

# Inter-American Dialogue

## LATIN AMERICA ADVISOR

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### Featured Q&A With Our Board of Advisors

**Q** Mexico's secretary of public safety, Genaro Garcia Luna, said May 17 his government would not relent in its counternarcotics offensive, despite the growing violence it has apparently provoked and political opposition to continued military involvement. Will the government be able to carry out its offensive? Has it been successful to date? What's next in Mexico's drug war?

**A** **Guest Comment: Arturo Sarukhan:** "The Calderon administration assumed office last December by stating an unvarnished truth: organized crime needs to be decisively confronted or it will continue to corrode institutions, spread corruption, and erode the social fabric of Mexico. President Calderon has acknowledged that Mexico will need to invest blood, sweat, and tears in this struggle, but that it will not be able to win on its own. We will have to develop a strategy that not only includes enhanced cooperation and support from our US partners but also our comprehensive bilateral engagement with nations throughout Central America. Mexico's current strategy also recognizes the need to recreate the institutions and agencies tasked with counternarcotics policies. Civil police units, on track to being reconstituted, require the full-fledged support of the Mexican armed forces as a stop-gap measure. While the majority of Mexicans recognize that given the circumstances this decision was unavoidable, and generally sup-

port their use, the president understands that placing the military shotgun in the fight against illicit drugs must be temporary. The comprehensive Mexican strategy to combat drug and organized crime has so far produced results. The violence we are seeing today is the reaction of the organizations that have been severely hit by counternarcotics operations and are fighting both internally and against each other for the control of trafficking patterns and power. Mexico will thus need to step up its capability to strike their critical command, control, and intelligence structures within Mexico, and at the same time help to secure our side of the Mexican-US border. There

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### PHOTO OF THE DAY



Brazilian Senate President Renan Calheiros denied Monday that he accepted bribes from a construction firm. See [story](#) on page 2.

*Photo: Brazilian Senate.*

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## NEWS BRIEFS

**Panama Posted 8 Percent Growth in First Quarter**

Economic growth in Panama registered 8 percent in the first quarter compared to the year-earlier period, with construction, tourism, telecommunications, and trade leading the expansion, the government said on Monday, according to Reuters. The figure was at the top end of a recent government estimate for growth in the country, where last year the economy grew 8.1 percent.

**Brazilian Company Acquires US Meat Company Swift**

**J&F Participacoes**, the parent company of Sao Paulo-based **JBS SA**, the biggest meat producer in Latin America, announced early today it has agreed to buy US beef and pork seller **Swift & Co.** for \$1.4 billion in cash and debt, Bloomberg News reported. The acquisition creates the world's largest beef and pork processor, and gives JBS access to the US, the world's biggest consumer of beef. It also opens Asian markets such as Japan, which ban imports from Brazil, according to Bloomberg News.

**Mexican Government Blocks Acquisition of Juice Maker**

Mexico's competition authority has blocked the planned \$380 million acquisition of juice maker **Jugos del Valle** by US beverage giant **Coca-Cola** and its Mexican affiliate, Coca-Cola bottler **KOF**, the soft drink partners announced Friday. The companies did not say why the Federal Competition Commission objected to the takeover, but the move comes amid statements by President Felipe Calderon that he wants to see more competition in key industries dominated by a few firms.

## Political News

**Police, Protesters Clash in Venezuela Following TV Station's Closure**

Police in Venezuela clashed early this morning with rock and bottle-throwing demonstrators protesting the closure of opposition-aligned television station **RCTV** at midnight, the Associated Press reported. Police fired tear gas and plastic bullets at a crowd of as many as 5,000 protesters in Caracas, where at least three protesters and one police officer were injured. Interior Minister Pedro Carreno said four students were wounded by gunfire during a protest near a university in the city of Valencia, located 93 miles west of Caracas, according to the AP. The 54 year-old RCTV, Venezuela's oldest private television station, went off the air after Venezuelan President Hugo Chavez refused to renew its broadcast license, accusing the station of supporting a 2002 coup against him. The government has replaced RCTV with a state-run channel, **TVes**. Critics of the government move call it an attack on freedom of expression and say it will force other media to mute their criticism of the government. [Editor's note: see related Q&A in the May 25, 2007 [issue](#) of the *Advisor*.]

**Brazilian Senate President Denies Accepting Bribes**

Amid a widening scandal involving government infrastructure projects, the president of Brazil's senate on Monday denied allegations he accepted bribes from a lobbyist in exchange for favors for a construction firm. "This is a false scandal," Renan Calheiros, of the centrist PMDB party, said in a speech before the Senate. Calheiros' denial followed a report published in weekly news magazine *Veja* that a lobbyist for construction firm **Mendes Junior** helped finance Calheiros' Senate campaign and that of a brother and a son, according to Reuters. The lobbyist also allegedly paid 12,000 reais (\$US 6,000) a month to Calheiros' mistress, journalist Monica Veloso, along with \$2,500 a month for an apartment where Veloso lived with the couple's daughter, according to *Veja*. Calheiros said that he made the payments

out of his own pocket, and that he will furnish copies of his tax returns to prove his innocence. The accusations against the Senate president follow the resignation last week of Energy Minister Silas Rondeau after it was reported Rondeau's top advisor accepted a \$50,000 bribe from a company seeking contracts under the government's "Electricity for All" rural electrification program. Brazil's president, Luiz Inacio Lula da Silva, whose legislative agenda may be at risk as a result of the accusations against Calheiros, came to the Senate leader's defense on Monday, saying during his weekly radio address that the senator is innocent until proven guilty. In 2005 and 2006, government corruption scandals weakened Lula's fragile coalition in Congress and delayed key reforms, but did not derail his re-election last year.

## Economic News

**Banco de Mexico Holds Interest Rate Steady, but Warns of Inflation Risk**

Mexico's central bank on Friday held its key overnight interest rate at 7.25 percent, but warned it would hike rates if its inflation target is threatened, Reuters reported. Banco de Mexico said in a statement it expected 12-month inflation to veer back toward its target of 3 percent as soon as recent price shocks wear off, but cautioned that inflation risks persist. "The board will vigilantly evaluate risks and will take action if it perceives that its goal is compromised," the bank said. Last month, the bank surprised markets with a 25 basis point interest rate hike, despite signs of easing inflation.

**Correction**

A story in [Friday's](#) Latin America Advisor incorrectly stated that the Organization of American States Secretary General spoke Thursday at an event sponsored by the Inter-American Dialogue. In fact, the event was co-sponsored by the Inter-American Dialogue and the Center for Strategic and International Studies.

**Featured Q&A***Continued from page 1*

is no 'next' in Mexico's efforts to deter and roll back organized crime. Success will not occur overnight; we have just begun implementing this forward-looking strategy, and President Calderon will keep fighting these criminal organizations with determination and commitment."

**A Guest Comment: Tomas Torres Mercado:** "Of course, [the government] will be able to continue its offensive. First, one must note that the political parties [and] senators from the three most important political forces—among them, the Party of the Democratic Revolution—are ready to contribute to giving [the government] laws that are necessary and that the executive requires for that offensive. Second, the offensive has not been successful. And under current conditions, we cannot be optimistic. There isn't a clear strategy for action and, frankly, it is worrying and inefficient for the army to be occupying areas where the police should be investigating and acting. This is a very serious concern ... The public ministry is a traditional and deeply-rooted institution in Mexico, and it's not being given importance. Likewise, organized crime is being made the focus, while common crime is not being addressed. Lastly, as to whether [the offensive] will be successful or not, under these conditions we cannot be optimistic. As the opposition, we're not betting that it will fail. What we're demanding is a comprehensive proposal, a serious proposal, which so far we have not received."

**A Guest Comment: Jon French:** "First of all it is primarily an American counternarcotics war thanks to the insatiable US demand for illicit drugs, with Mexico caught in the middle. That said, the increasing violence at the initiative of the

narcos, most recently manifested in the blatant assault on the meager city police department in Cananea, in the state of Sonora, is a not-so-subtle reminder that this is after all a narco war of intimidation, with the objective being to pressure the Mexican government and indirectly the Mexican public to back off and concede a *modus vivendi*. My concern is that the next escalation by the narcos could easily target the vital tourism industry here. And just a few examples of severed heads of American tourists in Acapulco, Puerto Vallarta, Cancun, etc., with the predictable US media hype and the inevitable US travel security advisories, could quickly and seriously damage this industry. Under these circumstances, most Mexicans would understandably prefer to preserve their tourism industry rather than incur further sacrifices to help Americans try to control their own prodigious drug habit. Mexico would be under serious pressure to turn a currently overextended, but genuine counternarcotics offensive into a charade. The solution to this US problem must be a US solution, namely a multibillion dollar US aid program similar to that provided to Colombia in recent years, financing a much more concerted and aggressive Mexican counternarcotics offensive."

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**Arturo Sarukhan** is Mexico's Ambassador to the United States.

**Tomas Torres Mercado** is a member of Mexico's Senate from the opposition Party of the Democratic Revolution and a Secretary of the Senate Justice Committee.

**Jon French** is Director General of Problem Solvers S.A. de C.V. in Mexico City.

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