

THE GROWTH STORY CONTINUES...

The outlook for business in the region remains attractive although growth rates are expected to ease in the future



REUTERS/ PAULO WHITAKER

BOOSTED BY HIGH PRICES for their mainstay commodity exports, Latin America's largest emerging markets have racked up dramatic economic growth in recent years and attracted huge inflows of funds. Brazil has established itself as one of the world's hottest top investment

destinations and Argentina, Peru and Chile – currently the fastest growing economies in the region -- are expected to expand around 6 percent or more in 2011.

Central bankers, policy makers and top executives last week offered their views on the region's risks and rewards at the Reuters

Latin American summit. Stellar growth rates may be over as inflationary pressures and currency appreciation are likely to impact export, consumption and investment, but the region is proving resilient to external shocks.



REUTERS

LATIN AMERICA INFLATION FIGHT HITS ICY ROAD

BY JASON LANGE
MEXICO CITY, APRIL 1

LATIN AMERICA IS STRUGGLING to contain rising inflation, with policymakers caught between a spike in food prices and a deluge of money from abroad that is pumping up credit markets.

From Peru to Brazil and Chile, officials voiced frustration over the inflation fight and vowed alternative measures to control prices. Some worry their efforts could go too far if high oil prices hurt the global economy.

Peru's central bank chief told the Reuters Latin American Investment Summit on Friday that aggressive interest rate hikes during uncertain times were "like putting on the brakes on an icy road."

Countries such as Brazil and Chile are enjoying sustained strong economic growth on healthy demand for commodity exports and double-digit expansion of bank lending to consumers.

The dilemma facing the region, where countries still remember hyperinflation a few decades ago, is that its main tool for taming prices can also fuel price increases.

With U.S. interest rates near zero, raising borrowing costs in Latin America draws more investments from abroad which can heat up its \$6 trillion economy.

Central bankers in Brazil, the region's largest country which grew nearly 8 percent last year, said on Wednesday the costs of bringing inflation below 5.6 percent this year would be "too high". The bank's inflation target is 4.5 percent.

Investors saw this as a sign Brazil might go easier on rate hikes and rely more on other measures to control inflation, including curbs on bank lending. Also, in a trend that is taking hold around the region, Brazil plans to fight inflation by cutting public spending.

Chile said its plans to scale back an increase in public spending should take some pressure off the central bank to raise interest rates, which have been hiked from 0.5 percent to 4 percent since last June.

"We can contribute to how gradually the (central bank's policy) rate increases,"



Julio Velarde, president of the Central Bank of Peru, smiles after an interview as part of the Reuters Latin America Investment Summit in Lima March 28, 2008.
REUTERS/ENRIQUE CASTRO-MENDIVIL

Chilean Finance Minister Felipe Larrain told Reuters.

In Peru, inflation raced to its fastest rate in nearly three years during March, raising pressure on the central bank to further tighten money supply.

CONTAINMENT

INFLATION HAS ACCELERATED across Latin American on rising food and energy costs, which typically make up a third or more of household budgets in the region.

"What we have to do is keep this from spreading to other prices," Peru Central Bank President Julio Velarde said.

In addition to a rate hike last month, Peru's central bank said on Thursday it was increasing reserve requirements for banks. The government in Uruguay, whose central bank chief said over the weekend that monetary policy was "not enough," is ready to help its central bank fight inflation, the country's vice president told Reuters.

Mountains of cash have flowed into Latin American over the last year as investors seek higher yields than those offered in the developed world. In Mexico, foreign purchases of debt more than tripled in 2010.

The deputy governor of Brazil's central bank said on Sunday that inflows of hot money attracted to the country's high interest rates were fueling a lending boom and inflation.

However, data on Friday showed Brazil's trade surplus widened more than expected in March on higher commodity prices, providing some relief from the strong currency that has been boosting domestic demand.

Inflation in some countries is running at a dizzying pace. Venezuela's central bank chief told Reuters he expected prices would rise this year about as much as they did last year, when they climbed 27 percent.

Also, an Argentine opposition presidential candidate said his country needs to set a target for inflation, which is privately estimated at about 25 percent -- more than twice the official rate.

"We're going to combat inflation," Ricardo Alfonsin said. He runs a distant second in opinion polls behind President Cristina Fernandez seven months ahead of a presidential election.

BRAZIL'S GROWTH TO MELLOW AS ECONOMY MATURES

BY BRIAN ELLSWORTH
SAO PAULO, MARCH 31

BRAZIL'S MATURING ECONOMY will no longer grow at the breakneck clip of the last decade, settling in at a moderated pace of 4 to 5 percent a year that will still provide ample investment opportunities, economists said.

Brazil's "new normal" of economic growth, which follows ten years of solid gains, is a halfway point between its recent past as an economic basket case and its goal of becoming a developed nation.

The situation opens two key entry points for investors seeking a foothold in Brazil -- a major upgrade to the country's woeful infrastructure and expansion of consumer markets as millions of Brazilians join the middle class.

These were the opinions of economists who participated in "The B in BRIC" panel on the economic future of South America's largest nation, part of the Reuters Latin American Investment Summit in Sao Paulo.

"To grow beyond 5 percent is very difficult for any (middle income) country that is not coming from a war," said Joaquim Levy, chief strategy officer for Bradesco Asset Management.

"When Brazil was growing at 9, 10 percent, it was in a phase similar to some countries in Asia, which was basically urbanization and a lot of people entering the labor market."

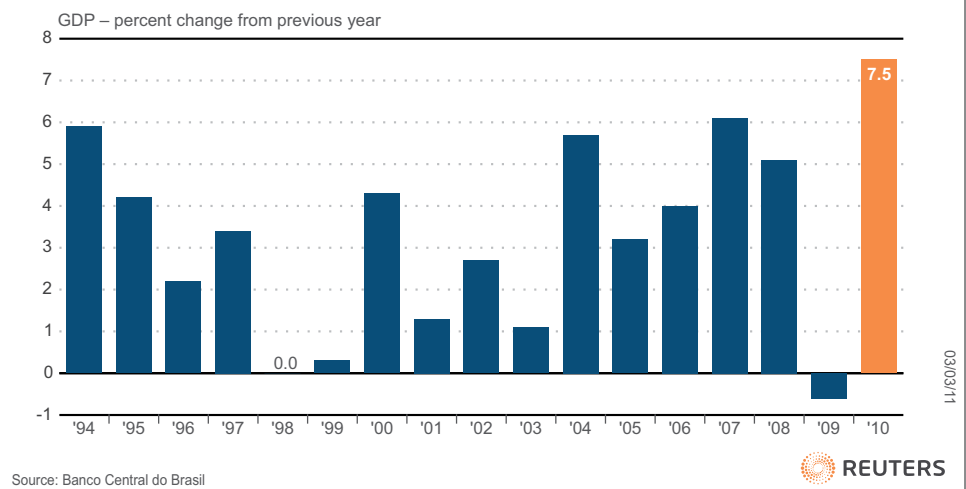
Brazil's 2010 expansion of 7.5 percent, its fastest pace in 24 years, will likely be as good as it gets for some time as higher interest rates and tighter public spending cool economic growth to around 4.5 percent.

The country will now have to focus on expanding clogged ports, pothole-filled highways and a patchy rail network that have become a serious constraint for industry expansion and exports.

This presents both a key challenge for the government and an opportunity for portfolio

Brazil GDP

1994, the year Brazil introduced the real, proved to be a turning point in Brazil's economic history.



Source: Banco Central do Brasil

Reuters graphic/Stephen Culp

"TO GROW BEYOND 5 PERCENT IS VERY DIFFICULT FOR ANY (MIDDLE INCOME) COUNTRY THAT IS NOT COMING FROM A WAR."

and direct investment in coming years, said Levy, who was treasury secretary in the previous administration of President Luiz Inacio Lula da Silva.

BET ON BOOMING CONSUMER MARKET

THE CURRENT GOVERNMENT of President Dilma Rousseff needs to advance legislation that can help lower labor costs and reduce the tax burden on companies to help sustain growth and boost investment, said Luiz Fernando Figueiredo, a partner at Maua

REUTERS INSIDER

To see Brazil webcast video, click here:
<http://link.reuters.com/xuf88r>

Sekular Investimentos in Sao Paulo.

"(Brazil's) tax burden is at the level of a developed country, but without the benefits of a developed country," said Figueiredo, a former central bank official. "This makes the life of companies very costly, very difficult. It is an issue that must be addressed in the near future."

Brazil's mainstay commodities industries ranging from agriculture to mining will remain attractive in the years ahead, but investors should also focus on consumer goods companies that stand to benefit from a continuing expansion of the country's middle class, which now accounts for more than half the population.

"If you do a forecast for the next five years, you reach the conclusion that at the current rate you're going to incorporate another 27 million new consumers," said Ilan Goldfajn,

MEXICO'S CORDERO: GROWTH MAY STAY STRONG

BY RHONDA SCHAFFLER
MEXICO CITY, MARCH 29

MEXICO'S ECONOMY COULD grow at a fast clip for an extended period as the country's export sector becomes more competitive, Finance Minister Ernesto Cordero said on Tuesday.

Nevertheless, Mexico faces big challenges to keep growth rates high. Moody's rating agency said an underwhelming growth outlook would limit Mexico's debt rating in the medium term.

Cordero acknowledged that any bad news for the U.S. economy would also hit Mexico.

Mexico sends most of its exports to the United States, where growth prospects improved after U.S. lawmakers agreed to keep a good deal of fiscal stimulus in place this year.

"Things are looking better and better," said Cordero, who recently said growth in Mexico could exceed the 5.5 percent rate clocked in 2010, the fastest in a decade.

In an interview with Reuters Insider, Cordero said he was happy with Mexico's pace of dollar purchases, which are boosting international reserves, saying only a "dramatic" event would spur policymakers to alter course.

Mexico currently offers to buy \$600 million in dollars in the market every month and has a stock of \$122 billion. The program aims to build up a rainy-day cushion so policymakers can prop up the peso should a new crisis arise.

"We feel very comfortable with that (program)," Cordero said at the Reuters Latin America Investment Summit.

"We don't think that we are going to change dramatically the way that we are accumulating foreign reserves."

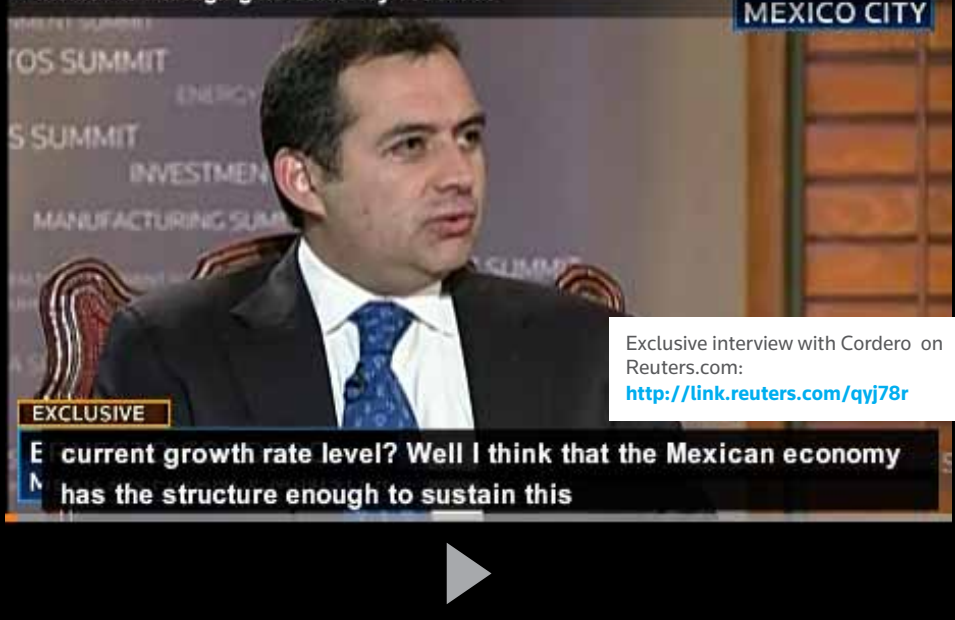
Cordero, who has been tipped as a possible conservative presidential candidate in Mexico's 2012 election, said there was still lots of time before he has to make a decision on whether to run.

That decision process starts in November, he said. "It is a long way (off)." Asked what his current plans are for life after conservative President Felipe Calderon's 6-year term

REUTERS INSIDER

• Mexico is managing its currency reserves

MEXICO CITY



Exclusive interview with Cordero on Reuters.com:
<http://link.reuters.com/qyj78r>

INTERACTIVE

To view The Americas: economic indicators, click here:

<http://r.reuters.com/fed78r>

ends in December 2012, he said: "Probably teaching."

STALLED REFORMS

MEXICO'S ECONOMY HAS lagged Latin American peers over the last decade as its politicians put off deep reforms of the country's tax, energy and labor laws.

Cordero said improved prospects for growth in the United States were now boosting Mexico's own outlook. Also, over the long term, Mexico's crucial export sector is becoming more competitive as the gap closes between salaries for Mexican and Chinese factory workers, he said.

The government's official forecast for growth this year is 4 percent. That is below many private sector forecasts and Cordero has called it conservative.

Pressed about government plans for further economic reforms, Cordero suggested

the debate was better left in Congress for now. "I'm not even going to think about them because I want them to pass in the Congress," he said.

At the same time, he said the country's biggest tax challenge was boosting collection at a state and municipal level. Mexico's tax take is one of the lowest in Latin America at around 10 percent of gross domestic product and roughly on a par with countries like Haiti when compared to GDP.

But Cordero pointed out that when including royalties from the oil industry, total government revenue was not a problem. While a series of national tax reform proposals have been stalled in Congress, state and local taxes had room to grow.

"That is where a huge opportunity exists," he said.

Almost all taxes in Mexico are collected by the central government and then distributed to states. Economists worry Mexico depends too much on its oil industry, which funds about a third of the federal budget. This was a central factor cited when Wall Street credit agencies cut their ratings on Mexico's debt in 2009.

MEXICO: ANOTHER BRIC IN THE WALL?

BY DAVE GRAHAM

MEXICO CITY, MARCH 29

THOUGH IT EXPORTS MORE than Brazil and India and enjoys the kind of population growth Russia can only dream about, Mexico has long been in the shadow of its more dynamic emerging market cousins.

Today Mexico has a growing body of supporters who believe it is closing the gap on the so-called BRIC nations as a driver of global growth, powered by rising competitiveness and the willingness to capitalize on untapped financial resources.

Grouped under the "BRIC" moniker coined by Goldman Sachs' Jim O'Neill in 2001, Brazil, Russia, India and China have leapt up the chart of the world's biggest economies, and recent forecasts suggest Mexico may soon advance at a similar pace.

Goldman estimates that by 2020, BRIC nations will account for nearly half of global growth, picking up the slack from ageing and debt-laden developed economies, notably in Europe.

Mexico, which President Felipe Calderon this week described as a "predominantly middle class society", should provide the biggest boost to growth from the chasing pack, the bank said.

Despite Calderon's ongoing conflict with drug cartels that has cost 36,000 lives in the past four years, investors have kept faith in Mexico, piling money into its stock exchange, which hit an all-time high in January.

"The Mexican president doesn't understand why it's not called 'BRICM'," said Johannes Hauser, managing director of the German-Mexican chamber of commerce (CAMEXA).

Fears persist that Mexico may be hamstrung by political deadlock, government reliance on oil revenues, and fears too much economic power is concentrated in just a few hands.

But for now there is rising optimism Mexican manufacturers have a bright future, having taken on a fraction of the debt of their BRIC rivals, particularly in China.

After the global recession in 2009, Mexico's

economy grew 5.5 percent last year -- its fastest rate in a decade -- and the finance ministry has said 2011 could be even better.

Sergio Martin, HSBC's chief economist in Mexico, says one notable advantage the country holds over BRIC rivals is its proximity to the United States, the destination for around 80 percent of its exports, which totalled \$300 billion last year.

"It's like how Eastern Europe is profiting from Western Europe," said Martin. "We are modernizing."

The dependence on its rich neighbor could leave Mexico exposed if the U.S. economy falters. This risk should diminish if predicted growth results in a more resilient local economy.

HSBC said in January it expected growth in Mexico's per capita GDP to be 3-1/2 times faster than the U.S. this decade.

Mexico outperformed Russia in 2010 in growth, and HSBC forecast it would lead the charge in Latin America in coming years to become the world's eighth biggest economy by 2050.

YOUTHFUL AND SOLVENT

BARELY FIVE PERCENT of the workforce are jobless in Mexico, which has a median age of 27, compared to 29 in Brazil, and 35.5 in China, the CIA's World Factbook says. Russia stands at almost 39, and its population is down nearly 4 percent from 1995. Mexico's rose about a quarter to 112 million since then.

Though investors have been ploughing money into Brazil, attracted by high interest rates, data suggest that Mexico may have more leeway to draw on outside capital to fuel growth.

According to Fitch Ratings' sovereign data comparator, private sector credit in Mexico was worth 25 percent of gross domestic product (GDP) in 2009, well below any BRIC nation.

By contrast, it stood at 134 percent of GDP in China and 203 percent in the United States. Mexico's government has also maintained scope to invest by keeping spending under control.

In a phase when public borrowing was rising fast globally due to efforts to boost growth, according to Fitch estimates Mexico in 2010 managed to cut its general government debt to some 38 percent of GDP -- less than half the U.S. level.

Businesses needing cash need look no further than Mexico's financial sector, which is well-placed to bankroll growth, said Eduardo Suarez, an economist at Royal Bank of Canada (RBC).

"The lowest ones have capital (adequacy) ratios of 16 percent, but many of them are in their 20s or higher," he said.

Banks in AAA-rated nations had an average ratio of 12.6 percent in 2009, and of 15.7 percent in Latin America and the Caribbean, according to Fitch. Mexico stood at 16.5 percent.

The country's previous reluctance to introduce new financial tools to attract fresh capital is also changing.

Earlier this month, Mexico launched its first real estate investment trust (REIT), while the derivatives exchange said it would expand the range of debt future instruments on offer.

Yet doubts linger about how much help the economy will get from lawmakers unaccustomed to bipartisan cooperation.

The main opposition party recently proposed bills to overhaul the tax system and make the job market more flexible. Age-old rivalries could condemn the plans to oblivion.

"The political parties don't look to the nation as a whole, or at the long term, they're trying to satisfy political strategies over the short term," said Martin at HSBC.

For now, Mexican companies are forging ahead regardless.

While rising wages in China and other BRIC economies have fuelled talk they risk overheating, Mexico has successfully held down labor costs and increased its market share.

"Mexico's export resilience may prove greater than expected partly because the wage gap to China has closed from about 300 percent ten years ago to 14-15 percent," said RBC's Suarez.

COLOMBIA'S SANTOS SEES GROWTH, UPGRADES

BY LUIS JAIME ACOSTA
BOGOTA, MARCH 28

COLOMBIA'S PRESIDENT forecasts strong and steady growth for his country's economy, boosted by rising flows of foreign investment, but he said he would take more measures to curb the rise of its peso currency if needed.

Colombia, like its larger peers Brazil and Chile, is enjoying strong economic growth even as central bank's across the region look to curb inflationary pressures, control appreciation and prevent their economies from overheating.

Latin America's No. 4 oil producer registered 4.3 percent growth last year and the economy's resilience in the global financial crisis was cited by credit agency Standard & Poor's this month for restoring its coveted investment grade status.

President Juan Manuel Santos told the Reuters Latin American Investment Summit that his government is forecasting growth at 5 percent this year and stronger stable and sustained growth in the near-term.

"We expect to grow this year around 5 percent, or above the estimated growth for the global economy," Santos said in a taped response to questions from Reuters. "We have set a target for sustainable growth over the next few years at close to 6 percent."

Last week, Colombia reported growth at 4.6 percent for the fourth-quarter of 2010 compared with a year earlier and mining and trade helped drive growth of 4.3 percent for 2010, nearly triple the economic growth of 1.5 percent for 2009.

The better-than-expected economic growth last year has already prompted analysts to shift their expectations over the central bank's moves to raise interest rates more aggressively this year.

Strong growth and foreign investment has been cited as a reason for the appreciation of the peso, which remains a worry for Colombia -- it is up more than 2 percent so far this year.

The central bank and the government still have tools at their disposal to fight appreciation and already the bank extended programmed dollar purchases through mid-



Colombia's President Juan Manuel Santos waves as he leaves the Elysee Palace after a working lunch with France's president in Paris January 26, 2011.

REUTERS/JOHN SCHULTS

June.

"The government in coordination with the Bank of the Republic (central bank) will monitor the behavior of the currency exchange rate," Santos said.

"We have already taken measures, and we will certainly take the measures needed to avoid the negative impact on productivity, companies and employment."

Colombia has generally been less aggressive than other countries like Brazil in its measures to control its currency. The government has shied away from capital controls, but it still has other options beyond its dollar purchases.

MORE UPGRADES

S&P RESTORED COLOMBIA to its lowest investment grade earlier this month, citing the Andean country's resilience to external shocks, its performance during the global crisis and its favorable growth prospects.

Moody's and Fitch ratings both have Colombia just one notch below the investment grade, which it lost during a 1990s fiscal crisis. But with violence from its long war easing, Colombia is enjoying a boom in oil and mining investment.

"We believe that this year sooner rather than later the other ratings agencies, like Moody's and Fitch, will also give this evaluation," Santos said in a taped response to questions and topics posed by Reuters.

Once dismissed for its guerrilla war and cocaine violence, Colombia has made progress in controlling its conflict since a U.S.-backed security campaign began in 2002. Kidnappings and bombings have dropped off sharply.

Santos said foreign direct investment reached \$9.5 billion in 2010 versus \$7.2 billion in the previous year, and FDI had grown 6 percent in the first two months of this year to \$2.2 billion compared with January and February 2010.

His government is pushing an ambitious set of reforms to help tackle Colombia's stubborn fiscal deficits and use the country's royalties in part to payoff debt and create a saving fund to protect the economy.

The consolidated public sector deficit last year was 3 percent of GDP compared with a projection of 3.6 percent. The government expects 3.5 percent for 2011.

Santos's government hopes to bring the fiscal deficit down to 0.5 percent of GDP by 2014.

Already some of those reforms, and others to formalize more workers and overhaul the healthcare system, are working their way through Congress where Santos' coalition has a majority.

"We are carrying out the task of making the country more attractive and within that we are seeking some important legal reforms that will consolidate that stability and growth."

CHILE HOPES SPENDING CUT SLOWS RATE RISE

Chile's Finance Minister Felipe Larrain listens to a question during an interview as part of the Reuters Latam summit at Santiago March 29, 2011. **REUTERS/IVAN ALVARADO**



BY SIMON GARDNER AND ANTONIO DE LA JARA
SANTIAGO, MARCH 29

CHILE'S MOVE TO TIGHTEN fiscal spending for 2011 should help the central bank ease the pace of interest rate hikes as it fends off inflationary oil prices, Finance Minister Felipe Larrain said.

However, Chile's benchmark rate must continue to rise given external pressures on the economy, Larrain told the Reuters Latin American Investment Summit in Santiago. Less spending should help temper inflation and therefore rates.

"We can't think that a nominal rate of 4 percent is the equilibrium rate. The rate needs to keep rising," Larrain told Reuters in an interview.

"If the (lower spending) measures work, we can contribute to how gradually the rate increases and its eventual level," he added.

Larrain said last week the government

would cut 2011 spending to a 5 percent increase from last year. Chile passed a 2011 budget designed to grow 5.5 percent from last year, expanding more slowly than the country's estimated 6 percent GDP growth this year.

Chile is one of a host of emerging market economies from Brazil to China that have raised rates this year to fight inflation fueled by higher global commodity and food prices.

However Chile has avoided the sort of capital controls that Brazil has opted for to counter inflows of speculative capital -- a move the International Monetary Fund last week said was no substitute for "fundamental measures" such as monetary policy.

Chile's central bank this month raised its benchmark interest rate by a bigger-than-expected 50 basis points and said more hikes will follow as it prioritizes its inflation target over a more competitive exchange rate.

The bank is seen raising its key rate by an aggressive 50 basis points again in April as

it fights price pressures, a fortnightly central bank poll of traders showed last week.

A fresh 50 basis point hike would take the rate to 4.5 percent, adding upward pressure on the peso, which rebounded from the initial impact of a \$12 billion currency intervention launched in January.

Chile's rates peaked at 8.25 percent in late 2008, before the bank slashed them to a record low of 0.5 percent in mid-2009 and held them there for around a year. Traders see the key rate stable at 6 percent even in two years' time.

Larrain added Chile's government is committed to issuing another sovereign bond by the end of its term in 2014, but has not signed off on issuing one this year.

He said he had also received "promising" signs of interest from foreign institutions keen on issuing peso-denominated "huaso" bonds, which are aimed at countering upward pressure on the peso from capital inflows.

MOODY'S: FISCAL CUSHIONS KEY FOR LATIN AMERICA

BY WALTER BRANDIMARTE
NEW YORK, MARCH 29

LATIN AMERICAN COUNTRIES need fiscal cushions and sustainably higher growth rates in order to be upgraded to the center of the investment-grade credit category, Moody's said on Tuesday.

The agency may raise the ratings of Brazil, Peru and Colombia in the next few months as it "fine-tunes" them within the lowest levels of investment grade, Moody's analyst Mauro Leos said.

But much more would be needed for those countries to be admitted into the A-rating category, currently held by nations such as Poland, South Africa and the Czech Republic, Leos added.

"We don't see any of them coming close (to the A category) in the next two to three years. The tasks now are a bit more complicated," Leos said at the Reuters Latin American Investment Summit in New York.

"They would need a lot of effort just to make sure they will get to the upper limit of the Baa category."

Those efforts would ideally include the build up of fiscal stabilization funds where Latin American governments could save excess revenues for rainy days, Leos said, citing the example of Chile, Latin America's highest-rated country, which Moody's upgraded to Aa3 last year.

Base reforms and infrastructure investments aimed at guaranteeing sustainably higher growth rates would also be needed, he added.

Moody's in 2009 raised Brazil and Peru to Baa3, or the lowest level of investment grade, as both countries showed higher-than-expected resilience to the global economic crisis. Colombia is currently one step below the Baa3 rating.

Moody's has already said it intends to "take a closer look" at both Colombia's and Brazil's ratings before summer to decide on a



Mauro Leos, Regional Credit Officer of Latin America for Moody's Investors Service, speaks at the Reuters Latin American Investment Summit in New York, March 29, 2011. REUTERS/BRENDAN MCDERMID

possible upgrade.

Brazil's upgrade seems quite certain as Moody's says the new administration of Dilma Rousseff has showed commitment to fiscal responsibility by freezing 50 billion reais of the federal budget and maintaining current rules for minimum wage increases.

"The messages coming from the new administration are pointing to the right direction, to restoring the positive (fiscal) trends that we had before" the 2010 presidential elections, Leos said.

Moody's already expected additional government spending in the run-up to Brazil's presidential elections last year, Leos argued. "What we wanted to see is how bad that

would be and how the new administration would restore the previous trends."

PERU'S ELECTIONS, MEXICO'S GROWTH
MOODY'S IS CONFIDENT Peru's next president will not substantially change the direction of the country's policies, even if a left-wing candidate such as Ollanta Humala wins the April election.

"Even under a scenario that contemplates the candidate from the left coming to power, we don't think that compromises the investment grade. But it may limit the potential for further upgrades in the near term," Leos said.

Moody's believes popular support for current macroeconomic policies has increased in Peru, encouraging Humala to moderate his political views. The agency said last week it could upgrade Peru in six to 12 months depending on the policy commitments of the next president.

Still Humala, who nearly won the 2006 presidential campaign with the support of Venezuelan President Hugo Chavez, continues to worry investors as he climbs in opinion polls. He currently leads the race by a tiny margin and is expected to lose a second round vote, according to the latest polls.

On the other hand, Mexico's ratings are expected to remain unchanged in the near term as the country was able to stop a fall in oil production -- a major source of government revenues.

Mexico's subdued growth rates -- one of the lowest in Latin America -- continue to weigh on its rating prospects while raising drug-related violence adds uncertainty to the economic outlook.

"Over the medium term, growth continues to be a limiting factor of the rating," Leos said. "It's interesting that markets are expecting Mexico to grow more than Brazil in the near term. We don't see any signs that Mexico's economic growth is moving to another (higher) plateau."

Manuel Bulnes, general manager of Chile's Larrain Vial, answers a question during an interview as part of the Reuters Latam Summit in Santiago March 30, 2011. **REUTERS/VICTOR RUIZ**



CHILE BROKERAGE SEES RECORD IPOS IN 2011

BY BRAD HAYNES AND FELIPE ITURRIETA
SANTIAGO, MARCH 30

THERE WILL BE A RECORD NUMBER of initial public offerings on Chile's bourse in 2011, but there will not be the flood some expect would depress other stocks, the chief executive of the country's top brokerage said.

"We see at least six IPOs this year," LarrainVial CEO Manuel Bulnes told the Reuters Latin American Investment Summit in Santiago. "We are bringing new investors into Chile ... so any effect on other stocks will be limited and temporary."

Bulnes also emphasized the importance of regulatory reforms under way to pave the way for development of Chile's derivatives market, allowing for exponential growth trading volumes and overcoming the main obstacle to greater liquidity.

A shift in global investment portfolios toward recovering developed economies helped trigger a nearly 7 percent slide on the Santiago bourse so far this year. But Bulnes said Chile and nearby peers Peru and Colombia, where LarrainVial operates, should not fear abrupt capital flight because most foreign capital there is in medium- and long-term investments.

"I think Brazil could suffer more from that... There are issues of carry trade in fixed income markets and you have very liquid stocks," Bulnes said. "Brazil has also received more flows than the rest, which is an important distinction."

LarrainVial has operations in Brazil and is eyeing Argentina, which Bulnes said will need capital market reforms before it can realize its enormous potential.

"For now, we're watching," said the chief

executive. "We still haven't seen those changes. They could come with the upcoming elections."

The outcome of Peru's presidential election, meanwhile, will not change the brokerage's bullish outlook there.

Peru's benchmark stock index fell nearly 5 percent on Monday and the sol closed at its weakest levels in more than three months as nationalist presidential candidate Ollanta Humala, who now has a narrow lead, failed to pacify traders with his more moderate message.

"There is a perception that if one candidate wins, the country will develop at a different pace than if others win," said Bulnes. "We're confident that any government in Peru is going to handle things in roughly the same manner ... We like Peru -- and now after this correction we like it more."

SPAIN RIPE FOR INVESTMENT FROM LATIN AMERICA

BY FIONA ORTIZ
MADRID, MARCH 31

SPAIN IS RIPE FOR INVESTMENT from Latin American companies after years of money flows going the other way around, said Enrique Iglesias, head of the Secretariat for Iberoamerican Cooperation.

"The cycle of one-way investments is over. Latin America benefited a lot and Spain even more. The big companies in this country are profiting in Latin America. But now the tide has turned and Latin American investments in Spain and Portugal will begin," Secretary General Iglesias said at the Reuters Latin America Investment Summit.

Spanish companies such as telecommunications giant Telefonica and banks Santander and BBVA have huge operations in Latin America, which have helped them to stay healthy as the Spanish economy stagnates.

Now many heavily indebted Spanish companies, from savings banks to builders, are shedding assets to heal their balance sheets, and Latin American buyers could be interested.

Iglesias said he saw potential for strategic tie ups in everything from renewable energy to food companies.

Iglesias, an Uruguayan economist and former head of the Inter-American Development Bank, has been secretary general of the Iberoamerican group since 2005.

The group includes Andorra, Portugal and Spain as well as the Spanish- and Portuguese-speaking countries of the Americas.

Heads of state from those countries began meeting regularly in the '90s and formed a secretariat in 2005 to increase cooperation on development, economic and social issues. The group now holds annual summits.

TAMING THE BOOM

IGLESIAS SAID DIFFERENT Latin American countries were taking the appropriate steps to control asset bubbles and control risks as growth booms in their economies due to high prices for raw materials such as soy and copper, fueled by Chinese demand.

Soaring income from commodities as well as large flows of investment funds to take advantage of relatively high interest rates, have pushed up growth rates, inflation and housing prices in much of Latin America. This has also caused currencies to appreciate.

"The big rise in housing prices in some countries is certainly worrying. Measures are being taken... for example controlling housing credit or imposing conditions to moderate harmful growth in housing prices," Iglesias said.

Latin American countries have learned a good deal from destructive boom and bust cycles in the past, Iglesias said.

"One thing that worries me is that the great abundance of resources could generate a state of complacency in some countries, which is not good. Countries should recognize that there is a lot still to do, there are unresolved social problems," he said.

"I'M DOING EVERYTHING TO MAKE THIS A CENTRAL ISSUE. IT'S IMPORTANT TO SERIOUSLY LOOK AT WHERE WE ARE. WE MUST FIELD INNOVATIVE IDEAS."

SWEEPING REVIEW OF DRUG POLICIES

DRUG POLICIES HAVE NOT been high on the agenda at previous Iberoamerican summits.

But Iglesias said drug trafficking was one of Latin America's most serious issues and he would like to see leaders coordinate potential changes in drug policy such as decriminalization, increasing drug education and treating addiction as an illness.

"I'm doing everything to make this a central issue. It's important to seriously look at where we are. We must field innovative ideas," he said, applauding a 2009 recommendation by former presidents of Brazil, Colombia



Spain's King Juan Carlos (R) walks with Enrique Iglesias, Secretary General of the Inter American Development Bank, after posing for a family photo during the 20th Ibero-American Summit in Mar del Plata, December 4, 2010. REUTERS/MARCOS BRINDICCI

and Mexico who urged the United States to decriminalize marijuana and recognize that the so-called war on drugs has failed.

Iglesias said country-by-country approaches to changing drug laws wouldn't work, that the entire region should move together even though he said that the United States was unlikely to liberalize drug laws.

The South American nations of Colombia, Peru and Bolivia are the biggest cocaine producers in the world and the United States is their main market. More than 35,000 people have died in the last four years in a wave of violence in Mexico as the government cracks down on powerful trafficking cartels that move cocaine from south to north.

The United States has poured billions of dollars into eradicating crops of coca -- the raw ingredient for cocaine -- and fighting the cartels.

Some countries, such as Argentina and Brazil, have moved to decriminalize small-time drug possession saying their courts are choked up with users and they would rather spend resources on drug education and treatment.

"A consciousness is growing (around liberalizing drug-use laws), but it must be in general agreements, not partial ones. It's hard for one country to make the decision alone," Iglesias said.

QUAKE-PRONE MEXICO, CHILE NOT SHYING FROM NUCLEAR

BY MICA ROSENBERG
MEXICO CITY, APRIL 1

Earthquake-prone Chile and Mexico are not shying away from nuclear power in the wake of Japan's growing radiation crisis as both need to diversify the strained electric grids saddling industry with high costs.

Japan is living the world's worst atomic crisis since Chernobyl after a 9.0 magnitude quake and tsunami crippled the country's Fukushima Daiichi nuclear plant, releasing radiation 4,000 times the legal limit into the nearby sea.

The disaster is forcing governments around the world to rethink their nuclear energy strategies. Germany suspended an agreement to extend the life of its nuclear stations, Switzerland put on hold some approvals for nuclear plants, and Taiwan's state-run Taipower said it may cut nuclear power.

But in Latin America, where only Brazil, Mexico and Argentina have working nuclear plants, ministers told the Reuters Latin American Investment Summit that expansion of the controversial energy source must still be considered.

Chile suffered the strongest earthquake in recorded history in 1960 and with fresh memories of 2010's powerful 8.8 magnitude quake and tsunami, it is still years away from making a decision on whether to install nuclear reactors.

Chile's Mining and Energy Minister Laurence Golborne said despite a wary public, nuclear options cannot be rejected outright given the voracious power needs of the world's top copper producer.

"We have to try to meet the needs of the mining industry while trying to minimize our carbon footprint," Golborne said. "We can't just say no to everything, we have to keep an open mind to find the sources of energy appropriate for the industrial development of our country."

No single energy source would be enough to meet Chile's burgeoning demand, which Golborne has said will require a doubling of energy output in the next decade.

Chilean energy prices have nearly tripled in



Debris left by the massive earthquake and tsunami last February 27 burns as survivors continued the cleanup operation in Dichato March 14, 2010. **REUTERS/JOSE LUIS SAAVEDRA**

five years as dry weather saps hydroelectric capacity and forces the country to rely on costly thermoelectric plants.

The head of copper miner Antofagasta, Marcelo Awad, said the squeeze poses a latent risk to the country's copper miners and could balloon to a more serious problem if it drags on.

HIGH ENERGY COSTS

BUSINESSES IN MEXICO also face energy costs 10 to 60 percent higher than in the United States due to fluctuations in frequency and voltage, according to a 2009 World Bank study. This week Mexico's national steel chamber said the high prices were hurting the sector's competitiveness.

To ease pressure on the traditional oil-run grid and meet ambitious carbon emissions reduction goals, Mexico's Energy Minister Jose Meade said nuclear power will continue to be an essential part of the country's energy matrix.

Mexico's Laguna Verde nuclear power plant in the Gulf coast state of Veracruz has two reactors and started operations in 1989. It produces up to 2.5 percent of Mexico's electricity.

"The technology works well in Mexico and it will have a place in our future," Meade said.

Mexico is studying the viability of nuclear expansion but has no current plans to build new plants, he said.

Brazil and Argentina both say they are not changing plans to increase nuclear capacity. Brazil already operates one nuclear plant and plans to spend \$5 billion to build four more by 2030, while Argentina aims to provide 15 percent of its power from nuclear sources by 2025, up from six percent now.

NOT NUCLEAR FOR 100 YEARS

OTHER NON-NUCLEAR nations in the region, like oil-exporting giant Venezuela and Peru, are taking a different stance.

Venezuela's President Hugo Chavez suspended development of a nuclear power program, scrapping long-term plans for a 4,000 megawatts (MW) Russian-built nuclear plant.

"People are worried about the nuclear issue ... and the president said there is no need for nuclear energy," said Venezuela's central bank head, Nelson Merentes. "Now's a good time to resume oil development."

Peru's President Alan Garcia said the Andean nation would be nuclear free for "100 years or more," local media reported.

Countries with no nuclear power in the region now are unlikely to jump on new developments, said Spanish energy engineering firm Duro Felguera.

"The situation in Japan is going to put nuclear projects in in the freezer," company Chairman Juan Carlos Torres told the summit.

JBS' BATISTA TO HEED MOM, SLOW DEALS

BY REESE EWING AND ROBERTO SAMORA
SAO PAULO, MARCH 28

WESLEY BATISTA IS LIKELY to take a little less heat from his mother from now on.

The 40-year-old chief executive of the world's biggest meat producer, Brazil's JBS says his mother is always complaining that the family business was buying too many companies in its zeal to expand.

"My mom for years has been saying, 'You're expanding again? Why? You don't spend any time at home. We don't need more. We lead simple lives,'" Batista, who took the reins from his younger brother Joesley in February, said with a chuckle.

Batista may not have totally shaken acquisition fever -- he says expansion is in JBS's DNA -- but he is easing off the deals for now while the company focuses on getting the most out of the flurry of takeovers it made in recent years.

That may be good news to shareholders, as well as his mom.

Speaking at the Reuters Latin American Investment Summit in Sao Paulo, Batista said that JBS -- which just a decade ago was a little-known meatpacker in rural Brazil -- had reached a critical mass and was entering a new phase.

JBS is now focused on maximizing profit for shareholders, ending a six-year expansion that left some investors wondering whether it had grown too big, too fast.

"It's now time for JBS to start reaping what it has sown," Batista said, adding that the big costs of integrating takeovers were over and that the company was well-positioned for a global economic recovery.

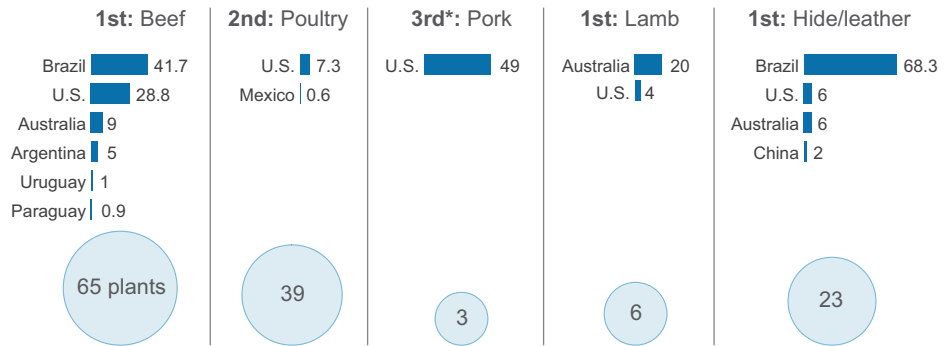
In a rare interview, Batista defended the company's shopping spree in recent years, calling the takeovers "fantastic opportunities" that gave JBS a major footprint in the United States, the world's most important meat market.

Following more than 14 major acquisitions in the last six years -- including U.S. rivals Swift, Smithfield Beef, Pilgrim's Pride and local meatpacker Bertin -- JBS has now reached a size that allows for efficiency of scale, he said.

JBS operations, acquisitions globally

JBS operations worldwide

Global rank, daily slaughtering installed capacity - 1,000 heads/hides



JBS's main acquisitions/target country since 2005

2005	2006	2007	2008	2009	2010	2011
Swift Armour Argentina		SB Holdings U.S.	Smithfield Beef Group U.S.	Pilgrim's Pride U.S.	Rockdale Beef Australia	Rigamonti Salumificio Italy
		Swift Foods U.S.	Tasman Group Australia	Bertin Brazil	McElhaneey Cattle Co U.S.	
		Inalca** Italy		Tatiara Meat Co Australia	Toledo Group Belgium	
					Weddel Canada	

Sources: JBS; Thomson Reuters

*In U.S. **50 percent stake in Inalca sold back to Italy's Cremonini in March 2011



Reuters graphic/Van Tsui

One way that JBS will boost profit is by shifting some of its 11.5 billion-real (\$6.9 billion) debt which is now predominantly on the books of the Brazilian company to the U.S. division to create a tax benefit there via amortization.

Batista also said the company in 2010 spent 400 million to 500 million reais to integrate new acquisitions. Although it will continue "fine tuning," such costs will be more in the range of 10 million reais a year going forward.

Batista has his work cut out for him. With annual revenue now topping \$33 billion, JBS posted a fourth-quarter loss of \$325 million last week mainly due to costs of integrating Pilgrim's and Bertin and postponing a U.S. share offering.

The company recently exited a partnership with Italian firm Cremonini, and is struggling with money-losing plants in Argentina that have been hurt by government price caps and

export limits. Earlier this year, JBS also failed to win a bidding war for U.S.-based SaraLee Corp.

Despite the focus on getting its house in order, Batista stressed that JBS would not turn its back on a good opportunity for another acquisition.

"It's part of our DNA to expand. It's in the blood," he said, much to his mother's chagrin.

The fourth of six siblings, Batista quit high school at 17 to manage a small meatpacking plant in the farming town of Luziania that his father, a former butcher, bought in 1988. The plant slaughtered 40 head of cattle a day.

He is the last of the three brothers to run the company, with Junior and Joesley preceding him.

U.S. MARKET

TODAY, JBS SLAUGHTERS millions of cattle a year and roughly 70 percent of its revenue

comes from its U.S. operations. Batista sees JBS's presence in the U.S. market as essential to being a global meats company.

Although JBS had to delay its plans for a U.S. initial public offering twice last year, ultimately suspending the IPO, Batista said the company would move ahead with these plans again as soon as market conditions improved.

He expects the U.S. economy to return to growth more robustly than the current consensus and sees the potential for the country to become more competitive globally.

"With the size of the deficit, the dollar is going to continue weakening for a long time. It's not temporary," Batista said. "In 10 to 20 years, the United States will return to competing with the emerging markets in the production of commodities, in all areas."

Although rising corn prices should continue hurting margins on poultry production at Pilgrim's Pride, which JBS bought fresh out of bankruptcy in 2009, Batista is upbeat about the new agility the company gave JBS, historically a beef company.

Unlike the poultry sector, the beef industry will not recover productive capacity for nearly five years after cattle producers curbed production by slaughtering more cows in the wake of the global financial crisis.

"World demand for animal protein is growing, and not only in the emerging

markets. World production is not, however," he said. "Poultry is a unique meat that has the greatest elasticity to respond quickly to demand."

ATTENTION TO DETAIL

BATISTA, WHO SPEAKS Portuguese with an unmistakable country accent from rural Brazil, said meat packing is a business that lives or dies in the details. It has been 20 years since he worked on the cutting floor but what he learned in his youth has helped him improve profit margins at the company's plants.

"My father is a butcher, so we learned as kids," Batista said. "In our business, you better know the details. Any scrap of beef left on the bone can add up to millions. Imagine, we slaughter 15 million head of cattle a year."

Batista had been running JBS's U.S. division until his brother Joesley stepped back to be chairman of the board. Before returning to Brazil, he appointed Pilgrim's Don Jackson to take over his position as CEO of JBS's U.S. operations.

Down to earth and casual, Batista has adapted as quickly to the board room as he did working the feed lots or the cutting floors. But he still enjoys the trappings that come with the power of his post, commuting by helicopter in Sao Paulo to avoid traffic jams.

Batista said he used to go down on the



Wesley Batista, chief executive of JBS, the world's largest beef producer, attends Reuters Latin American Investment Summit in Sao Paulo March 25, 2011.

REUTERS/PAULO WHITAKER

floor in some of the U.S. plants, watch the cutters and step in and show them how to trim just a little more flesh from the bone. (\$1 = 1.66 reais)

MEXICO'S SORIANA EYES RAPID EXPANSION

BY GABRIELA LOPEZ AND
ELINOR COMLAY
MONTERREY, MARCH 30

SORIANA, MEXICO'S NO. 2 retailer, has aggressive expansion plans and will probably not pay a dividend this year, Chief Financial Officer Aurelio Adan said at the Reuters Latin American Investment Summit.

Mexico's economy is recovering from recession but consumer spending has remained sluggish and local supermarket chains, engaged in a fierce price war, have struggled amid rising prices for raw materials.

Still, Adan was upbeat about sales in the second quarter and said the chain expects growth at stores open more than a year could be almost double last year's levels.

To fuel sales growth, Soriana plans to

add almost 200 stores in the next four years.

The supermarket chain, which ended 2010 with 508 stores, hopes to have 700 by 2014 and expects to spend 16 billion pesos (\$1.3 billion) to reach this goal, Adan said on Wednesday.

"The expansion plan is still very aggressive," he said.

The retailer may also start to think about expanding outside of Mexico in the longer term.

"I don't want to fix a date, but I think that in about five years we will be thinking about going outside of Mexico," Adan said.

Soriana trails top retailer Wal-Mart de Mexico, which has more than 2,000 stores, including more than 500 in Central America, and has said it plans to open 445 new stores this year across the region.

DEBTS AND DIVIDENDS

THE MONTERREY-BASED COMPANY is planning to pay back between 2 billion and 2.5 billion pesos this year from its 7.7 billion outstanding debt, Adan said. Soriana will aim to pay off the remainder in the following two years.

The debt repayment plans, combined with the investment in new stores, means Organizacion Soriana is unlikely to pay a dividend, Adan said, although he noted that investors will vote on that at the company's annual meeting at the end of April.

Separately, he said he expects same-store sales -- that is, sales at stores open more than a year -- to increase by 4 to 4.5 percent in 2011. That compares with an increase of 2.5 percent in 2010.

ARGENTINA BANCO MACRO SEES LOANS UP

BY JORGE OTAOLA
BUENOS AIRES, MARCH 30

BANCO MACRO, ONE OF ARGENTINA'S largest private banks, expects its loan portfolio to increase 40 percent this year, the company's chief executive said on Wednesday.

Banco Macro's lending portfolio stood at about 13 billion pesos (\$3.12 billion) at the end of last year, with default rates of 2.1 percent, Jorge Brito told the Reuters Latin American Investment Summit in Buenos Aires.

Credit represents just 13 percent of gross domestic product (GDP) in Latin America's No. 3 economy, one of the lowest rates in the region, although short-term consumer lending has surged in the last year.

"There are countries in the region with a rate of about 50 percent (of GDP). There's a long way to go," Brito said.

Brito said that he expects more foreign banks to enter Argentina's banking business, particularly from Brazil, and that Banco Macro was considering a possible expansion into neighboring countries this year.

"This year there's a possibility we could move into a couple of Mercosur countries," Brito said, declining to give further details. Mercosur is a trade bloc grouping Argentina, Brazil, Uruguay and Paraguay.

"It's pretty likely that a foreign bank will buy a local one, it's possible that others players will come in ... most likely from Brazil," the banker said.

"In Banco Macro's case, (having a foreign partner) isn't something we've done or something we're considering as a way to grow in Argentina. If we were to look for one, it would be as a way to grow in another country," he added.

Argentina's central bank recently gave Banco Macro the green light to open 32 new branches, giving it a total of 450. The bank has 8,000 employees and deposits of some 18 billion pesos (\$4.32 billion).

The bank's net profit rose 34.4 percent in 2010 to about \$246 million and climbed 13 percent in the fourth quarter year-on-year.



Banco Macro's Chief Executive Jorge Brito answers a question during an interview as part of the Reuters Latin American Investment summit in Buenos Aires March 29, 2011. **REUTERS/ENRIQUE MARCARIAN**

DEBT MARKETS

ARGENTINE BANKS ARE major holders of government bonds in the South American country, which has been virtually shut out of global credit markets since it defaulted on about \$100 billion in 2002.

Creditors owning 92 percent of the defaulted debt have accepted big losses in government swaps launched since 2005 but Economy Minister Amado Boudou said at the weekend the government does not plan to tap the market this year despite lower rates.

Brito said Argentina should wait until risk spreads tighten still further.

"Of course, Argentina must go back (to the markets), but only when the risk spreads are at 250 basis points," he said.

Argentina's country risk narrowed 12 basis

points on Wednesday to 532.

Brito, who has a harmonious relationship with the center-left government of President Cristina Fernandez, criticized the Paris Club, saying the group of wealthy creditor countries had dragged their heels in agreeing on a plan for Argentina to repay a defaulted debt of up to \$9 billion.

"I can't understand their position," he said. "I'm a banker and if someone has an eight-year-old unpaid debt and they come to me and say they want to pay it, I'd quickly try to get something back and accept the rest in installments."

Banco Macro's shares were up more than 4 percent at 17.3 pesos in afternoon trading, outperforming the benchmark MerVal index, which was up 1.5 percent at 3,374.53 points.



Mexican tycoon Carlos Slim arrives to attend the opening of the Soumaya museum in Mexico City March 1, 2011 **REUTERS/HENRY ROMERO**

AMERICA MOVIL SEES SOARING DATA USAGE

BY CYNTIA BARRERA DIAZ
MEXICO CITY, MARCH 30

MEXICO'S AMERICA MOVIL, Latin America's largest cell phone provider, said it expects dramatic growth in data usage across the region as clients make more use of smartphones and tablets to download anything from games to the family's latest birthday video.

America Movil, the flagship of the world's richest man, Carlos Slim, will invest at least \$8 billion annually for the next three or four years to deploy fiber networks across the region to support data traffic.

"There are currently 60 million people with data services, both fixed and mobile," Chief Financial Officer Carlos Garcia Moreno told the Reuters Latin American Investment

Summit in Mexico City on Wednesday.

"We are seeing that in about five years ... we will jump to 400 million people using data, and most of that growth will happen, in absolute terms, in the mobile market," he added.

Increasing demand for and availability of new gadgets like tablets and the arrival of more sophisticated smartphones will be the main drivers for rising data use, Garcia Moreno said.

As an example, the CFO said in 2010 there were only four smartphone models available in Mexico, at an average price of \$500. Today, customers can pick from some 60 cheaper models.

Slim's America Movil is one of the world's biggest cell phone providers with 225 million wireless customers from countries stretching

from the United States to Argentina.

The company does not own a network in the United States but resells air time from local partners. This has proven particularly successful, and its TracFone unit is just short of becoming the No. 4 wireless player in that country.

Garcia Moreno said TracFone will reach 20 million customers in the United States this year.

With few markets left to tap in the rest of Latin America -- the company has said Bolivia and Venezuela may never become targets -- America Movil has recently dabbled in Europe looking for new expansion purchases.

Attempts in Serbia and Poland did not yield results, but Garcia Moreno said the company will continue looking for opportunities.

GRUPO MEXICO: MINE UNITS COULD MERGE BY END-2011

BY MICA ROSENBERG AND
ADRIANA BARRERA

MEXICO CITY, MARCH 30

GRUPO MEXICO SAID THE PROPOSED merger between its U.S. and Latin American mining units could go through by the end of this year, strengthening its hold on the world's largest copper reserves.

Senior executives from the global copper miner also said demand for the red metal would get a boost when Japan starts rebuilding regions affected by the earthquake and ensuing tsunami and nuclear plant problems.

"Japan after this catastrophe will clearly need copper for reconstruction projects, which means a jump in demand," Chief Financial Officer Daniel Muniz told the Reuters Latin American Investment Summit.

Japan's earthquake knocked out copper smelter capacity in the country, raising international refining fees as copper concentrates were shipped elsewhere, Muniz said.

Grupo Mexico ships only 10 percent of its more than 500,000 tonnes of annual copper sales to Asia, while the bulk goes to neighbors in Latin America and the United States.

The company, which controls mines in Mexico, Peru and the southwestern United States, has an aggressive expansion plan over the next five years as it ramps up output at the Cananea copper mine, now reopened after a bitter three-year strike.

Grupo Mexico also controls Mexico's largest railroad and wants to consolidate its mining and transport businesses so it can launch them in separate public offerings.

The company considers its stock, which fell 0.18 percent to close at 44.09 pesos per share on Wednesday, undervalued and proposed a merger last year of its Arizona-based Asarco unit with its Southern Copper mining arm.

"Could we finish the process this year? I

think so, yes," Muniz said.

The deal is still being evaluated by an independent committee to determine if it can go forward, and at least one Southern Copper shareholder is opposed, saying the tie up would devalue its stock.

In 2009, Grupo Mexico paid more than \$2.5 billion to regain control of Asarco by pulling it from bankruptcy. It says the merger would cut costs and improve operations.

ROSY ON CHINA DEMAND

DEMAND FOR COPPER, used in electric grids, construction projects and the transportation industry, is likely to stay strong in China, despite market worries about lagging manufacturing data in the Asian giant.

Copper prices ended sharply lower on Wednesday and have fallen more than 12 percent from their mid-February peaks at \$10,190 per tonne in London and \$4.6575 per lb in New York in part on worries about

China's consumption.

Muniz and Juan Rebolledo, Grupo Mexico's vice president of international relations, had rosier long-term outlooks as China continues to invest in low-cost housing in its secondary cities. Both also saw growth potential in India's rapidly expanding economy.

This year, Southern Copper's output should reach 630,000 tonnes and jump to 1.05 million tonnes by 2016, while Asarco's production will be around 209,000 tonnes in 2011.

Muniz said he was comfortable with the company's current copper hedging strategy and had no plans to modify it.

Taking advantage of copper prices hovering near record highs, Grupo Mexico's mining arm contracted 32 percent of this year's output in fixed-price swaps and 26 percent in collars with a set floor and ceiling, Muniz said.



Chief Financial Officer of Grupo Mexico Daniel Muniz attends the Reuters Latin American Investment Summit in Mexico City March 30, 2011. REUTERS/CLAUDIA DAUT

BRAZIL GOL DOESN'T EXPECT TO BE NO. 1 FOR LONG

BY ALBERTO ALERIGI JR AND
CESAR BIANCONI
SAO PAULO, APRIL 1

Brazilian airline Gol Linhas Aereas is focused on profitability and does not expect to maintain its recently attained status as Brazil's No. 1 carrier, Chief Executive Constantino de Oliveira Junior said.

Oliveira told the Reuters Latin America Investment Summit that his company also does not plan any mergers or acquisitions to keep pace with recent expansion by its main Brazilian rival, TAM Linhas Aereas.

"Leadership (in the market) is important, but we have to pay our bills every day," Oliveira said.

A mix of upstarts and established players are battling for control of Brazil's booming airline passenger market, which saw traffic grow more than 20 percent last year. Gol, a 10-year-old low-cost carrier, overtook TAM in February as the country's leading airline, according to industry data.

Yet Oliveira said the month's data may have been an aberration due to a one-time calendar effect with Brazil's carnival holiday in March instead of February this year.

Meanwhile, TAM has taken steps to take back its No. 1 mantle. The company agreed last year to merge with Chilean rival LAN Airlines and has also started merger talks with local rival TRIP, the country's No. 6 carrier.

"We're seeing a reaction by our competitor ... to rebalance the equation," Oliveira said, which he said also included lower prices and "aggressive" promotions.

"We're not going to give up profitability to maintain our leadership," he added. He said the company would continue to control costs, though he did not see any major new cost-cutting moves on the near horizon.

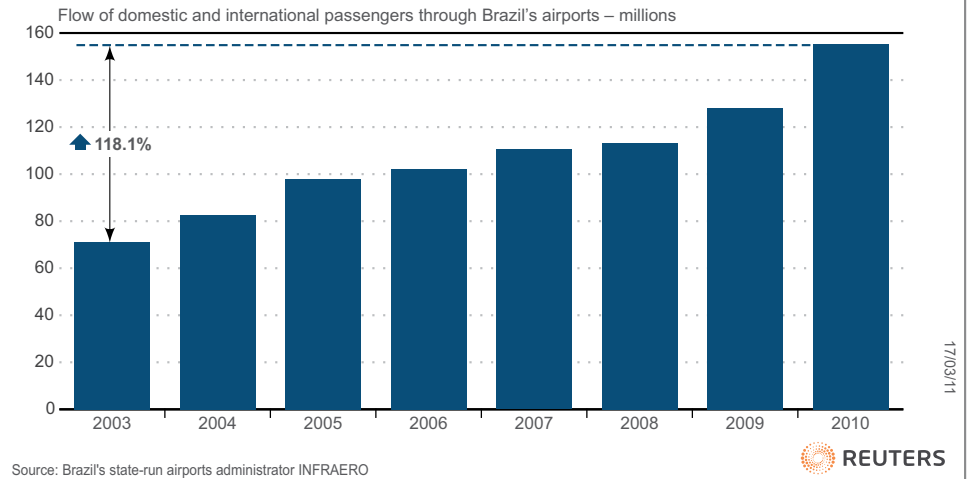
Brazil's booming air travel: <http://r.reuters.com/paf78r>

Oliveira said that Gol will continue to focus on lowering ticket prices and taking other steps to appeal to Brazil's growing middle class, many of whom are abandoning intercity bus traffic and flying for the first time.

Brazil's passenger traffic should continue

Brazil's booming air travel industry

Air passengers in Brazil have more than doubled since 2003.



A Gol passenger jet prepares to depart as a Varig plane is parked (background) at Santos Dumont airport in Rio de Janeiro March 29, 2007. REUTERS/BRUNO DOMINGOS

to grow at a double-digit pace, or as much as three times the pace of overall growth in the economy, Oliveira said.

Despite robust traffic to Caribbean destinations and high growth potential in routes among South American countries, Oliveira said Gol would not add new Latin American destinations in 2011.

Oliveira said he was confident that Brazil's overburdened airports would receive a significant upgrade in coming years, since President Dilma Rousseff's administration has made the issue a priority. He said the current lack of capacity at airports is a drag on Gol's productivity.

SUMMIT SPEAKERS



ROQUE BENAVIDES
CEO
Buenaventura



JOSE A. MEADE
Minister
Energy Ministry



KEIKO FUJIMORI
Presidential Candidate
Peru



OLLANTA HUMALA
Presidential Candidate
Peru



ALEJANDRO TOLEDO
Presidential Candidate
Peru



CARLOS RAUL YEPES
President
Bancolombia



DANIEL SCIOLI
Governor
Buenos Aires province



PEDRO SANCHEZ
Minister
Peru Energy and
Mining Ministry



RODRIGO AZOCAR
General Manager
Enap



DANIEL SABA
President
PeruPetro



ANDREA PADOVANI
President
Rusoro Venezuela



CARLOS DE OLIVEIRA
President
Sidor



FELIPE LARRAIN
Minister
Chile Finance Ministry



WESLEY BATISTA
President
JBS



SCOT RANK
CEO
Wal-Mart de Mexico



JUAN MANUEL SANTOS
President
Colombia



LUIS MUNOZ
CEO
Colombia's National
Federation of Coffee
Growers



FABIO VILLEGAS
President
Avianca Taca



TRANQUILO FAVERO
President
Grupo Favero



RAMON GUILLERMO AVELEDO
Opposition Leader,
Venezuela
Mesa de la Unidad
Democratica



FRANCISCO RIVADENEIRA
Vice Minister of Foreign
Commerce
Commerce and
Integration



MARCELO AWAD
General Manager
Antofagasta
Minerals



SERGI ARANDA
General Director for Latin
America
Gas Natural



CARLOS MORALES
Director-General Pemex
Exploration Production
Pemex



ERNESTO CORDERO
Minister
Mexico's Finance
Ministry



WILSON BRUMER
President
Usiminas



MAURO LEOS
Regional Credit Officer,
Latin America
Moody's Investors
Service



CRISTIANO RATAZZI
President
Fiat Argentina



GERMAN CARDONA
Minister of Transport
Colombia's Transport
Ministry



ALEJANDRO VALENZUELA
Director General
Banorte



VICENTE RODERO
Director for Latin
America
BBVA



ALICIA BARCENA
Executive Secretary
Eclac



OSWALDO MADRID
President
Petroamazonas



CARLOS GARCIA MORENO
CFO
America Movil



DANIEL MUNIZ
CFO
Grupo Mexico



SHELLY SHETTY
Senior Director, Latin America
Fitch Ratings



AURELIO ADAN
CFO
Soriana



JAVIER GUTIERREZ
President of Ecopetrol
Ecopetrol



LISA SCHINELLER
Director, sovereign ratings
Standard & Poor's



CARLOS RODADO
Minister
Colombia Energy and Mining Ministry



JANET NAPOLITANO
Secretary for Homeland Security
United States



RON KIRK
Trade Representative
United States



MANUEL BULNES
General Manager
LarrainVial



JUAN PAZOS ROMERO
General Director
Rio Tinto Alcan



FELIPE URETA
CFO
Entel



DANILO ASTORI
Vice President
Uruguay



JUAN LUIS KRUGER
General Manager
Gold Fields La Cima



FREDERICO CURADO
CEO
Embraer



EDUARDO ELSTZAIN
President
IRSA



MAURICIO MACRI
Mayor, presidential hopeful
Buenos Aires



JAIME CHARLES
CEO
CAP



SERGIO DIAZ GRANADOS
Trade Minister
Colombian Trade Ministry



JOSE ANTONIO MARTINEZ
General Manager
Santiago Stock Exchange



ALBERTO RODRIGUEZ
President
CIARA-CEC



OSCAR GONZALEZ
CEO
Southern Copper



WILSON PASTOR
Oil Minister
Ecuador



ALDEMIR BENDINE
President
Banco do Brasil



CONSTANTINO DE OLIVEIRA JR.
President and CEO
Gol Linhas Aereas



JUAN CARLOS ECHEVERRY
Finance Minister
Colombian Finance Ministry



ISMAEL BENAVIDES
Economy Minister
Peru Economy Ministry



JUAN CARLOS TORRES INCLAN
President
Duro Felguera



JORGE RAUL CORVALAN MENDOZA
Governor
Paraguay Central Bank



FERNANDO LORENZO
Minister
Uruguay Finance Ministry



JULIO VELARDE
Governor
Peru Central Bank



PABLO DE LAFUENTE
Duro Felguera
General Manager
Paraguay, Bolivia, Uruguay
Monsanto



JAVIER MADANES
CEO
Aluar



ROQUE BENAVIDES
CEO
Buenaventura



A child holds a pear in front of vendors at Feira Livre market on the streets of Vila Madalena neighbourhood in Sao Paulo February 26, 2011. **REUTERS/NACHO DOCE**



COVER PHOTO: An aerial view of Paraisopolis, a slum consisting of some 60,000 residents, located in the Morumbi neighborhood of Sao Paulo, South America's biggest city and one of the three biggest metropolises in the world April 24, 2006. **REUTERS/PAULO WHITAKER**

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