



Inter-American Dialogue

LATIN AMERICA ADVISOR

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Featured Q&A With Our Board of Advisors

Q Amid increasing economic ties between China and Latin America, Chinese military aid to the region is growing, the head of the US Southern Command, Gen. Bantz Craddock, told lawmakers last week. What impact do you see Chinese military aid having in the region, especially given the vacuum created by the withdrawal of significant amounts of US military aid?

A **Guest Comment: Gabriel Marcella:** "General Bantz Craddock's comments underscore a new geopolitical reality: the emergence of China's influence across the spectrum in Latin America through diplomatic and commercial activities, as well as less spectacular efforts to reach out to the militaries. China is selling equipment and training to military institutions in the region. This is part of a grand strategy to cast China as a trusted player in international affairs, to take advantage of opportunities that exist because of the decline of US military aid (due to conditionalities, such as the American Servicemembers Protection Act), as well as marginalize Taiwan's role in the region. Major countries, such as Brazil and Peru, are now excluded from receiving US military aid, even high payoff, low-cost, and value-laden programs such as sending officers to military schools in the US. China's military diplomacy is not hampered by human rights considerations or other conditionalities, an advantage in some *cuarte-*

les and foreign ministries in Latin America. Though the military aid may be at a relatively low level compared to what the US provides, its steady expansion and pragmatic character could easily eclipse the US in 10-15 years. This is not what Latin American civilian and military leaders want. They prefer American equipment, doctrine, and the American political support that comes with it. Thus, a security assistance relationship which has helped the US' global role since World War II could be coming to an end. The US needs to review its entire approach to military relations with Latin America or face the prospect of losing important security partners."

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PHOTO OF THE DAY



US Attorney General Alberto Gonzales on Wednesday announced the indictment of 50 leaders of Colombia's FARC rebel group. See story on page 2.

Photo: US Department of Justice.

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NEWS BRIEFS

American Arrested in Bolivian Bombings

Bolivian authorities arrested an American man described as "mentally ill" and a Uruguayan woman for the alleged bombing of two hotels in the capital, La Paz. The blasts, which occurred Tuesday night and early Wednesday about five blocks apart, killed two people and injured at least seven, police said Wednesday. La Paz district attorney Jorge Gutierrez said the two suspects entered Bolivia from Argentina some weeks ago and had carried out attacks in other Bolivian cities that caused no injuries.

Source: *Associated Press*.

US Homeland Security to Help Brazil, Argentina and Paraguay

The US Department of Homeland Security will soon be helping Brazil, Argentina, and Paraguay combat money laundering and terrorism financing, the US embassy in Brazil said Wednesday. Officials will focus on the porous border region where Brazil, Paraguay and Argentina meet—considered by the US to be a source of fundraising for radical Islamic groups and known as South America's largest haven for drug and arms trafficking, counterfeiting and other crimes.

Source: *Associated Press*.

Chile's Cencosud Issues \$131 Million in Bonds

Chilean retailer **Cencosud** on Wednesday issued some \$131 million in 21-year, peso-denominated bonds on the local market. Proceeds from the bond issue will be used to refinance other debt and to fund the company's aggressive expansion. Cencosud reported a 2005 profit of 101.9 billion pesos (\$US 199 million), nearly double that of 2004.

Source: *Reuters*.

Political News**US Announces Indictment of 50 Leaders of Colombia's FARC Rebels**

US Attorney General Alberto Gonzales on Wednesday announced the indictment of 50 Colombian rebel leaders on charges of importing \$25 billion worth of cocaine into the United States and other countries. "This is the largest narcotics trafficking indictment ever filed in US history, and fuels our hope to reduce narco violence in Colombia and stem the tide of illegal drugs entering our country," Gonzales said during a press conference, where he was flanked by Drug Enforcement Agency Administrator Karen Tandy, Assistant Secretary of State for International Narcotics and Law Enforcement Affairs Anne Patterson, and Colombia's

“This is the largest narcotics trafficking indictment ever filed in US history.”

– US Attorney General Alberto Gonzales

Ambassador to the United States, former President Andres Pastrana. The 50 indicted leaders of the Revolutionary Armed Forces of Colombia, or FARC, the country's largest rebel group, oversee production of more than 60 percent of the cocaine that enters the US, he said. "Three of the top FARC leaders charged today are already in custody in Colombia, and we've begun the process to have them extradited to the United States. The remaining 47 are at large, hiding in the remote reaches of Colombia, surrounded by heavily armed FARC loyalists." Gonzales said he could not comment when asked whether the US planned to send troops to Colombia to help look for the indicted FARC leaders. Tandy said the indictment, which replaces previous, partial indictments, "decimates the entire leadership of the FARC." Patterson said the Department of State was offering rewards of up to \$5 million each for information leading to the arrest and/or conviction of seven FARC leaders, and rewards of up to \$2.5 million each for 17 other FARC members.

Chile Wants Normal Relations with Bolivia, But Without Conditions

The 11 day-old government of Chilean President Michelle Bachelet said Wednesday it wants to restore diplomatic ties with neighboring Bolivia, but said there could be no conditions, such as granting landlocked Bolivia sovereign access to the Pacific Ocean, the Associated Press reported. "Restoring diplomatic relations is a goal for us," Bachelet spokesman Ricardo Lagos Weber was quoted as telling reporters. "We want a dialogue without any exclusions, but also without any conditions." Lagos' comments came after Bolivian President Evo Morales, who took office in January, earlier this week offered this week to restore diplomatic relations with Chile on the condition that "all pending problems" between the two countries be resolved. Analysts say the coming into

office of Bachelet and Morales may offer the best opportunity in years for the two countries to resume diplomatic relations, which have been severed since 1978, when negotiations on restoring Bolivian maritime access—lost to Chile as the result of a 19th century war—failed. [Editor's note: see related Q&A in the March 17, 2006 issue of the *Latin America Advisor*.] In a historic gesture, Morales attended Bachelet's March 11 inauguration, and met with Bachelet the day prior to her swearing-in. In January, then-Chilean President Ricardo Lagos [father of Bachelet's spokesman] attended Morales' inauguration.

Rice: US Seeks Deeper Relations with Caribbean, Stability in Haiti

US Secretary of State Condoleezza Rice said Wednesday the US wants to deepen relations with the Caribbean and help to stabilize Haiti, *The Miami Herald* reported. Rice, attending a meeting in Bahamas of foreign ministers from the 14-member

Caribbean Community (Caricom), described as "productive" her conversations with her counterparts from the region. "It demonstrates that we intend not just to continue our relationship but to indeed deepen and broaden our relationship," Rice was quoted as saying. She said she welcomed Caricom's renewed involvement in attempts to help the new government of Haitian President Rene Preval. "We share a strong interest in a democratic and stable Haiti," Rice stated.

Economic News

Venezuela Proposing Royalty Hikes Under New Contracts with Oil Firms

The Venezuelan government is proposing an increase in oil royalties from 30 percent to 33.3 percent for companies that form new joint ventures with the government, the energy ministry said Wednesday, according to Reuters. "We are proposing ... the rate of 33.33 percent for royalties," Energy and Petroleum Minister Rafael Ramirez was quoted as telling reporters after a meeting with legislators on the new joint venture contracts. "It is also planned that the companies will dedicate 1 percent of their net profits, before income tax, for social development programs," he said. Foreign oil companies were required to commit by the end of last year to converting 32 existing operating service agreements into joint ventures with state-owned **Petroleos de Venezuela**, which will have majority control under the new arrangements. Ramirez said the country's legislature will have approved the model contract for the joint venture agreements by April 1. The foreign oil companies, including such heavyweights as **Royal Dutch Shell**, the US' **Chevron**, and France's **Total**, are negotiating the details of the new contracts. The government of Venezuelan President Hugo Chavez has sought to assert greater control over the oil sector and increase revenues amid high global prices for crude. In addition to the conversion of contracts, Venezuelan tax authorities are also preparing to increase income tax on upstream oil production from 34 percent to 50 percent, Reuters reported.

Capitol Hill Watch

A weekly look at US congressional activity on Latin America

Grassley Leads Trade Delegation to Argentina, Brazil

Senate Finance Committee Chairman Chuck Grassley (R-IA) led a delegation of eight House and Senate lawmakers to Brazil and Argentina this week for talks on agriculture and trade issues. After meeting with Brazilian Foreign Minister Celso Amorim, the top negotiator for Brazil in the World Trade Organization (WTO) negotiations, Grassley said he encouraged Brazil to maintain its leadership role in advancing the WTO's Doha Round. "Time is short. Trade Promotion Authority ends for the president in mid-2007," Grassley said in a statement. "Without TPA, I don't think we will be able to advance very far with our multilateral negotiations. And, I can't guarantee that we'll have the same opportunity anytime soon." Grassley said that while the US did its part in putting forth an aggressive agricultural proposal to reduce subsidies, the European Union and other parties to the talks must "step up and make meaningful offers in agriculture market access, industrial market access, and services." Grassley and the other legislators traveling to South America, whose names Grassley's office did not release, citing security concerns, were scheduled to visit a soybean farm and a flex-fuel vehicle plant in Brazil.

Source: Office of Sen. Grassley.

Meeks Proposes Inclusion of Afro-Descendants in Aid to Latin America

Rep. Gregory Meeks (D-NY) last Thursday proposed an amendment to create a unit within the Inter-American Development Bank that works specifically on Afro-descendant issues in Latin America, citing the "deplorable" living conditions of Afro-descendants in the region. Meeks' proposed amendment to HR 4916 would authorize US participation in the Enterprise for the Americas Multilateral Investment Fund (MIF) in the House Financial Services Committee as part of the re-authorization of the MIF, which provides grant and loans to development projects in Latin America. Meeks said Afro-descendants throughout the region suffer from targeted racial discrimination and lack access to basic social services, such as running water, sewage systems, paved roads, electricity, healthcare, and education, among others. If approved, Meeks' proposal would provide \$1 million to create a unit in the IDB tasked with developing strategies to improve the economic situation of African-descendants. The congressman also proposed an amendment stating that when receiving funds from the IDB, a country must demonstrate how it has been applied to identify and include African-descendant peoples and communities.

Source: Newsday, Office of Rep. Meeks.

Quotes of the Week

It is certainly not in keeping with my understanding of the Scriptures because this bill would literally criminalize the Good Samaritan and probably even Jesus himself.

- Hilary Clinton (D-NY), criticizing Republican support for a bill that seeks to criminalize illegal immigrants.

The administration is on the wrong side of public opinion and the American people when it comes to amnesty, when it comes to increasing immigration and when it comes to bringing in cheap foreign labor to compete with American workers and legal immigrants.

- Lamar Smith (R-Texas).

Featured Q&A*Continued from page 1*

A **Guest Comment: Maria Velez de Berliner:** "Past US military direct interventions and meddling in the internal affairs of Latin America left a bitter history, which a majority of Latin Americans are unwilling to forget. Many in the region associate the US training of Latin American officers with the atrocities or excesses committed by some notorious graduates. Some in the Andes see Plan Colombia and the 'rights of use' of Ecuador's Manta Base as US military intervention schemes. In contrast, China's military collaboration comes without this baggage. Chinese military assistance seems to also come without conditions about acceptable political behavior by the receiving governments, a long-standing prerequisite of the US. China's primary interests in the region are commercial rather than military. China is interested in establishing friendly and, in its stated view, respectful relationships with the region's suppliers of the mineral and energy resources China needs. If mutually profitable commercial relations are advanced by helping countries retool their military arsenals when the US, by its own laws, can't, China will do so. It is unwise of the US to protest against China and Latin America's military relations. The US has left the field open to new suppliers to the region, and US conditions for assistance no longer square with a changing Latin America that, rightfully so, is diversifying markets and allies. Depending on one major military or commercial customer or supplier has never been a sound, competitive strategy. Globalization means countries can have trade and military assistance alternatives. Latin America is finding them, and China is willing and able to be one."

A **Guest Comment: Dan Erikson:** "China has longstanding military ties to many Latin American countries, and the levels of Chinese military aid to the region remain modest. However, it is certainly true that the number of high-level delegations and the pace of military-to-

military contacts has quickened during the past several years as China's economic engagement with Latin America has surged. China has even contributed peacekeepers to the Brazil-led UN mission in Haiti and is seeking to expand military cooperation in other areas. Most Latin Americans remain skeptical of foreign military powers generally, and the majority take a dim view of China's increasing military power, although US military might is even more unpopular. In specific instances, there may be cause for concern, such as China's collaboration with Brazil to develop military reconnaissance satellites, but in general China's military relations with Latin America remain far from robust. However, China's increased security engagement is occurring in a highly dynamic environment characterized by a political shift toward populism, the rise of Venezuelan president Hugo Chavez as a regional nuisance, and the withering of US prestige and influence in the Hemisphere. For these reasons, the US is rethinking the policy of cutting off military aid to Latin American and Caribbean countries who support the International Criminal Court, known as the Article 98 sanctions. This policy has clearly undermined US interests, and its repeal could be a first step toward effectively countering China's rising influence in the Americas."

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