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FEATURED Q&A

How Will US-Mexico Customs Cooperation Impact Money Laundering?

Q The United States and Mexico announced earlier this month they will share customs information to crack down on money laundering by drug traffickers. What impact will the sharing of customs data have on money laundering? What are some other areas of possible cooperation?

A **Guest Comment: Jon French:** "The pact for the sharing of information to thwart money laundering is another good sign of cooperation and continuing greater collaboration between the US and Mexico. We have come a long way from the low point in the mid-1980s, when a DEA agent was assassinated by Mexican narcos. Sharing of sensitive information serves as a confidence builder and will promote further broadening of cooperation into other areas, such as countering international terrorism. Much more, however, still needs to be done on both sides of the border. Specifically, quick approval and implementation of the Merida Initiative, with minimal congressional conditions, is imperative for Mexico to develop a genuinely professional police force. An effective and professional police in Mexico will yield dividends not only in combating narcotics trafficking, but will also address the impunity common criminals now enjoy. And it defies logic why there has not been greater cooperation in border inspection of land cargo traffic heading southbound to interdict the huge volumes of American dollars destined

for money launderers in Mexico—last year a quarter of a billion dollars in cash was seized at one residence in a prominent Mexico City neighborhood. This border inspection would also help thwart the flow of illegal weapons into Mexico, where in many cases the Mexican narcos are better armed than the law enforcement authorities."

A **Guest Comment: David Bond:** "Although Mexico and the United States have collaborated on customs enforcement in the
Continued on page 4



Mexico Hails US Senate's Approval of Counterdrug Aid

Mexican Government Secretary Juan Camilo Mourino on Friday hailed the United States Senate's approval last week of \$400 million in counterdrug aid for Mexico. See story on page 2.

Photo: Mexican government.

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NEWS BRIEFS

Guatemalan Interior Minister Dies in Helicopter Crash

Guatemalan Interior Minister Vinicio Gomez and three other people were killed Friday when their helicopter crashed, the Associated Press reported. Gomez, who had a long career in public service and was vice interior minister in the previous government, was appointed interior minister when President Alvaro Colom took office five months ago. The cause of the accident was unknown, although the area in northern Guatemala where the crash occurred had been experiencing rainy and foggy weather.

New Bank of the South to Start With \$10 Billion Capital Fund

The Bank of the South, the new regional development bank created by South American governments, on Friday announced it would have an initial capital fund of \$10 billion, with the possibility of growing to as much as \$20 billion, the Associated Press reported. Seven member nations are in the final phase of establishing the Bank, and will meet again sometime in July, the report stated.

Cuba to Double Capacity of Santiago Oil Refinery

Cuba plans to double the capacity of an oil refinery in the eastern city of Santiago, bringing production to 50,000 barrels per day, Reuters reported. Foreign Investment Minister Martha Lomas said on Cuban television Friday that Venezuela will help cover the costs for the expansion, but she did not say how much the expansion would cost or when it would be completed, according to the report. [Editor's note: see related Q&A in the June 19, 2008 [issue](#) of the weekly *Latin America Energy Advisor*.]

Political News

Mexico Welcomes US Senate's Approval of Counterdrug Aid

Mexican Government Secretary Juan Camilo Mourino on Friday hailed the United States Senate's approval last week of \$400 million in counterdrug aid for Mexico, saying he welcomed the softening of conditions for aid that Mourino had warned last month were unacceptable. In a press conference, Mourino [said](#) the terms of the so-called "Merida Initiative" aid package "are respectful of the sovereignty and jurisdiction of both countries," and he hailed US recognition of "co-responsibility" in the war on drugs. "The approval of resources for the Merida Initiative by the US Congress is a testimony to the

Mourino said the terms of the US counterdrug aid package "are respectful of the sovereignty and jurisdiction of both countries," and he hailed US recognition of "co-responsibility" in the war on drugs.

maturity that the dialogue between Mexico and the United States has reached, of the mutual trust that we have been able to consolidate, and especially of our governments' commitment to cooperate, in terms of true co-responsibility, in a common cause: the security and well-being of our societies," Mourino said. Last Thursday, the US Senate approved \$465 million in counterdrug aid for Mexico and Central America, the first installment of a planned \$1.4 billion security cooperation package. The amount approved was \$85 million less than the Bush administration initially requested. US lawmakers had initially eyed conditions for the aid, such as requirements that Mexico ensure human rights protections, but backed off after Mexico warned it would not accept the aid with the conditions. Mexico has been embroiled in an increasingly violent war with drug traffickers amid a stepped-up military and police offensive launched by President Felipe Calderon shortly after he took office in December 2006. More than 1,600 people have been killed in drug violence this year. [Editor's note: see relat-

ed Q&A in the May 16, 2008 [issue](#) of the *Advisor*.] Mourino noted Friday the US aid, which will include helicopters and surveillance equipment, will take the form of in-kind donations, not cash.

Opposition Candidate Wins Governorship of Bolivian Province

Exit polls indicate an opposition candidate was elected governor of Bolivia's Chuquisaca province on Sunday, Reuters reported. Savina Cuellar, a right-leaning candidate who is part of an autonomy movement seeking to wrestle power from the central government of leftist President Evo Morales, obtained about 55 percent of the vote, private television networks ATB and Unitel reported. Cuellar's victory puts seven of Bolivia's nine provinces in the hands of opposition governors.

Chuquisaca is home to Sucre, Bolivia's constitutional capital. Santa Cruz, Bolivia's richest province, voted for autonomy in May, and three other provinces, including gas-rich Tarija, have also voted for more independence from the central government. Morales has called a nationwide recall vote for August 10, which puts his job and those of provincial governors on the line. Tensions have been mounting ahead of the vote. Last week, five governors—from Santa Cruz, Beni, Pando, Tarija, and Cochabamba provinces—



A citizen voting in Chuquisaca province's gubernatorial election on Sunday.

Photo: ABI.

issued a statement saying they would not host the August 10 recall referendum unless the ballot includes recognition for their autonomy statutes, wire services reported Tuesday. Morales condemned the statement, arguing that the governors themselves demanded a recall vote last year. In other Bolivia news, the government is preparing to take over the country's three biggest airports, local daily *La Razon* reported on Friday. Fernando Azuga, technical director of state-run airport authority AASANA, said that SABSAs, the company that has held the concession to manage the airports in La Paz, Cochabamba, and Santa Cruz since 1997, has not invested adequately. SABSAs, a unit of Spain's Abertis, said it would be a mistake to return the airports to state control when it is about to make new investments.

Economic News

Peruvian Mineworkers Launch Nationwide Strike

Peruvian mineworkers launched a nationwide strike at midnight to demand better pay and benefits, Bloomberg News reported. Miners walked off the job at more than a dozen mines to pressure Congress to pass laws to boost their share of profits and improve pensions, Luis Castillo, general secretary of Peru's largest federation of miners, said early today. The federation represents about 28,000 mine workers and

“There is no political will to solve these issues.”

— Luis Castillo

70 unions. Unions representing workers at mines run by **Barrick Gold Corp., Southern Copper Corp., Renco Group, Cia. de Minas Buenaventura, and Volcan Cia. Minera** plan to join the strike today, the federation said. "There is no political will to solve these issues," Castillo was quoted as saying. "The workers aren't willing to wait any longer." The federation

The Dialogue Continues

Will Canada's Parliament Approve an FTA With Colombia?

Q Canadian Prime Minister Stephen Harper earlier this month announced his government reached an agreement with Colombia on a free trade deal. Will Canada's Parliament approve the trade pact? Will it help boost the prospects for US congressional approval of a free trade agreement with Colombia

A **Guest Comment: Todd Gordon:** "In all likelihood, the Canada-Colombia FTA will be passed in the House of Commons. Although Harper has only a minority government, and despite criticism of the agreement from labor and human rights activists, the Liberal Party (the largest opposition party in the House) will support it. The Liberals have previously said that they would support the deal if human rights language is included. They themselves aggressively pursued bilateral trade and investment treaties in the Americas, and supported corporate investment in Colombia, during their time in power in the 1990s and early 2000s. Under their watch, the Department of National Defense sold helicopters that ended up in the hands of the Colombian military; the Canadian International Development Agency (CIDA) funded the rewriting of Colombia's mining code in a strong neoliberal direction; while human rights abuses were committed against Colombian activists in support of Canadian investment. The Liberals are only concerned about their image in

light of criticism of Colombian human rights, hence their demand for language on human rights in the agreement. Thus, the Tories' inclusion of the Labor Cooperation Side Agreement will likely provide the Liberals the necessary fiction that human rights concerns are being addressed. The weakness of the language, which calls for fines to be paid by the Colombian government whenever human rights violations are committed against trade unionists and ignores indigenous peoples and poor peasants (who bear the brunt of human rights violations in Colombia), is of no concern to the Liberals, who like the Tories count among their biggest supporters the corporate elite of Canada. While it is unclear to me the impact the agreement will have on the US Congress, it may very well be used by backers of the American-Colombian deal to pressure soft opponents into supporting it. President Bush has already cited Stephen Harper's push for a trade deal and a broader rapprochement with Colombia to back up his position."

Todd Gordon is an Assistant Professor of Canadian Studies at the University of Toronto.

Editor's note: the above is a continuation of a Q&A published in the June 19, 2008 issue of the Advisor.

called the strike after Peru's Congress last month delayed voting on a bill that would allow miners to take a greater share in mining sector profits. Other demands include boosting retirement benefits by giving workers the right to enroll in state-run pension funds and shortening the work day from 12 hours to eight hours. One of the mineworkers' demands was

met last week when Peruvian President Alan Garcia signed into law a measure boosting rights for contract employees. Peru's mining sector is one of the largest in the world and is a key driver for the Andean nation's fast-growing economy. Peru is the world's largest silver producer and the third-biggest source of copper, zinc, and tin.

Featured Q&A*Continued from page 1*

past, the recent establishment of a Trade Transparency Unit (TTU) in Mexico City formalizes both countries' efforts to curb money laundering through customs cooperation and information sharing. The TTU initiative is a partnership among US government agencies (Immigration and Customs Enforcement [ICE], Customs and Border Protection, and the Departments of State and Treasury) and foreign law enforcement agencies. TTUs analyze trade data to identify trade-based money laundering, the illegal movement of criminal proceeds across borders, alternative remittance systems, terrorist financing, and other financial and trade crimes. The TTUs share their findings with other government agencies and foreign governments to facilitate enforcement actions, support investigations, and assist prosecutions of trade-related criminal activities. For the past three years, Mexico and the United States have collected over 100 million records from US and Mexican companies involved in cross-border transactions. The US-Mexico TTU will use ICE's Data Analysis and Research for Trade Transparency System (DARTTS) to detect and track money laundering, contraband smuggling, and trade fraud within those collected records. DARTTS will identify discrepancies in trade and financial data that may indicate money laundering, customs fraud, and other transnational crimes, including false invoicing or double invoicing, misclassification of goods, illegal transshipment, and falsification of origin. This means that all companies that engage in cross-border trade—not just those that engage in illegal activities—will be under greater scrutiny from US and Mexican authorities. While TTUs monitoring activities may not immediately impede cross-border trade, it could result in additional costs for companies because of increased customs activity, such as audits and cargo inspections. Given the anticipated heightened scrutiny, companies should ensure that their customs operations are in compliance with US and Mexican laws and incorporate current 'best practices.'

A Board Comment: Nicolás Mariscal & Sergio Ferragut:

"Money laundering, together with drug demand, the profitable drug business, and the 'war on drugs' provide a nurturing habitat for the drug business to thrive. Collaboration is a must. What kind of collaboration though? Sharing of customs data? This recalls Operation Casablanca in May 1998 by the US Customs Service. The sting operation induced a group of mid-level Mexican banking executives into a drug money laundering scheme. Ninety-eight million dollars were intercepted, about 10 percent of what the DEA intercepts in a single year—hardly a dent in the lucrative \$125 billion US illicit drug trade. If we are serious about solving the drug problem, a root cause analysis is needed. Do we recognize the current drivers of the drug business? Do we have the appetite to get to the root of the problem, or are we complacent tinkering with the symptoms? The criminalization of drugs seems to be at the root of the problem; why are we unable to learn the lessons of Prohibition back in the 1920s? There doesn't seem to be an appetite among Mexican and US leaders to dig into the roots. Perhaps, the specter of the wrath of the drug cartels descending upon them is too daunting to take any chances. Tinkering is okay; it fits their game and keeps the drug business alive."

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

David Bond is a Partner at *White & Case LLP.*

Nicolás Mariscal is a member of the Advisor board and Chairman of *Grupo Marhnos in Mexico.* **Sergio Ferragut** is the author of a recently published book on illicit drugs called *A Silent Nightmare.*

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