laws. *La Nación* reported that it had obtained three documents that allegedly showed Chevron conditioned its signing of an agreement with YPF on reform of federal and provincial laws and regulations, including

aspects such as the terms and length of concessions, royalties charged by provinces and tax stability, issues which formed part of the reform of the country's Hydrocarbons Law that was approved in October as well as laws in Neuquén province where the Vaca Muerta formation is found. Legislators had previously sought to know more details about the documents, but YPF President Miguel Galuccio has defended their confidential character. Capitanich on Monday attributed the reports to "the permanent press operations conducted by media concentrated groups that never get tired of trying to blackmail the government," Télam reported. He added, "Regarding the deal with Chevron is more of the same. Nothing new under the sun. There are no secret clauses, only confidentiality agreements, as YPF has already informed, which are typical of an investment of this scope." In mid-2013, Chevron and YPF signed an agreement to invest \$1.24 billion in the first phase of a project at Vaca Muerta, the second-largest shale gas deposit and fourth-largest shale oil deposit in the world, EFE reported. In April, the companies unveiled a plan to invest \$1.6 billion in a second phase of development.

Featured Q&A

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Prime Minister Rajoy and the wife of Leopoldo López. But as Rajoy's expression of support for López came in the same week he was compelled to apologize for chronic corruption in the ruling PP, this was a public relations gaffe for the López campaign and enabled the Venezuelan government to assume the moral upper hand. Europe and Latin America are drawn together in international affairs on issues that cleave them from the United States, such as Palestine, Cuba, the environment and reform of international drug control, and there is ample space to expand commercial ties for flailing European economies—particularly Spain. For the United Kingdom, Charles and Camilla's visit aims to rebuild relations with a region it has alienated through its refusal to engage in negotiations over the Malvinas. Although largely symbolic, it marks recognition of the need to catch up with European competitors."

A Paul Hare, lecturer in international relations at Boston University and former British ambassador to Cuba:

"Latin America and Europe have gone through regular phases of mutual diplomatic interest since most of the states on both continents have embraced democratic systems, however flawed. All E.U. countries see the growing markets and investment opportunities as an incentive and hope to make inroads where the United States has long dominated and China is increasingly active. Generally, E.U. members act as commercial competitors in the region, but the agenda of conflict settlement in Colombia suits the E.U. well. It has experience in areas like the Balkans and Northern Ireland of reconciling warring factions. Cuba has also been an important mediator in the Colombia process. The E.U.'s Cuba policy has been its most sustained common policy in the region. It has promoted a constructive, non-coercive but critical engagement over nearly 20 years. The E.U. provided the majority of foreign investment and

tourists before the Venezuela-Cuba relationship developed in the last decade. It was also the E.U.'s diplomatic efforts with the Cuban church that secured the release of dissidents imprisoned in March 2003. The visits of the Duke and Duchess of Cornwall show them assuming more prominent roles overseas as the queen has cut back on travel. Colombia and Mexico are good choices. They are ambitious diplomatic players with economies that have much upside potential. But both are markets where the United States is still the top commercial partner."

A Joaquín Roy, Jean Monnet chair 'ad personam' and director of the European Union Center of Excellence at the University of Miami:

"Latin America must meet the challenge posed by the unstoppable process of globalization and the competition of the proposed Transatlantic Trade and Investment Partnership between the European Union and the United States (TTIP). Latin America must decide where its natural allies are and engage them with a deeper sense of political alliances and economically profitable deals. However, Latin America must present a common voice, reinforced by an active policy of the leading national governments. Latin American countries must decide on two complementary tracks. On the one hand, it is to their benefit to negotiate sincerely and effectively the trade and cooperation agreements that are still in a state of hibernation (Mercosur) or moribund (Andean Community). The example of the modest but practical Association Agreement between the Central American governments and the E.U. is a path to follow. The governments (mostly members of the ALBA conglomerate) that still present a confrontational attitude should understand that the E.U. will not bend to pressure and threats. On the other hand, Latin America, if it wants to be successful on the world scene and especially in its relationship with Europe,

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Featured Q&A*Continued from page 3*

must decide between a strategy of acting as individual units using binational agreements, or craft a common voice and build a true process of regional integration beyond modest free-trade schemes.

“Latin America must present a common voice, reinforced by an active policy of the leading national governments.”

— *Joaquín Roy*

Latin America must accept the need for a certain degree of supra-nationality following the path of the E.U. model. Not a single sub-regional entity enjoys an institution like the E.U. Commission. Until it does, Latin America will not be able to compete globally. It is up to the governments to act. Only then will the region receive the attention of Europe. Individual travels of single countries are for their benefit of them, not that of the whole family. Europe then will opt for the typical U.S. strategy of 'divide and conquer.' The E.U. and the United States will advance in their TTIP, and Latin America will be left out."

A James R. Jones, member of the **Advisor board and chairman of Manatt Jones Global Strategies:** "Europe's economy and, to a certain extent, its politics are in the doldrums. The greatest areas of cooperation between Europe and Latin America are economic. And from a European perspective, the relevant countries are Mexico, Colombia, Chile, Peru and possibly Panama. Those are where you see European public relations out-reaches as most visible. Brazil cannot be overlooked, and clearly Europe isn't doing that. But for the immediate future, there is more of a 'wait and see' attitude about how Dilma will lead in her second term and how truly open and competitive Brazil will be. I expect President Santos' European tour to prove successful. Colombia's story of reform and reconciliation has penetrated Europe, and he should find great receptivity to his requests. The British royal visits are mostly symbolic but they set the stage for more follow-up initiatives. I suspect Mexico and Colombia will see many more high-level British visits in the coming months and years."

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

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Latin America Advisor

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