

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Genaro Arriagada

Nonresident Senior Fellow,
Inter-American Dialogue

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

W. Bowman Cutter

Former Partner,
E.M. Warburg Pincus

Dirk Donath

Senior Partner,
Catterton Aimara

Marlene Fernández

Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim

President Emeritus,
Inter-American Dialogue

Donna Hrinak

President, Boeing Latin America

Jon Huenemann

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

James R. Jones

Co-chair, Manatt Jones
Global Strategies LLC

Craig A. Kelly

Director, Americas International
Gov't Relations, Exxon Mobil

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.

Gustavo Roosen

Chairman of the Board,
Envases Venezolanos

Andrés Rozental

President, Rozental &
Asociados and Senior
Policy Advisor, Chatham House

Shelly Shetty

Head, Latin America
Sovereign Ratings, Fitch Inc.

Roberto Sifon-Arevalo

Managing Director, Americas
Sovereign & Public Finance Ratings,
Standard & Poor's

FEATURED Q&A

How Will U.S. Immigration Policy Change This Year?



The U.S. Supreme Court is expected to decide later this year on President Barack Obama's move to shield some undocumented immigrants from deportation. Above, a pro-immigration rally in Washington in 2010 is pictured. // File Photo: Arasmus Photo via Creative Commons.

Q The U.S. Supreme Court on Jan. 19 announced it would decide the legality of President Barack Obama's executive action to shield more than four million immigrants living in the United States illegally from deportation. Meanwhile, the Obama administration has faced criticism from within its own party over a crackdown against Central American immigrants in the country illegally. How likely is it that the Supreme Court will allow Obama's plan to shield immigrants from deportation? Does the United States have the systems and infrastructure in place to properly address the four million immigrants who would be affected by a Supreme Court ruling to remain in the country? What is the outlook for immigration policy in the United States after Obama leaves office, in light of the divisive tone immigration policy has had in the U.S. presidential election campaign? Would Central American countries be prepared to handle the influx of returning immigrants if deportations continue at this rate or at an even higher rate?

A Arturo Sarukhan, board member of the Inter-American Dialogue and former Mexican ambassador to the United States: "First, no one, besides Donald Trump, believes the nation has the resources, or the will, to deport all unauthorized immigrants. Second, taking a hard line on immigrants is shortsighted; immigration should be about people, not politics. Third, the United States thrives when new Americans have the opportunities, skills and status to reach their fullest potential. And fourth, presidents of both parties have

Continued on page 2

TODAY'S NEWS

POLITICAL

Obama Seeking to Boost U.S. Aid to Colombia

The White House said additional U.S. aid to Colombia would be used in part to help implement a potential peace accord between Colombia's government and the FARC rebels.

Page 2

BUSINESS

Brazil Regulators Scrutinizing Bradesco- HSBC Deal

Antitrust regulator CADE said it is extending its inquiry into the sale of HSBC's Brazilian unit to Bradesco.

Page 3

ECONOMIC

Argentina Agrees to Pay Italian 'Holdouts' \$1.35 Billion

The bond holdings by the Italian investors represent about 15 percent of the debt that was not restructured in 2005 and 2010, said Finance Minister Alfonso Prat-Gay.

Page 2



Prat-Gay // File Photo: Argentine Government.

ECONOMIC NEWS

Argentina Agrees to Pay Italian ‘Holdouts’ \$1.35 Billion

The government of Argentine President Mauricio Macri has agreed to pay a group of Italian bondholders who refused to accept debt restructurings \$1.35 billion, BBC News reported. The deal is subject to approval by Argentina’s Congress, which reconvenes in March. The agreement to pay the Italian bondholders mark the first time that the South American country’s government has agreed to pay so-called “holdout” bondholders who are in possession of defaulted bonds stemming from Argentina’s economic crisis more than a decade ago. If the deal wins legislative approval, the government’s payment to the 50,000 Italian investors would represent 150 percent of the \$900 million face value of the debt. Although the deal calls for the investors to receive \$1.35 billion, they had originally sought \$2.5 billion. The bond holdings by the Italian investors amounted to approximately 15 percent of Argentina’s defaulted debt that

was not restructured in 2005 and 2010, said Finance Minister Alfonso Prat-Gay, BBC News reported. Argentina’s government is also engaged in parallel negotiations with a group of U.S. bondholders, led by billionaire Paul Singer of Elliott Management. That group is seeking approximately \$9 billion, which would represent

“We are going to be tough in the negotiation over the interest.”

— Alfonso Prat-Gay

payment of \$3.50 on the dollar, the Financial Times reported. Last week during the World Economic Forum in Davos, Switzerland, Prat-Gay said the government was prepared to offer the U.S. holdouts \$1.20 on the dollar, with a formal offer expected this week. “We are going to be tough in the negotiation [with the U.S. hedge funds] over the interest,” Prat-Gay told reporters on Tuesday. “There are some who want to charge an unacceptable interest rate.”

NEWS BRIEFS

Obama Seeking to Boost U.S. Aid to Colombia

U.S. President Barack Obama is seeking to increase aid to Colombia in order to help implement a possible peace accord between Colombia’s government and the FARC rebels and also to assist in the removal of landmines, the White House said Tuesday, Reuters reported. Colombian President Juan Manuel Santos is in Washington this week and is expected to meet with Obama on Thursday.

Brazilian Regulator OKs FedEx’s Acquisition of TNT Express

FedEx said Tuesday that Brazil’s antitrust regulator, CADE, has approved its acquisition of Netherlands-based TNT Express. Regulatory approvals in key global markets have been holding up the \$5 billion deal. China has yet to give its nod, and the European Union gave its consent only last month to the deal, which was announced in 2015. The companies said Tuesday they anticipate the offer will close in the first half of 2016.

Pemex Acquires Grupo Fertinal for \$255 Million

Mexican state oil company Pemex said Tuesday it had acquired fertilizer producer Grupo Fertinal for \$255 million. Domestic demand for fertilizers in the country exceeds 4.2 million tons per year, Pemex said in a statement, adding that its newly acquired plants could supply about 30 percent of demand. An increase in dollar-denominated chemical fertilizer prices has made the product, 90 percent of which has to be imported, too expensive for small farmers, The Wall Street Journal reported recently. Pemex said it expects to get more fertilizer into the hands of farmers that need it and still recover its investment in less than 36 months.

FEATURED Q&A / Continued from page 1

long used their authority to enforce immigration laws selectively. If the Supreme Court rules in the administration’s favor, it will have a relatively short, seven-month window to try to roll out the expanded Deferred Action for Childhood Arrivals (DACA) program and the new Deferred Action for Parents of Americans (DAPA). While advocacy groups are eager to have immigrants apply for the programs, there are questions about how many will do so if they’re expanded or implemented too close to the end of Obama’s presidency. The calculation of whether to apply may depend, in part, on the state of the presidential race and—since they are executive actions and could be quickly rescinded—whether whoever is atop the field seems likely to continue Obama’s policies. Deferred Action will never be more than a temporary

answer. Congress should have passed comprehensive immigration reform years ago. In the end, it must create a positive U.S. immigration vision, approving a reform that replaces a broken immigration system with a process that strengthens the rule of law, boosts the economy and respects human dignity. Throughout the course of history, nations have succeeded because of human connections. The United States has always been better when it honors its values and recognizes the potential immigrants bring to communities across the nation. The sooner candidates embrace this reality, the better. Otherwise they will be talking past each other, headed for a nation whose divisions are so deep it can no longer ensure the wellbeing, diversity and prosperity needed to compete in a global economy.”

Continued on page 4

BUSINESS NEWS

Brazilian Regulators Scrutinizing HSBC-Bradesco Deal

Brazilian regulators are taking a closer look at the sale of HSBC's local unit to Banco Bradesco, Bloomberg News reported Tuesday. CADE, the antitrust authority, said it is extending its inquiry into the \$5.2 billion transaction



Trabuco Cappi // File Photo: Banco Bradesco.

to consider its effects on competition in the banking industry. The banks have been asked to detail efficiency gains and submit studies related to concerns over less competition in the sector. A decision from CADE on the deal is expected by the end of June, but CADE has said it may extend that deadline further. Last week, Bradesco, led by CEO Luiz Carlos Trabuco Cappi, reported its quarterly earnings results. Adjusted net income for the year stood at 17.87 billion reais (\$4.49 billion), a 16.4 percent increase from net income in 2014. About 70 percent of Bradesco's income last year came from financial activities, with the other 30 percent coming from insurance, pension plans and capitalization bonds operations.

Chile, Rockwood Unit Sign Deal to Boost Lithium Production

Chile's government has signed a deal with the local unit of Germany-based Rockwood Lithium that will double the country's production of the metal, EFE reported Tuesday. The contract calls

THE DIALOGUE CONTINUES

Will Venezuela Be Able to Step Back From the Brink?

Q The government of Venezuelan President Nicolás Maduro on Jan. 15 declared a state of "economic emergency" and published data showing that the economy shrank 4.5 percent for the first nine months of 2015, with an annual inflation rate of 141.5 percent. On Jan. 22, the National Assembly voted down Maduro's decree. What do Maduro and the opposition-controlled National Assembly need to do to reverse the economy's downward spiral and foster growth? What tactics and policies do officials, from both the government and opposition, need to implement next in order to survive the sharp drop in global oil prices?

A Carlos Alberto Molina, professor of finance at IESA in Caracas: "The recent decree declaring a state of 'economic emergency' is more a political move by the government than a set of measures to correct the distortions in the Venezuelan economy. In fact, President Maduro could take the actions needed to improve the economy without that decree. We can broadly outline in four steps what needs to be done to help the Venezuelan economy recover. First, we need to correct the multiple exchange rate system and free the price controls in several phases, both of them being the source of the extreme scarcity of basic goods in Venezuela. Second, we have to increase the price of gas to at least its cost of production. The money saved could be used to subsidize

basic goods for the most needy once the price controls are lifted. Third, we need to sort out all the international agreements in which Venezuela sells oil below international prices and with special financing conditions. Fourth, the government has to create an environment of confidence and certainty for international and national investment.

“The government has to create an environment of confidence and certainty for international and national investment.”

— Carlos Alberto Molina

Venezuelans have large amounts of money abroad that could help a recovery if it is well invested, and protected, in the country. In addition to alleviating the weight of correcting these economic distortions on the Venezuelan people, we should to ask for international financing, especially from the IMF. For all this to work, the best way is for both sides, the government and the opposition, to work together—something that looks unlikely right now.”

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in Tuesday's Advisor.

for Rockwood to invest between \$400 million and \$600 million over the next four years to develop lithium in the Sala de Atacama salt deposit. Officials say the deal will generate between \$70 million and \$100 million a year for Chile's coffers through royalties, taxes and other payments. Demand for lithium, which

is used for batteries in electric vehicles and mobile electronics, should more than double by 2020 from 95,000 metric tons now, officials say. A Chinese state-controlled firm, CITIC, may take a controlling stake in SQM, currently Chile's largest lithium producer, The Economist reported last month.

FEATURED Q&A / Continued from page 2

A **Dan Stein, president of the Federation for American Immigration Reform (FAIR):** “Texas v. U.S., the lawsuit brought by 26 states challenging the president’s authority to grant de facto amnesty and work authorization to an estimated 4.7 million people, is likely the most important case the Supreme Court will decide this year. Beyond its implications for immigration policy, the fate of our constitutional separation of powers doctrine hangs in the balance. Even those who support the president’s immigration objectives should be alarmed at the potential consequences of granting the executive power to ignore laws enacted by Congress and implement presidential policy directives in their place. It’s a dangerous precedent that can only lead to tyranny as future presidents pick and choose which laws to enforce, and implement their own policies when Congress refuses to pass legislation the president wants. Mass amnesty—even one constitutionally enacted by Congress—is bad policy. Immigration laws exist to protect vital interests of the American people. Amnesty would only exacerbate the harm to American workers, making millions of illegal aliens eligible to compete legally for jobs. Taxpayers would be on the hook for cost means-tested benefits. And the same overloaded system that missed countless red flags when vetting San Bernardino jihadist Tashfeen Malik would be further strained. Rewarding illegal behavior leads to more of it. The president’s unconstitutional 2012 DACA amnesty triggered an influx of about 300,000 unaccompanied minors and families with children. The administration’s recent ‘enforcement actions’ targeting 121 aliens with deportation orders (four hundredths of 1 percent of those 300,000) notwithstanding, the surge of Central American migrants continues. The United States has a sovereign right to determine who enters and remains here. Sending nations have a sovereign obligation to take responsibility for their

citizens who do not have permission to enter ours. The United States may be able to assist these nations, but we cannot accept unlimited numbers of their citizens.”

A **Mark Krikorian, executive director of the Center for Immigration Studies:** “In June, the Supreme Court will drop an immigration bomb into the middle of the presidential campaign. That’s when it is expected to rule on the 26-state lawsuit challenging President Obama’s edict granting work permits and Social Security numbers to as many as four million illegal aliens who have U.S.-citizen or legal-resident children. This legalization program proposed by Obama is ostensibly temporary, but is understood by everyone to be de facto permanent; revoking lawful work permits from four people is easy, but from four million is essentially impossible. At issue is not the president’s authority to set priorities for deportation. It’s not likely he will deport many of the people in question anyway; deportations from the interior have dropped by more than two-thirds since 2011. And the much-lamented ‘raids’ on Central American families have resulted in a mere 77 removals so far. Rather, the key issue is whether the Constitution’s requirement that a president ‘take care that the laws be faithfully executed’ has any meaning, or whether he can simply ignore laws he dislikes. This will be important for U.S. immigration policy, of course. If the Supreme Court were to back Obama, future immigration decisions would become much more integrated into foreign policy, with the president having the freedom to admit (through something called ‘parole’) or legalize essentially anyone he wants, without the need to consult the people’s elected representatives. But more broadly, the court’s ruling could influence the evolution of the U.S. political system toward something more like electoral caudillismo than the separation of powers established by the founders of the republic.”

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2016

Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Nicole Wasson

Reporter, Assistant Editor
nwasson@thedialogue.org

**Michael Shifter, President**

Genaro Arriagada, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

Kevin Casas-Zamora, Director,
Peter D. Bell Rule of Law Program

Maria Darie, Director, Finance & Administration

Ramón Espinasa, Nonresident Senior Fellow

Ariel Fiszbein, Director, Education Program

Alejandro Ganimian, Nonresident Fellow

Peter Hakim, President Emeritus

Claudio Loser, Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director, China and
Latin America Program

Manuel Orozco, Director, Migration,
Remittances & Development

Jeffrey Puryear, Senior Fellow

Lisa Viscidi, Director, Energy Program

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at:

1211 Connecticut Avenue NW, Suite 510
Washington, DC 20036

Phone: 202-822-9002

Fax: 202-822-9553

www.thedialogue.org

ISSN 2163-7962

Subscription Inquiries are welcomed at
freetrial@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 commentator 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.