

Weekly Focus

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TRENDS TO KEEP AN EYE ON Page 2

Canada – toward a new border agreement with the US;
Finland – a strong economy, threatened only from the outside; **Ireland** – seeking to defend its low-tax regimen.

ARGENTINA

The international community may be rankled by Pres. Fernandez' interventionist policies, but the Argentine electorate has just put her on course to win a first-round re-election bid next month. There is already talk that Mrs. Kirchner may seek to change the constitution so she can run for a third term and avoid becoming a lame duck.

BRAZIL

A campaign to limit the real's appreciation has turned into efforts to brake its slide, as the market view of Brazil has changed with startling abruptness. The government seems at a loss as to what it ought to do next, since the most logical response – to slash public spending – is not politically attractive.

CHILE

The CB has followed the Brazilian example and cut interest rates. The economy will continue to make good progress, supported by strong sales of, and prices for, copper. Even so, the government will have difficulty containing rising public unrest, especially among students, but we do not anticipate a major policy change.

COLOMBIA

The economy is continuing to make good progress and the recent fall in global oil prices will not change this. Unfortunately, the long-pending Colombian-US trade pact continues to hang fire in the US, while Colombia is moving quickly to strike deals with other countries.

FRANCE

Under siege because of their sovereign-debt exposure and rumors concerning liquidity, French banks are getting ready to sell assets to boost capital, but their troubles will not go away until Eurozone leaders have come closer to a credible plan for Greece.

GERMANY

Chancellor Merkel has her hands full as she seeks to make good on her pledge that "the euro will not fail." It does, of course, not help that the German economy slowed more than expected in the second quarter, even though inflation decelerated as well, making life a bit easier for the European Central Bank.

ISRAEL

The Palestinian application for UN-endorsed statehood status has provoked a diplomatic crisis that is likely to intensify and from which ultimately no party is apt to emerge a winner. For Israel, one of the key problems is that the Arab awakening is producing ever more neighbors certain to be less accommodating towards it.

ITALY

The country has gained a respite, but not much more than that, with the approval by parliament of a new fiscal austerity package. PM Berlusconi is hanging on, but only because the opposition cannot get its act together.

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