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Featured Q&A With Our Board of Advisors

Q From fears of authoritarianism in Venezuela, to ties between Colombian politicians and right-wing paramilitary groups, to persistent corruption and inequality, some Latin Americans worry about the future of democracy in the region. What policies are needed to make sure that democracy works in Latin America? How can we ensure that governments that are democratically elected will govern democratically?

A Board Comment: John Maisto: "The short answer: invoke and apply the Inter-American Democratic Charter (IADC) at the OAS, which requires a critical mass of political will by member governments. Of course, ensuring that governments elected democratically govern democratically is first and foremost the responsibility of countries themselves—their institutions, political parties, organizations and elites, civil society, free media, and leaders' political will and prowess. To help countries, the Hemisphere's elected governments in 2001 adopted the IADC, which, invoking democratic solidarity, empowers the OAS and its secretary general to provide assessments, good offices, and practical, effective, and tailored initiatives to deal with a broad range of developing threats, institutional weakness, crises, breakdowns, or interruptions of democratic processes. Under current practice, to apply the Charter, a government has to ask, as Nicaragua and

Ecuador did in 2005, to prevent institutional breakdowns. If a government does not ask or acquiesce, nothing happens, as just seen at the OAS General Assembly in Panama. A modest proposal by the OAS secretary general to broaden IADC application by enabling other branches of elected governments—legislatures, judiciaries, electoral tribunals—to bring situations to the OAS is being resisted by many governments. Such a broadening, plus creating a process for civil society organizations to have regular, effective access to OAS political organs (as they and others have with the fiercely independent Inter-American Human Rights Commission) would make

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PHOTO OF THE DAY



US Attorney General Alberto Gonzales on Friday pledged US support for Latin American countries fighting drug gangs. See [story](#) on page 2.

Photo: Los Pinos.

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NEWS BRIEFS

Syrian Arms Dealer Indicted in US for Conspiring to Arm FARC Rebels

US prosecutors on Friday unsealed an indictment charging Syrian arms dealer Monzer al-Kassar in a conspiracy to sell weapons to Colombia's FARC rebels, Bloomberg News reported. Al-Kassar was arrested in Spain on Thursday at the request of the US, as he and two others tried to complete an arms deal with two confidential informants who claimed to represent the FARC. Al-Kassar agreed to sell the informants more than \$8 million in weapons and offered to send 1,000 men to fight US officers, according to US prosecutors.

Brazilian Central Bank Alters Currency Rules for Banks

Brazil's Central Bank on Friday changed rules regulating banks' exposure to exchange rate swings, Bloomberg News reported. Effective July 2, the amount of foreign currency a bank can hold will be reduced from 60 percent of an institution's net worth to 30 percent, while 100 percent of a bank's currency position must be backed by capital, compared to 50 percent now.

United States, Mexico Agree to Improve Customs Services

The United States and Mexico agreed Friday to improve their customs services to reduce drug trafficking, Reuters reported. Mexican Finance Minister Augustin Carstens signed a preliminary agreement that would upgrade equipment and raise the "personal integrity" of customs agents. Mexican customs officials are widely believed to take bribes to allow contraband to pass border crossings.

Political News

US Attorney General Pledges Help Against Drug Gangs in Region

United States Attorney General Alberto Gonzales on Friday pledged that the US would support Latin American countries in combating violent drug gangs in the region, Reuters reported. "The United States stands with all of our neighbors in our joint fight against violent gangs," Gonzales was quoted as telling reporters in Mexico after a two-day meeting with attorneys general from Mexico, Colombia, and Central American countries. "For all of our citizens, we must win this fight, and I believe that working together as friends,

“The United States stands with all of our neighbors
in our joint fight against violent gangs.”

— Alberto Gonzales

as partners, we will," he added. Gonzales said that Central American countries need more help, according to Reuters. "People engage in drug transactions and gun transactions because there is money to be made," he said. "If we could somehow disrupt the flow of funds, I think that will make us more successful." Drug-related violence has been on the rise in Mexico amid turf wars between rival gangs fighting for territory and smuggling routes to the US. In Guatemala, increasingly a transit point for US-bound narcotics, authorities have been struggling to fight associated corruption, according to Reuters. When US President George W. Bush traveled to Latin America earlier this year, he was criticized for not doing enough to curb demand for drugs in the US. The US gives about \$700 million in mostly anti-drug aid to Colombia each year, funding that is being hotly debated in the US Congress.

Fujimori Put Back Under House Arrest in Chile

Chilean authorities placed former Peruvian president Alberto Fujimori back under house arrest on Friday, a day after a

prosecutor recommended he be extradited to Peru to face charges of human rights abuses and corruption, the Associated Press reported. A judge ordered the detention at Fujimori's country residence in the Santiago suburb of Chicureo in response to a request from Peru, which warned that Fujimori is a flight risk because of "the seriousness of the charges," the AP reported, citing the press office of Chile's Supreme Court. Fujimori was expected to appeal the house-arrest order today, one of his lawyers told reporters. On Thursday, prosecutor Monica Maldonado recommended that Fujimori, who was Peru's president from 1990 until 2000, when he fled the country amid a corruption scandal, be extradited on charges of embezzle-

ment, the deaths of 15 people at a downtown Lima barbecue in 1991, and the deaths and disappearance of nine university students and a professor in Lima in 1992. Maldonado's recommendation goes to the Supreme Court judge considering the case, Orlando Alvarez, who will rule on Peru's request. Fujimori, who had been living in exile in Japan, arrived in Chile last year, where he was immediately seized by Chilean authorities. Fujimori has maintained his innocence and denies he is a flight risk.

Economic News

Peruvian Economy Forecast to Grow 7.2 Percent This Year

Peru's economy will expand 7.2 percent in 2007, up from a previous forecast of 6.8 percent, Bloomberg News reported on Friday, citing Central Bank President Julio Velarde. Construction, manufacturing, and retail sales will all grow at least 8 percent this year, offsetting slowing export growth as metals prices decline, Velarde said. Peru, the world's third-largest and

fifth-largest copper and gold producer, respectively, depends on mining for much of its export earnings. "The increase in consumer demand is compensating for slower export growth," Velarde said. "Rising private and public investment is creating more jobs, which is spurring spending and demand for consumer loans." Peru's economy grew 7.9 percent last year, with inflation of 1.14 percent.

Company News

Satmex Suspends Sale After Offers Come In Below Expectations

Satelites Mexicanos (Satmex) said Friday it was suspending its sale after offers came in below its expectations, Reuters reported. "The offers received to date do not adequately fulfill the requirements of the technical committee nor the expectations of the parties," the Mexican satellite service provider was quoted as saying a statement. Satmex, which emerged from debt restructuring last year looking for a buyer willing to invest in the company and take on its still sizeable debt, did not disclose the content of the offers nor did it say how many offers and from whom it received them. French satellite operator **Eutelsat Communications** said Thursday it made an offer with two Mexican partners for 100 percent ownership, while Mexican businessman Moises Saba also reportedly made an offer. Carlos Blanco, an analyst at Miami, FL-based **Signals Telecom Consulting**, told the weekly *Latin America Telecom Advisor* last month that Satmex would fetch no more than \$300 million from a potential buyer, and said any buyer would have to be prepared to invest close to \$900 million in Satmex between 2009 and 2013 to pay the Mexican satellite operator's \$378 million in debt and the \$500 million in satellite maintenance costs. [Editor's note: see related Q&A in the May 21, 2007 [issue](#) of the weekly *Latin America Telecom Advisor*.] Satmex operates three satellites covering North and South America, and had revenue of \$78 million in 2006. Creditors gained a 78 percent stake in Satmex as a result of last year's restructuring, while the Mexican government has a 20 percent stake.

Special Announcement

John Maisto Has Joined the Latin America Advisor Board



The *Latin America Advisor* is pleased to announce that John Maisto, director of the **US Education Finance Group**, has joined the Board of Advisors.

Maisto joined the US Education Finance Group after retiring in January of this year from a 29-year career as a foreign service officer at the US Department of State. In his most recent posting, he served as the US' permanent representative to the Organization of American States from July 2003 until December 2006. In July 2003, he was also named US coordinator for the Summit of the Americas, and coordinated President George W. Bush's participation in the hemispheric summits of Monterrey in 2004 and Mar del Plata in 2005. From January 2001 to April 2003, Maisto served as special assistant to President Bush and senior director for Western Hemisphere affairs for National Security Advisor Condoleezza Rice. Other postings included ambassador to Venezuela (1997-2000); foreign policy advisor at the US Southern Command (2000-01); ambassador to Nicaragua (1993-96); deputy assistant secretary of state for Central American affairs (1992-93); and deputy US representative to the OAS (1989-92).

A native of Braddock, Pennsylvania, Maisto has a B.S. from Georgetown University's School of Foreign Service, and an M.A. from the University of San Carlos, Guatemala.

Featured Q&A

Continued from page 1

the OAS much more relevant in helping governments elected democratically govern democratically."

A Guest Comment: Marifeli Pérez-Stable: "Military coups and economic instability no longer plague Latin America. Yet, democratic governance and living standards have fallen well short of expectations. Equality before the law, equal opportunity, and a middle class that is more or less in the middle are almost nowhere solidly grounded. Citizens are right to be disenchanted. The issue is whether the political class, the private sector, and civil society are willing and able to redress grievances within democratic institutions. Though imperative, transparency and accountability are woefully weak or absent in most countries. I am, frankly, less worried about Colombia's paramilitary scandal and

Mexico's use of the military to combat narcotraffickers than I am about Chavez's radicalization regarding freedom of speech, 21st century socialism, and his intent to seek indefinite re-election. Colombia has a strong judicial system that is dealing with the ties between some Uribe officials and the paramilitaries. Mexico was losing control over territory, Fox did little about it, and thus Calderon deployed the military. What constitutes victory? Could Mexico run the risk of 'Colombianization?' How will human rights fare? Protests over RCTV are heartening. Still, Chavez has gutted the separation of powers essential to democratic governance and, therefore, has a much freer rein than either Uribe or Calderon. Bolivia and Ecuador, moreover, are trying to follow the model, even if neither Morales nor Correa is having the easy time Chavez did at the beginning. That, too, is heartening."

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A **Guest Comment: Julia Buxton:** "The challenge of ensuring that democratically elected governments govern democratically is a problem wider than Latin America. Accountability, transparency, and checks and balances on the executive have been weakened in the US and UK—established democracies—only strengthening recently in the US with the election of a Democratic majority in the Congress. In terms of Latin America, the region is undergoing radical, complex change. Groups and ideologies that have been excluded for decades are shifting to the center of power as demands for meaningful citizenship become more potent, and US promoted strategies of free trade and freer markets fail to deliver opportunity for all. The Bush administration failed to grasp the meaning and legitimacy of these changes. Its policy and diplomatic interventions, usually in the name of 'democracy,' were counterproductive, particularly in the case of Venezuela. If the US is serious about democracy, it needs to re-evaluate the role of democracy promotion agencies, such as the National Endowment for Democracy. There has been a backlash against 'democracy promotion' owing to the incautious and arrogant assumption that the US has the right to intervene and promote its own favored, limited democratic forms across the globe. Latin America's citizens are capable of crafting and improving their own democracies, if the US did not persistently interfere with self-interested commercial, counternarcotics, and 'democracy' promotion strategies."

A **Guest Comment: Jennifer McCoy:** "Latin Americans across the board are demanding more from their governments—personal security, jobs, equitable access to justice—while government capacity to respond to these demands lags far behind. In some cases, like Venezuela, Bolivia, and perhaps

Ecuador, people have used the ballot box to change the balance of power and bring new social groups to power. In other cases, like Brazil and Chile, political parties have agreed on basic macroeconomic principles and have been able to gradually make a dent in poverty, though very little in inequality. Yet others remain divided about how to relate to the global economy and how to address problems of poverty and social inclusion, as reflected in recent votes in Mexico, Costa Rica, and Peru. The future of Latin American democracy will depend on this sequence of action: first, states with professional civil services and adequate resources must be developed to address citizen demands. In order to do this, basic democratic bargains must be (re)negotiated to provide for the fiscal resources and potential redistribution of power to provide the state capacity needed. Third, this redistribution of power and resources is most often conflictual, and will require a national collective will to manage it peacefully and with respect to the rights of all, rather than a new form of political and economic exclusion."

John Maisto is a member of the Advisor board, Director of the US Education Finance Group, and a former US Ambassador to the OAS.

Marifeli Pérez-Stable is Vice President for Democratic Governance at the Inter-American Dialogue.

Julia Buxton is a Senior Research Fellow at the Centre for International Cooperation and Security in the Department of Peace Studies at Bradford University.

Jennifer McCoy is Director of the Americas Program at the Carter Center and an Associate Professor of Political Science at Georgia State University.

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