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FEATURED Q&A

What Does Fidel Castro's Retirement Mean for Cuba?

Q After nearly 50 years in power, Cuba's Fidel Castro announced Tuesday he was stepping down, paving the way for a succession by his brother, 76 year-old Raul Castro. What do Castro's retirement and his replacement by his brother mean for Cuba? What do they mean for the future of US-Cuba relations?

A Guest Comment: Vicki Huddleston: "In one of the most anti-climactic moments in the last 50 years, Fidel Castro—America's best enemy from the 1962 Missile Crisis to the triumphal return to Cuba of the shipwrecked little Elian Gonzalez—has resigned ... But is he gone? Not really. Fidel, from a slightly greater distance, will watch over his brother Raul Castro to ensure his—and the Revolution's—legacy ... The consummate man-behind-the-scenes, Raul's traditional subservience to his brother has served him well. He knows how to work within the hierarchy of the Cuban elite that has governed Cuba over five decades. He is tough, and like Fidel he is a pragmatist. He will do whatever is necessary to stay in power. He will carry out economic reforms because he must, and by doing so he will establish his legitimacy with the Cuban people. He has already started the process with a national dialogue. But Raul and the Cuban elite intend to control the process because undertaking reforms is all about staying in

power—not losing power. Will Raul succeed? My guess is that he will. His government will slowly open up—first economically, and later there will be additional political space. Religious and local grassroots institutions will be able to carry out more projects that help the young, the elderly, and the ill. As Cubans' lives slowly begin to improve, there will be less fear of loosening controls on travel, investment, and private initiatives. It will take a much longer time to end the monopoly of the one party system and to allow the formation of a true opposition. As for the United States, we may well become irrelevant. Cuba's offshore oil reserves and sugar cane

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PHOTO OF THE DAY



Peru's cabinet chief, Jorge del Castillo, said Tuesday the government declared a state of emergency after at least four people died in nationwide protests by farmers. See story on page 2.

Photo: Andina.

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NEWS BRIEFS

US Says it is Prepared for any Mass Migration from Cuba

If Fidel Castro's retirement as president of Cuba sparks any mass migration to the United States, the US Coast Guard is prepared to intercept would-be migrants in the Florida Straits and hold them at the US Navy base at Guantanamo Bay in Cuba, or elsewhere, Reuters reported on Tuesday. "We have our contingency plans in place," said Coast Guard spokesman Luis Diaz.

Venezuela Agrees to Pay Italy's Eni \$700 Million

Venezuela agreed Tuesday to pay Italian oil company **Eni** \$700 million for the takeover of its stake in the Dacion heavy oil field last year. Oil Minister Rafael Ramirez said the agreement left the US' **ExxonMobil** isolated as the only company fighting with the government for compensation for last year's nationalization of five heavy oil projects in Venezuela. Last week, Venezuelan national oil company **PDVSA** cut off oil sales to ExxonMobil after the US oil giant won court orders freezing \$12 billion in PDVSA assets.

Reinsurer Swiss Re to Open Unit in Brazil

Zurich-based reinsurer **Swiss Re** is opening a unit in Brazil to take advantage of the government's plans to open up the local reinsurance market to foreign competition, Bloomberg News reported on Tuesday, citing the unit's CEO, Henrique Oliveira. Reinsurers **Munich Re** and **Lloyd's of London** have already announced plans to start operations in Brazil, where the government plans to phase out protection for state-run and local reinsurers by 2013. Oliveira expects reinsurance revenue in Brazil could double by then to \$2.5 billion.

Political News

Despite Fidel's "Retirement," US Sees No Change in Policy Toward Cuba

The US does not expect to alter its policy toward Cuba, including its decades-old economic embargo against the island, in the wake of Fidel Castro's retirement, US State Department spokesman Sean McCormack said Tuesday. "There's no change in our policies. I don't believe that there is [any] contemplated at this point," McCormack **told** reporters. In a letter published in Cuban state media early Tuesday, the 81 year-old Castro, who has ruled the country for nearly 50 years, announced he was stepping down, saying his health would not allow him to take on the responsibilities of head of state. Castro has not been seen in public, except in occasional images released by state media, since provisionally ceding power to his 76 year-old brother, Raul Castro, in July 2006 in order to undergo intestinal surgery. Raul, who is expected to permanently take over the leadership of the country in the wake of his brother's announcement, is seen as more pragmatic than Fidel, and his ascension to power has raised hopes for a possible thaw in relations between Cuba and the United States, which has maintained a four-decade economic embargo against the island. However, McCormack said there was "no real difference" between the governments headed by Fidel and Raul Castro. "They continue to crack down on individual civil liberties, ignore basic human rights, and basically impose a system of [government] on the Cuban people as opposed to being open to allowing them to define their own future," McCormack stated. [Editor's note: see related Q&A on page 1.] In related news, the leading candidates in the US presidential election all issued statements on Tuesday on the news of Castro's stepping down. Republican Senator John McCain said "Cuba's democratic transition is inevitable" and that "America can and should help hasten the sparking of freedom in Cuba." Democratic Senator Barack Obama said that "if the Cuban leadership begins opening Cuba to meaningful democratic change, the United States must be prepared to begin taking

steps to normalize relations and to ease the embargo of the last five decades." Democratic Senator Hillary Clinton said she would work with partners in Latin America and Europe toward peaceful democratic change in Cuba, and said the US "must pursue an active policy that does everything possible to advance the cause of freedom, democracy, and opportunity in Cuba."

Peru Declares State of Emergency Amid Deadly Protests by Farmers

Peru's government declared a state of emergency on Tuesday after at least four people died in a nationwide farmers' protest that left thousands of people stranded behind blocked roads and railway lines without food or water for up to 48 hours. Cabinet Chief Jorge del Castillo said the government put the armed forces in charge of the provinces of Lima, Ancash, and La Libertad after police clashed with protesters, according to Bloomberg News. "The state can't remain impassive faced with this situation," del Castillo was quoted as saying. "These measures are severe, but absolutely necessary to safeguard order in the country." One protester died in a shootout with bus passengers on the north coast, while three others were killed in clashes with police, local radio reported, according to Bloomberg News. In the wake of the passage last year of a free trade agreement with the United States, farmers are pushing for state subsidies. They are also demanding lower prices for fertilizers and a halt to farm seizures by banks. Peru is the world's largest exporter of organic coffee, asparagus, and paprika, according to Bloomberg News. Last year, Peru's agricultural exports to the US and China rose 10 percent to \$2 billion.

Economic News

Mexican Economy Grew 3.8 Percent in Fourth Quarter

Mexico's economy expanded a higher-than-expected 3.8 percent in the fourth quarter, led by growth in the service sector, the government said Tuesday. The

expansion occurred despite an economic slowdown in the United States, which buys about 80 percent of Mexican exports, as greater economic stability and lower interest rates have boosted consumer spending and borrowing in Mexico. Economists pointed to Mexico's fourth quarter economic data as an indication the country is prepared to weather an impending economic recession in the US. Mexico's services sector, which accounts for more than two-thirds of the country's economy, grew 4.9 percent in the fourth quarter, led by a 10 percent jump in transportation and communications services and a 5.3 percent increase in financial services, real estate, and insurance services, according to Bloomberg News. The industrial sector expanded 1.8 percent, while manufacturing grew 1.5 percent. The agricultural sector rose 1.9 percent. For full-year 2007, the Mexican economy grew 3.3 percent, down from 4.8 percent in 2006. The government expects the economy to expand by about 2.8 percent this year. In other Mexico economic news, Economy Minister Eduardo Sojo said Tuesday foreign direct investment in Mexico rose 23 percent to \$23.2 billion in 2007, the most since 2001, Bloomberg News reported. About half of the investment last year went to Mexican manufacturing, followed by 33 percent in the service industry, Sojo said. US companies led investments with 47 percent. Foreign investment may decline this year to about \$20 billion amid the economic slowdown in the US, but could increase if lawmakers approve President Felipe Calderon's plan to loosen regulations prohibiting or limiting foreign capital in oil and telecommunications, the minister said.

Company News

Ecuador Demands Porta Pay \$40 Million in Back Taxes

Ecuadorean tax authorities said Tuesday they demanded that **Porta**, the country's largest mobile operator, pay \$40 million in unpaid taxes dating back to 2004 and 2006, Reuters reported. The head of the country's tax service, Carlos Carrasco said authorities are also investigating other

Featured Q&A

Continued from page 1

ethanol will allow it to diversify and end its dependence on Venezuela. By opting to isolate Cuba, the Bush administration slows up the reform process and places the United States on the sidelines. If we want to play a role in a future Cuba, we need an engagement and reconciliation policy that is geared to quicken regime evolution."

A Guest Comment: Susan Kaufman Purcell: "Raul's replacing Fidel as president would not constitute much of a change. As long as Fidel is alive, he will constrain Raul's ability to depart significantly from Fidel's political and economic 'models.' Raul's recent trial balloons concerning ethanol production and more open discussion of the country's problems, for example, were immediately criticized by Fidel, causing Raul to retreat. Once Fidel is gone, however, Cuba will be governed by a non-charismatic leader who will be judged more on what he does than on what he says. Raul will therefore have to start solving some of the country's problems. And if the lives of ordinary Cubans do not begin to improve, Raul's inherited legitimacy will fast disappear. This could lead in several different directions, including a greater reliance by Raul on the military to sustain his rule, or to escalating popular pressures for a democratic transition. The impact of Raul's assumption of the presidency on relations with the United States is also hard to predict because of the impending US presidential election.

A McCain presidency would provide the most continuity with current US policy—in that he would probably expect some movement toward democratic elections in Cuba before supporting dramatic changes in US policy. It is less clear what an Obama presidency would ask of the Cubans in return for 'normalizing' relations between the two countries. A Clinton presidency would probably fall somewhere between McCain and Obama in terms of Cuba policy."

A Guest Comment: Dan Erikson: "Fidel Castro has always ruled Cuba on his own terms, and it should surprise no one that he set the terms for his departure without leaving it to the whims of fate or his failing health. By stepping down now, he sets the stage for formalizing a transfer of power to his brother Raul and a set of younger leaders at the National Assembly meeting later this week. While Fidel's retirement clears the way for Raul to wield real authority in Cuba, it is clear that Fidel does not mean to entirely abandon his influence. The practicalities of this new arrangement still need to be worked out, and there are likely to be further surprises in the weeks ahead. Still, despite the fact that there will be continuity in the short term in Cuba, this is clearly a momentous moment for the people of Cuba. Unfortunately, the Bush administration has insisted on a hardline approach that has totally paralyzed US policy and means the White House is unable to respond intelligently to grad-

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cases of unpaid taxes against the company that could amount to more than \$40 million. Carrasco said Porta, a unit of Mexico-based regional mobile giant **America Movil**, should pay pending taxes before the government agrees to renew its concession contract—which expires in August—for another 15 years. Last week, National Telecommunications Secretary Jaime Guerrero said the government wants to charge Porta and rival **Movistar**,

a unit of Spain's **Telefonica**, more than \$700 million each to renew their concession contracts. Both Porta and Movistar have been the target of harsh criticism by Ecuadorean President Rafael Correa, who says the government got a raw deal under the existing 15-year contracts. Correa has said that if the companies refuse to pay what the government demands to extend their contracts, they could leave the country.

Featured Q&A*Continued from page 3*

ual change in Cuba. In Miami and Washington, Fidel's decision will pose a potent reality check as it becomes increasingly apparent that the US ability to shape change in Cuba is in a collapsed state and will remain so for the rest of President Bush's term in office—and perhaps in the next US administration as well. All of the major presidential candidates support the embargo, but Obama

“... Despite the fact that there will be continuity in the short term in Cuba, this is clearly a momentous moment for the people of Cuba.”

— *Dan Erikson*

favors a more relaxed approach to travel, McCain is much tougher, and Clinton tries to split the difference. But there is no question that Cuba policy will definitely be a big issue because of the importance of Florida. Raul Castro has already said he wants to open a dialogue with the US, but Bush has rejected that possibility. I don't see that changing unless Raul undertakes serious democratic reforms, which is unlikely. Meanwhile, Fidel is becoming increasingly a symbolic figure who has less and less authority—but he is still in the picture, and his continued presence means that US-Cuban relations still hover on the edge of the post-Fidel era.”

A **Guest Comment: Dennis Hays:** “When Fidel Castro underwent a botched surgery in the summer of 2006 and was forced to turn power over to his brother, many observers thought Raul would be willing and able to implement significant reforms right away. They were wrong. Now Fidel has institutionalized his stepping aside, and again there will be predictions that Raul will announce major changes. And once again these predictions will be wrong. Raul does know that

he has a problem, however. The general population has become increasingly tired of the great and small restrictions and indignities that have marked Fidel's last years, and there is a hunger for change—any change. But does anyone believe that the regime will begin to aggressively dismantle the socialist vision of Fidel while he is still alive? Sadly, the best the Cuban people can hope for is some minor relaxations in the economic area with little likelihood of the sort of systemic change that is needed. In the absence of substance, the regime may try to change its style. The Cuban leadership would do well to nominate and elect someone other than Raul Castro; someone much younger, more photogenic, and with a good command of English. This, more than anything, would give the impression of change without actually having to implement any change. The proper course for the United States and other western nations is to continue to encourage the regime to start down the path toward democracy and free enterprise. We should be willing to respond to real reforms and offer assistance in developing a free market economy. What we should not do is unilaterally make concessions to strengthen a new regime whose interest is self-perpetuation, not the interests of its citizens.”

Vicki Huddleston is a Visiting Scholar at the Brookings Institution and was Chief of the US Interests Section in Cuba from 1998 to 2002.

Susan Kaufman Purcell is Director of the Center for Hemispheric Policy at the University of Miami.

Dan Erikson is Senior Associate for US Policy and Director of Caribbean Programs at the Inter-American Dialogue.

Dennis Hays is Vice President of Thorium Power and a former Coordinator for Cuban Affairs at the US Department of State.

Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2008

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Latin America Advisor is published every business day by the Inter-American Dialogue 1211 Connecticut Avenue, Suite 510 Washington, DC 20036 Phone: 202-822-9002 Fax: 202-822-9553

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