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FEATURED Q&A

Are Latin American Countries Engaged in an Arms Race?

Q Venezuelan President Hugo Chavez said Sept. 13 that Russia granted his country a \$2.2 billion credit line for arms purchases, which will include 92 Russian-made tanks and anti-aircraft missile defense systems. In 2008 alone, Latin American countries set aside more than \$50 billion for military spending, up 30 percent from the year before. What is driving Latin America's arms buildup? Should countries spend more, less or maintain current levels of defense spending? What are the economic and political costs of this trend for the region?

A Gabriel Marcella, adjunct professor at the US Army War College in Carlisle, Pa.: "While not an arms race, there are dangers ahead. Brazil, Venezuela, Colombia, Ecuador, Chile and Bolivia have or intend to purchase arms. Surely the money could be better spent on education and social and economic development. Yet some countries legitimately need to modernize their antiquated or weak defense capabilities. For example, Ecuador bought 24 Brazilian Super Tucano aircraft (which contain US technology), Chinese radars and pilotless drones to defend against infiltration by the FARC on its northern border. Colombia also purchased the same planes and other equipment for operations against the insurgent terrorists and narco-traffickers. From France, Brazil is buying 50 transport helicopters which will be built locally, 36

fighter jets, and four conventional and one nuclear submarine, ostensibly to protect its large territory and offshore oil fields. It also values the technology transfer for its sophisticated military industry. Moreover, it wants military power appropriate to its international role. Brazil poses no threat because it has friendly relations with neighbors. The Venezuelan purchases are not part of the logic of legitimate defense because of the offensive nature of the equipment, its aggressive foreign policy, its support for the FARC in Colombia and

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At United Nations, Lula Calls for Zelaya's Reinstatement

Brazilian President Luiz Inacio Lula da Silva on Wednesday told the UN General Assembly that deposed Honduran President Manuel Zelaya should be reinstated. See story on page 2.

Photo: United Nations.

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NEWS BRIEFS

Pilot Charged in 'Death Flights' During Argentina's Dirty War

A Dutch-Argentine airline pilot was arrested in Spain on accusations of dumping political prisoners alive in the Rio de la Plata and the ocean during Argentina's Dirty War, Reuters reported Wednesday. Julio Alberto Poch, 57, who works for Dutch airline **Transavia**, was arrested in Valencia during a stop en route to Amsterdam. Poch, a retired lieutenant in Argentina's Navy, is charged with disposing of prisoners of the military regime, which ruled from 1976 to 1983.

Chevron Files Arbitration Suit Against Ecuadorean Government

US oil company **Chevron** on Wednesday said it filed an international arbitration suit against the government of Ecuador, charging it violated the US-Ecuador Bilateral Investment Treaty and other international laws in connection with a pending environmental law suit against the company in Ecuadorean courts. Chevron said that among its reasons for filing the suit was a recent video that allegedly shows the presiding judge in the case saying he will rule against Chevron. The company filed the arbitration case before the Permanent Court of Arbitration in The Hague under UN rules.

Total, StatoilHydro Vying to Develop Venezuelan Oil Block

Venezuelan state oil company **PDVSA** is reviewing two proposals to develop the Junin 10 oil block in the country's Orinoco Belt, which will require an investment of \$25 billion, Bloomberg News reported Wednesday. The company will decide within two months whether to accept proposals by Norway's **StatoilHydro** or France's **Total**, according to a PDVSA executive.

Political News

In Speech to United Nations, Lula Calls for Zelaya's Reinstatement

In a speech Wednesday to the UN General Assembly, Brazilian President Luiz Inacio Lula da Silva called for the reinstatement of deposed Honduran President Manuel Zelaya, Reuters reported. Zelaya and a group of supporters have been holed up at the Brazilian Embassy in Tegucigalpa since Monday, when Zelaya surreptitiously re-entered Honduras, nearly three months after his ouster. "The international community demands that Mr. Zelaya immediately return to the presidency of his country and must be alert to ensure the inviolability of Brazil's diplomatic mission in the capital of Honduras," said Lula, the first head of state to address the General Assembly during its meeting this week. Brazil's government also wants the UN Security Council to convene a special meeting to discuss Honduras. Lula said international actors must help prevent similar coups elsewhere. Days after Zelaya was deposed June 28, the UN General

Assembly approved a resolution condemning the coup and calling for "the immediate and unconditional restoration of the legitimate and constitutional government." Before the opening of the meeting, Venezuelan President Hugo Chavez, a main Zelaya ally, said the United Nations should press for Zelaya's return to the presidency. The government

“The international community demands that Mr. Zelaya immediately return to the presidency of his country.”

— *Luiz Inacio Lula da Silva*

of de facto Honduran President Roberto Micheletti contends Zelaya was removed from office legally through an order by the country's Supreme Court. Meantime in Tegucigalpa, a shrinking group of fewer than 100 supporters remained with Zelaya at the embassy, the Associated Press reported. Armed authorities sur-

Featured Q&A

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repeated statements of hostility to that nation. The Russian anti-aircraft defense system is not a threat, but with the 100,000 Kalashnikov rifles, Sukhoi fight-

“The Venezuelan purchases are not part of the logic of legitimate defense.”

— *Gabriel Marcella*

ers, helicopters, tanks and a munitions factory, Venezuela can put together an integrated offensive capability—if properly maintained. This is a colossal waste of money for a country with no external threats. Venezuela is a greater menace to regional security.”

A Ray Walser, senior policy analyst for Latin America at The Heritage Foundation in Washington: "Recent weapons purchases in Latin America are a complicated topic of international debate. Fortunately, Latin America as a whole is a region at peace and with defense costs below global averages. Nations like Brazil have immense national and maritime areas to defend. Their armed forces need to modernize for better defensive coverage. Others like Colombia wage war against a narco-terrorist insurgency that requires air mobility and counter-insurgency capabilities. Neither comes cheap. Venezuela claims it is threatened by Colombia and the United States. It aims to develop a defensive deterrent against its hegemonic neighbor to the north. Weapons—like S-300 surface-to-air missiles and T-72 tanks—also cement ties

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rounded the building, vowing to arrest Zelaya if he leaves. Zelaya and the backers with him, including his wife and several of his government ministers, are sleeping on air mattresses and subsisting on rice, beans, dry biscuits and cheese delivered by human rights workers, the AP reported.

Company News

Colombia May Sell 10 Percent of Ecopetrol to Fund Highway Spending

Colombia's government may sell 10 percent of its stake in **Ecopetrol** in order to pay for highway spending, officials said Wednesday, according to Bloomberg News. The government will likely sell the



Zuluaga

File Photo: Colombian Government.

portion of the state oil company "gradually" from 2011 and 2014, Colombian Finance Minister Oscar Ivan Zuluaga told reporters in Bogota. Zuluaga, who said congressional approval may be required, said the speed of the sale will depend on the country's recovery from the global financial crisis. The 10 trillion pesos (\$US 5.2 billion) in planned highway spending will generate 43,000 jobs and increase Colombia's gross domestic product by as much as 1.8 percent, said Juan Mauricio Ramirez, the country's temporary national planning director. "These works are a very big bet for the country's competitiveness," said Zuluaga. "They will significantly reduce logistical costs and raise the country's productivity, helping develop the internal and external markets." The government currently owns 90 percent of Ecopetrol. It sold a 10 percent stake in its 2007 initial public offering, which raised at least 6.6 trillion pesos. **Interconexión Eléctrica**, Latin America's largest operator of power lines, plans to construct a 2 trillion peso highway as part of the 10 trillion pesos of highway investments, said Transportation Minister Andres Gallego, according to Bloomberg News.

In Focus

Colombia Hopes to Win US Hearts in Free Trade Debate

By Matthew Schewel

WASHINGTON—With a Colombia-US free trade agreement stalled in both houses of the US Congress over concerns about human rights and judicial reform in the South American country, the Colombian government is taking its case directly to the American public, mounting a large-scale public relations campaign that made a stop earlier this month in downtown Washington.

The exhibit, which consists of 47 giant hearts showcasing various products and cultural contributions from Colombia, is now on display in New York, where Colombian President Alvaro Uribe, in town for the UN General Assembly meeting, paid a visit on Wednesday.

The effort, coordinated by Colombian export promotion agency ProExport, is aimed at reaching a broader audience than those typically involved in trade debates. "I think the campaign is not a message to the lobbyists or to the political people but to the general public," said Jaime Echavarría, director of ProExport USA. Echavarría and the Colombian government are hoping the "Discover Colombia Through Its Heart" campaign will help change people's minds about the country. "We are very aware of the fact that the perception of Colombia per se is not the best," he said in an interview with the *Advisor*.

The hearts campaign is part of a larger effort by the country's trade ministry to attract investment in sectors ranging from information technology to medical tourism, Echavarría said.

But labor groups and others who oppose the free trade deal with Colombia say the exhibit paints an incomplete picture of the country. "[H]earts, flowers and Juan Valdez don't tell the whole truth about Colombia," James P. Hoffa, head of the powerful Teamsters union, wrote in a column in *The Detroit News*. "Colombia engages in systematic aggression against workers," Hoffa said, adding that the proposed FTA would weaken workers' rights in Colombia in addition to costing US workers their jobs. However, Echavarría argued Colombia has made great strides in reducing crime and improving its justice system.

Echavarría acknowledged that US policy in the region under President Barack Obama has shifted away from a strong emphasis on Colombia to focus more on regional powers like Mexico and Brazil. But he said Obama's "pragmatic" trade policy has also made it possible for the two governments to work closely on human rights and judicial reform issues during the past three months, a sign that has left the Colombians "encouraged."

He pointed to two recent actions by the Obama administration that could bode well for the FTA's passage. The first is the agreement to allow the US military greater access to Colombian bases, which Echavarría said strengthened Colombia's position as a US ally despite a strong criticism from other South American countries. In addition, the Obama administration's recent decision to impose tariffs on cheap Chinese tires may indicate the US sees Asia as a greater economic threat than Latin America.



Hearts in Washington's Union Station.

Photo: ProExport.

Featured Q&A*Continued from page 2*

with outside anti-American players like Russia. The ideal remains a Latin America united by a common security agenda and reduced arms burdens. The nightmare is a divided, nationalistic, belligerent Latin America that spends freely on modern arms and prepares for regional conflicts.

and China to Venezuela's rearmament is two-fold. First, they are providing sophisticated military goods to the Chavez regime in defiance of US and European efforts to limit these purchases. Second, both are increasingly important for the Venezuelan oil industry that generates

“Arms purchases are symptoms and symbols of underlying political tensions and power pathologies.”

— *Ray Walser*

The Union of South American Nations raises hopes for more cooperative security and a dampening of arms race pressures. Yet UNASUR's recent one-sided meetings that blasted Colombia for its basing agreement with the US while largely ignoring other security threats did little to advance UNASUR's aspirations to be more than a stage for political theater. Arms purchases are symptoms and symbols of underlying political tensions and power pathologies. Latin American leaders must look objectively and cooperatively at a gamut of security challenges: possible foreign intervention, persistent insurgency, drug trafficking, organized crime, and other transnational threats. Failure to do so will only induce a spiraling demand for arms and greater hemispheric insecurity."

A **R. Evan Ellis, assistant professor at the Center for Hemispheric Defense Studies at the National Defense University in Washington:** "Latin America's arms buildup is being driven by the advance of the Venezuela-led 'caudillo socialism' model in the region, the direct and indirect reactions of other countries to the instability which it foments, and to the emergence of Brazil as a super-regional player in the midst of this dynamic. The contribution of Russia

the revenues to pay for those arms. Contributions include \$8 billion in Chinese loans to Venezuela's 'Heavy Investment Fund,' and operation of mature Venezuelan oil fields. China and Russia have further promised \$36 billion in future investments to develop oil fields in the Orinoco region, critical for sustaining output as mature oil fields in places such as Maracaibo decline. In the case of Chile, the Chinese-driven increase in revenues from copper exports has enabled the military to proceed forward with needed modernization at an accelerated pace, since 10 percent of Codelco revenues flow to the military. In the case of Brazil, strong economic performance in sectors such as soy and iron, sustained by Chinese demand, has generated revenues to modernize the defense sector, and imperatives to protect new revenue-generators such as offshore oil. At the same time, criminal violence, armed groups, and prospects for political instability among Brazil's many neighbors create imperatives for increased state presence and security capabilities in these areas."

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

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