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### FEATURED Q&A

#### Are Recent Raids Putting a Dent in Counterfeiting and Piracy?

**Q** Interpol and the World Customs Organization launched a transnational sting operation in March targeting criminal counterfeiting networks which has resulted in the arrest of 600 people and the seizure of \$50 million worth of counterfeit goods in 13 South American countries. The raids were the fifth to be undertaken as part of Operation Jupiter, which was launched in 2005. Do the raids represent a major success or just the tip of the iceberg? How successful are anti-counterfeiting measures in Latin America? What role does China play in Latin America's black market for counterfeit goods? How important is trafficking of fake goods for organized criminal networks?

**A** Harley Lewin, partner at McCarter & English in New York: "Interpol and the WCO's recent raids are an excellent step in the right direction. For at least a decade, traffickers in counterfeit goods have worked without borders, using the internet to communicate and move their money from place to place. Law enforcement has been hampered because, generally, they stop at the borders. The coordination necessary to carry out raids in 13 South American countries was superb and frankly, much of Europe and the United States could take a lesson from this effort and action. Brand owners have long pleaded for such multi-country efforts and are terribly pleased. There is no

panacea to anti-counterfeit work. With over 80 percent of the world's fakes coming from China (based on U.S. Customs and EU recorded seizures), raids in the countries in which the goods are sold are by no means the end of the effort, but it is a strong step when you can deny the Chinese counterfeiters their markets and distribution processes. The contrast with raids of this kind and the rather weak intra-country efforts made by individual

*Continued on page 3*



#### Arizona Governor Lashes Out at Mexico Over Amicus Brief

Arizona Gov. Jan Brewer has criticized Mexico and 10 other countries that filed an amicus brief earlier this week supporting the U.S. Justice Department's lawsuit challenging her state's new immigration enforcement law. See story on page 2.

*File Photo: State of Arizona.*

### Inside This Issue

<b>FEATURED Q&amp;A: Are Recent Raids Putting a Dent in Counterfeiting and Piracy?</b> .....1	Venezuela's Chávez Arrives in Moscow for Talks on Energy, Defense.....2
Arizona Governor Lashes Out at Mexico Over Amicus Brief.....2	Argentine Senate Approves Pension Hike Despite Veto Threat.....3
Brazil Elections: Rousseff Falls to Within Four Points of Serra in Poll.....2	Coca-Cola FEMSA Plans to Buy Panama's Biggest Milk Buyer.....3

## NEWS BRIEFS

**Brazilian Bank Workers Win 7.5 Percent Wage Increase**

Brazilian retail bank workers late Wednesday announced the end of a 15-day strike after the banks' negotiators accepted a demand to increase wages, Dow Jones reported. The main bank workers union said the banks will increase wages by 7.5 percent, along with introducing other benefits. The strike, which started on Sept. 29, has had a limited impact on the financial system, largely because of the high volume of electronic transfers used by Brazilian banks and their customers.

**W.R. Grace Plans Production Expansions in Brazil, Malaysia**

Maryland-based **W.R. Grace & Co.** on Thursday announced plans to increase its manufacturing capacity for silica gel, a product used to make renewable fuels, at its existing facilities in Sorocaba, Brazil and Kuantan, Malaysia. Construction at both sites is expected to begin by the end of 2010 with production occurring by the third quarter of 2011, the company said. The silica gel products are used to produce both biodiesel and renewable diesel, helping to remove contaminants from natural oil feedstocks.

**OPEC to Hold Oil Prices Steady, Ecuador Energy Minister Says**

The OPEC oil cartel will likely hold output steady at its one-day meeting in Vienna today, according to Ecuadorean Energy Minister Wilson Pastor, AFP reported Thursday. In an interview, Pastor also predicted that oil prices would "hold steady" at around \$80 per barrel. Neighboring Venezuela, another OPEC member, has been pushing for higher oil prices. [Editor's Note: See Q&A in the Sept. 27-Oct. 1 [issue](#) of the Dialogue's weekly *Energy Advisor*.]

**Political News****Arizona Governor Lashes Out at Mexico Over Amicus Brief**

Arizona Gov. Jan Brewer on Thursday lashed out at Mexico and 10 other countries that filed an amicus brief earlier this week supporting the U.S. Justice Department's lawsuit challenging Arizona's new immigration enforcement law, Senate Bill 1070. "Mexico's brief is nothing more than a political statement expressing its desire for lax enforcement of U.S. immigration laws," Brewer said in a statement. "Arizonans, in a bipartisan fashion, have agreed with me that Mexico should not be meddling in an internal legal dispute between the United States and one of its states," she added. Brewer also criticized the Obama Administration for its lawsuit against S.B. 1070. "It is offensive that the Obama Administration's Department of Justice has consented to these foreign countries participating in this lawsuit," Brewer said. The Republican governor said the 11 countries, all of which are in Latin America, oppose more enforcement of illegal immigration laws because they

“I am confident the [court] will disregard Mexico's brief in its entirety.”

— Gov. Brewer

want their citizens to continue sending money to their families and friends back home and to "offset their countries' overpopulation and unemployment problems." "I am confident the [court] will disregard Mexico's brief in its entirety," she concluded. Mexico was joined in its amicus brief by South American heavyweights Brazil, Argentina, Chile and Peru, which, together with most of the Central American countries, represent the lion's share of Latin America's population and economic clout. Mexico's president has advised his citizens against visiting tourism-dependent Arizona. [See Q&A in the May 6 [issue](#) of the *Advisor*.]

**Brazil Elections: Rousseff Falls to Within Four Points of Serra in Poll**

Ruling Workers Party presidential candidate Dilma Rousseff has fallen to a four percentage point lead over her opponent, Jose Serra, ahead of the Oct. 31 runoff vote, a Sensus poll showed on Thursday. Rousseff had 46.8 percent of votes, while



Rousseff

File Photo: Rousseff Campaign.

Serra had 42.7 percent, the poll showed. The Sensus poll suggests that Rousseff's lead is narrowing in the final two weeks before the election. She had been expected to win in the first round, held Oct. 3, but a late-race political scandal linking a Rousseff aid to corruption hurt her at the polls, analysts suggest.

While still polling ahead, the change in mood gives Serra a shot at winning, albeit a long one. "Although [Serra's] election remains improbable, it is no longer seen as impossible," the Wilson Center's Paulo Sotero commented in the *Advisor* [yesterday](#). Others suggest the race is all but assured to be Rousseff's "While this is a bit tighter than what we anticipated, it doesn't suggest voters are quickly abandoning support for Rousseff," Christopher Garman, an analyst with **Eurasia Group**, said Thursday.

**Venezuela's Chávez Arrives in Moscow for Talks on Energy, Defense**

Venezuelan President Hugo Chávez on Thursday arrived in Moscow, his ninth visit to Russia, for two days of meetings focused on energy and defense agreements, AFP reported. Chávez was scheduled to meet with President Dmitry Medvedev last evening. Russia called Venezuela a "key partner in the Latin American region" in a statement released by the Kremlin ahead of the visit. Medvedev last flew to Venezuela in late 2008 during joint naval exercises by the countries' militaries, a move that irked a United States government concerned over Venezuelan arms purchases at a time of tense relations with neighboring

Colombia, a U.S. ally. Chavez's latest official visit follows a meeting last April, when he and Russian Prime Minister Vladimir Putin signed a series of defense and energy deals, including one for the supply of refuelling tankers and fighter jets for Venezuela's air force. This week's talks will touch on "major joint energy, mining, investment and also defense industry projects," the Kremlin said, according to AFP. The countries also plan to establish a Russia-Venezuela development bank to finance joint energy ventures. Russian companies are investing in the Junin 6 oil field in the Orinoco Belt oil reserve, one of the world's largest.

## Economic News

### Argentine Senate Approves Pension Hike Despite Veto Threat

Despite the threat of a veto, Argentina's Senate on Thursday passed a law to significantly boost pension benefits, Reuters reported. The bill was passed shortly after midnight when Vice President Julio Cobos, who presides over the Argentine Senate and has been at odds with President Cristina Fernández, cast a tie-breaking vote in favor of the legislation. The lower house passed the bill in August. "This law ... will be vetoed. We will not permit the state and Argentina to commit suicide," Cabinet Chief Anibal Fernández said via Twitter, according to Reuters. The measure would raise basic pensions to 82 percent of the minimum monthly wage—or to 1,427 pesos (\$355) from 1,046 pesos currently. The government worries about the long-term financing of the plan, which would cost the government roughly \$10 billion next year alone, Reuters reported. Despite the surging economy, voters in Argentina are fretting over rising consumer prices and economic stability. Argentines' expectations for future inflation surged in October from the previous month, according a study by Universidad Torcuato Di Tella released Thursday. The median projection for inflation over the next 12 months was 30 percent in October, while expectations in the previous five months had remained steady at 25 percent.

## Company News

### Coca-Cola FEMSA Plans to Buy Panama's Biggest Milk Buyer

Mexico's **Coca-Cola FEMSA**, one of the largest public bottlers of Coca-Cola products in the world, said Thursday that it intends to acquire all of the shares of **Grupo Industrias Lácteas** in Panama. The transaction would allow Coca-Cola FEMSA to enter into the milk and dairy

products category, which it sees as "one of the most dynamic segments in terms of scale and value in the non-alcoholic beverage industry in Latin America." Lácteas sells milk, yogurt, ice cream, juices and nectars, and other products under the brands Estrella Azul, De Oro, Vaquita, Vita Slim, Del Prado and Plamosa in Panama. Founded 60 years ago, Lácteas has three manufacturing plants and has close to 1,800 direct employees. Currently, it is the country's largest milk buyer. No financial details were disclosed.

### Featured Q&A

*Continued from page 1*

countries in South and Latin America is startling. Local police are so often subject to corruption or favoritism, as are local judges, that raids and efforts to sue counterfeiters in these countries fall flat or fail entirely. The effort by larger, more independent law enforcement agencies to conduct raids in multiple

Latin American countries implemented specific legal measures. First came the legal sanctions (imprisonment, fines and judicial recognition of damages) and later the implementation of formal and informal measures at the local borders, as well as the setting of specialized local bodies within law enforcement agencies.

“This ongoing progress is still modest when considering the growing nature of the problem.”

— *Mariano Municoy*

countries without the information leaking in advance and free of local political or monetary pressure is to be applauded. Such actions ultimately deny the counterfeiters the ability to seek safe haven in one country while conducting criminal activities in the country next door. Chalk one up for the good guys."

**A** **Mariano Municoy, intellectual property lawyer at Moeller IP Advisors in Buenos Aires:** "Generally speaking, the success of local authorities and the private sector in dealing with counterfeiting has been improving steadily in recent years. Yet, this ongoing progress is still modest when considering the growing nature of the problem. Following TRIPs, most

Now, it is local and international cooperation. Although those measures can be improved further, the main challenge is using them effectively, which demands investing public and private resources. This assessment considers the multiple and immensely complex factors interacting with and boosting counterfeiting activities, which affect governments (by promoting corruption and losses in taxes), consumers (by eroding the safety, quality and efficacy of products), as well as IP owners (from local merchants and entrepreneurs to international companies). The raids are a very important success, but it remains to be seen how all of the stakeholders involved will continue handling things until reaching continued 'major successes,' especially with the

*Continued on page 4*

**Featured Q&A***Continued from page 3*

World Cup and Olympics coming to the region. China plays a very important role because it is the main provider of fake products or components in our region. With regards organized criminal networks, counterfeiting is becoming more and more important given the likelihood of receiving high returns while facing lower risks than other criminal activities, which is why the main tool should be focused on increasing those risks."

**A** **Diana Muller, intellectual property lawyer at Gottlieb, Rackman & Reisman, P.C. in New York:** "In the last ten years the Latin America countries have experienced an increase in piracy and counterfeiting, which is not unique to the region, but rather a worldwide problem. According to estimates from the International Chamber of Commerce, worldwide sales of counterfeit goods are more than \$600 billion a year. The problem in Latin America is exacerbated in the areas used as gateways for the distribution of counterfeit merchandise into the most populated markets, including Ciudad del Este in Paraguay, Foz do Iguaçu in Brazil, the Colon Free Zone in Panama and Iquique in Chile, as well as certain areas in Mexico. Large duty free port centers are also hubs for counterfeit merchandise. The actions by Interpol, the World Customs Organization, local enforcement officers, police authorities, customs officers as well as the judicial system of major Latin American countries, are effective. Operation Jupiter has been very effective since 2005 against transnational organized IP crime. However, this problem will not be totally eradicated unless the criminals involved are properly prosecuted in the local countries, their warehouse and distribution systems are closed and the owners of the legitimate products undertake a coordinated, proactive effort to advise the authorities upon finding fake products in the local markets. IP owners must protect and register their intellectual property

rights in the Latin American countries, China and other manufacturing countries. It is also important for IP owners to record their IP rights with customs, especially in China. IP owners who record their rights with Chinese customs could prevent the counterfeits or unauthorized products from leaving China. It is important for IP owners to conduct seminars to train customs officers in the Latin American countries, monitor the markets and Internet sites and cooperate with their respective industries in pursuing actions. It is also crucial to eradicate the problem in the country of origin of the counterfeit products by ascertaining

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“ IP owners who record their rights with Chinese customs could prevent the counterfeits or unauthorized products from leaving China. ”

— Diana Muller

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where the manufacturers are located and pursue actions against them—taking action only against the purchasers or distributors is not sufficient. The public must be advised by the IP owner that counterfeiters will be prosecuted to the fullest extent of the law. These notices should be placed by the IP owners in newspapers, magazines, trade publications and even airline magazines. All parties at the local, regional, national and multinational level need to have a concerted effort to succeed in stamping out counterfeiting."

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*The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org) with comments.*

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