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FEATURED Q&A

How Will Mexico's Crime Crisis Affect Calderon's Government?

Q Some 200,000 marchers rallied in Mexico City recently to protest a rise in crime and violence. Do the latest protests differ from other large scale protests in Mexico? How does escalating crime and violence affect the outlook for the administration of President Felipe Calderon this legislative season? Will attention be taken away from energy sector reforms and other priorities?

A Guest Comment: **Jesús Silva-Herzog**: "Crime, violence, and lack of security have been the most important concerns of Mexican society in recent years. However, more recently it has become a real nightmare—more than 3,000 executions in 2008—and a real challenge for the Mexican administration. In spite of an unprecedented effort by the federal government to fight this malaise, including a large mobilization of the armed forces, the results have been insufficient and insignificant. The march of August 30, attended by a huge number of protesters in Mexico City and in more than 50 cities around the country, was a profound cry of protest by civil society, demanding more effectiveness in different levels of the administration. A similar demonstration took place four years ago without any significant result. Today, a kind of a monitor system was established, probably increasing the pressure on the authorities. In any case, the problem is there and growing, and no easy or short-term solution is contemplated. The approval rate for President Calderon has

come down recently because of the problem of security. The Secretary of the Treasury said a few days ago that a lack of security has cost Mexico 1 percent of its GDP. In the coming week, the legislative discussion will be concentrated on the energy sector reform, which is really a Pemex reform. The three proposals on the table, by the President, the PRI, and the FAP (PRD) do not look promising at all. Without a doubt, whatever the result, it will be short of what is needed."

Continued on page 3



Balbina Herrera Chosen to Run for President in Panama

Herrera (53) beat Panama City Mayor Juan Carlos Navarro by ten percentage points Sunday to run for President next May. See related story on page 2.

Photo: Campaign Web site.

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NEWS BRIEFS

Hurricane Ike Approaches Cuba, Oil Prices Rise on Gulf Threat

Hurricane Ike weakened to a Category 3 hurricane as it approached Cuba and charted a course toward the Gulf of Mexico Sunday, wire services reported. With winds at about 120 miles per hour, the system was fewer than 100 kilometers north of Guantanamo, Cuba, after passing through the Bahamas earlier last weekend. Ike may dump as much as 15 inches of rain on parts of Cuba, according to reports. Global oil prices rose last weekend on worries that supplies in the Gulf of Mexico could be disrupted by Ike.

Brazil, Argentina to Use Local Currencies in Bilateral Trade

President Luiz Inacio Lula da Silva said Sunday that he and his Argentine counterpart Cristina Fernandez would sign a deal today to conduct bilateral trade using local currencies, the peso and the real, instead of the dollar, reported Reuters. The move, announced two years ago, is intended to simplify trade and reduce exchange rate costs between the two neighbors, who traded \$30 billion worth of goods so far this year.

IHG Opens First First Hotel in Ecuador

UK-based **International Hotel Group** (IHG) announced Sunday that it has opened a new 12-story hotel in Quito, Ecuador. The new Holiday Inn Express, IHG's first hotel in Ecuador, is the fourteenth Holiday Inn Express located in Central and South America, the company said in a press release. IHG has more than 170 hotels in Mexico, Central and South America and the Caribbean.

Political News**Panama's Ruling Party Picks Balbina Herrera as Presidential Candidate**

Panama's ruling party on Sunday elected Balbina Herrera, a former housing minister, as its candidate for next year's presidential election, Reuters reported. The Revolutionary Democratic Party's nomination of Herrera (53) continues the trend

world need to land at some Venezuelan landing strip, they are welcome, we have no problems," Venezuelan President Hugo Chavez said on his weekly television show last week, according to the report. The exercises may increase diplomatic tensions with Washington. Chavez has visited Russia several times as President of Venezuela, a key supplier of oil to the United States. Earlier this summer, the Venezuelan government denied a report that Chavez invited Russia to install a mil-

“If the Russian long-distance planes that fly around the world need to land at some Venezuelan landing strip, they are welcome, we have no problems.”

— *Hugo Chavez*

of women becoming presidential candidates in Latin America. Following a vote by party members, she beat Panama City Mayor Juan Carlos Navarro by ten percentage points to run for the PRD, Reuters reported. Herrera promised to pick "a young businessman" as her vice president running mate. Her potential rivals in the May 3, 2009 contest include Juan Carlos Varela of the Panamenista party, or super-market tycoon Ricardo Martinelli. Nearly 20 years ago as the US invaded Panama, Herrera is reported to have led anti-US street protests and may have harbored Gen. Manuel Noriega for a time before his arrest, Reuters reported.

Venezuela, Russia Planning Joint Military Operations in Caribbean

Venezuela has invited several Russian ships and 1,000 soldiers to take part in joint naval maneuvers in the Caribbean Sea later this year, Reuters reported Sunday. Quoting Venezuela's naval intelligence director, Salbarore Cammarata, Venezuelan newspaper *Vea* said four Russian boats would visit Venezuelan waters from November 10 to 14. Cammarata said it would be the first time Russia's navy carried out such exercises in Latin America. He said the Venezuelan air force would also take part. "If the Russian long-distance planes that fly around the

itary base in his country, while Russia denied a separate report that it planned to station long-range nuclear bombers in Cuba. [Editor's note: see related Q&A on Russia-Latin America military ties in the July 31, 2008 [issue](#) of the *Advisor*.]

Company News**Brazil's Vale do Rio Doce Spending \$480 Million on Peru Plant**

Brazilian iron ore producer **Cia. Vale do Rio Doce** plans to spend \$480 million in Peru to create one of South America's largest phosphate mines, Bloomberg News reported Sunday. The Bayovar project in Piura will open in July 2010 with an annual capacity of 3.9 million metric tons of phosphates to make fertilizers. Demand for fertilizer has driven prices to historic highs in recent years. Vale do Rio Doce generates 700,000 tons of potassium a year at Sergipe, in northeast Brazil, where a second mine is being developed, and it plans to produce 1 million tons annually in Neuquen, Argentina according to Bloomberg News. Bayovar will enable Peru to become self sufficient in fertilizer, President Alan Garcia said Sunday. Peru has become one of the world's largest exporters of asparagus and other agricultural products in recent years.

Featured Q&A*Continued from page 1*

A **Guest Comment: George W. Grayson:** "'Congress' response to the palpable, ubiquitous outrage against escalating violence, which has taken 3,051-plus lives this year, will be 'Populismo Penal'; namely, posturing over proposals that appear to crack down on criminals but will be more rhetorical than real. Among such items are imposing life-in-prison for heinous acts, compensating kidnap victims' families, outlawing payments to kidnappers, combating corruption, encouraging neighborhood-watch groups, cleaning up the judiciary, offering anonymity (and even stipends) to informants, and tracking the numbers of cell phones used in the commission of felonies. Even the best initiatives would founder in the absence of professional, honest, law enforcement officers. Los Pinos continues to plump for a single national force to replace the roughly 3,000 local, state, and federal agencies. This body would recruit assiduously vetted men and women, who would be meticulously trained in modern techniques, infused with respect for human rights, garbed in spiffy uniforms, and awarded decent pay and benefits. Public Safety Secretary Genaro Garcia Luna faces implacable opposition to this scheme from governors, elements of the military, and some Security Cabinet members, partially explaining the recent 'resignation' of Roberto Campa as executive secretary of the National Council for Public Safety. Even if a lean-clean-anti-crime machine crystallized, how long would the new gendarmes remain pure? Would displaced cops devote even more time to minor shakedowns and venal acts of gangsterism? While the energy reform languishes, the August 30 'Light up Mexico' marchers—and their sympathizers nationwide—will penalize the PAN in the mid-2009 deputy contests for the surging insecurity. Calderon may mitigate losses if, as rumored, he snags several drug kingpins in the coming weeks."

A **Board Comment: Andrés Rozental:** "The increasing levels of violence and lack of security in Mexico have led many in the

country and abroad to demand short-term, effective measures from federal, state and local governments to combat crime, punish criminals and return to the status quo of several years ago. The problem with mass protests and other manifestations of the public's indignation and frustration with the current situation is that they don't resolve anything, nor are they particularly effective in convincing politicians that something needs to be urgently done. President Calderon, the 32 state governors and hundreds of municipal mayors are all well aware of the crisis and would like nothing better than to wave it away with street marches and public awareness campaigns. The problem, though, is that the current state of affairs is the result of decades of failed policies, corrupt law enforcement, impunity and little or no real pursuit of the law and order agenda. The vacuum left by government complacency has been filled by organized crime, drug traffickers, kidnappers and common criminals who find it easier to make their living through these activities than through other means. Until the cost to the criminals of breaking the law is significantly increased and the majority of them are severely punished, there is little probability of a major change in the present climate of violence and lack of security. This will undoubtedly figure in the 2009 midterm elections, and I would be surprised if it didn't cost Calderon and the PAN significant losses in the new lower house of Congress. As for energy reform and other priorities, I believe that they continue to figure high on the legislative agenda, but the pressure for action on the security issue is consuming much of the President's time and political activity."

Jesús Silva-Herzog is a member of the *PRI* and a former Mexican Ambassador to the United States.

George W. Grayson is a Professor of Government at The College of William & Mary.

Andrés Rozental is member of the Advisor board and President of *Rozental & Asociados* in Mexico.

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