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FEATURED Q&A

What Should the New U.S. Diplomat for the Region Do First?

Q On Nov. 5, the U.S. Senate confirmed Arturo Valenzuela as assistant secretary of state for Western Hemisphere affairs. What issues will he need to prioritize and tackle first in his tenure? What can Valenzuela learn from his predecessors' successes and mistakes? What advice would you give him?

A Nicolás Mariscal, a member of the Advisor board and chairman of Grupo Marhnos in Mexico City: "Arturo Valenzuela's knowledge and experience will serve him well in the post of assistant secretary of state for Western Hemisphere affairs. He and his team face several challenges and priorities, most notably sustainable economic development, fair trade and security. With regard to security, Arturo has very valuable previous experience in the positions he held in the Clinton administration as special assistant to the president for national security affairs and senior director for inter-American affairs at the National Security Council. Security and drug trafficking are priorities because they transcend borders and require international solutions. Drugs and crime corrupt society, affecting development, democracy and the social fabric. However, it is not only necessary to fight these problems, but it is also necessary to generate long-term projects to focus on regional integration in common issues such as energy. Arturo's academic trajectory has given him a strategic vision

and solid knowledge of the region. There is much to learn from the successes and failures of his predecessors, but I believe it is vital to follow principles and also to know how and when to implement them, above all in these times in which it is necessary to stimulate sustainable economic development. The current administration recognizes the importance of the Americas. Finally, there is a need to have constructive dialogue, sustained with consistent policies that underpin the region's development rather than its political powers."

Continued on page 2



Peru's Garcia Seeks Interpol's Involvement in Chile Spy Probe

Peruvian President Alan Garcia on Monday called on Interpol to investigate allegations that a Peruvian military officer spied for Chile. Santiago has denied the allegations. See story on page 2.

Photo: Peruvian Government.

Inside This Issue

FEATURED Q&A: What Should the New U.S. Diplomat for the Region Do First?	1	Brazil's OGX Says it Discovered as Much as 500 Million Barrels	2
Peru's Garcia Asking Interpol to Investigate Chile Spying Allegation	2	CEO: Canada's Scotiabank Seeking 'Small Niche' in Brazil.....	3
Argentina May Offer Retail Investors Three-Year Bond in Restructuring.....	2	The Dialogue Continues: How Do Broadband Costs, Access Compare in the Region?	3

NEWS BRIEFS

Brazil's OGX Says it Discovered as Much as 500 Million Barrels**Brazil's OGX Petroleo e Gas**

Participacoes said Monday that it had discovered between 400 million and 500 million barrels of oil off the coast of Rio de Janeiro state in the Campos Basin, Bloomberg News reported. The company discovered the oil in a well approximately 77 kilometers off the coastline, the company said. OGX, which Brazilian billionaire Eike Batista controls, has plans to drill 79 wells through 2013.

Venezuelan Military Officer: Colombia Wrongly Held Soldiers

A Venezuelan military commander on Monday accused Colombia of wrongly detaining four of his soldiers last week along a border river, Reuters reported. National Guard Gen. Orlando Mijares told Reuters the troops were navigating the Meta River when Colombian soldiers intercepted their boat. Border rivers between the countries are considered international waters, Mijares contends, and troops from both countries are allowed to use them. Colombia's government sent the Venezuelans home over the weekend, saying it wanted to ease tensions between the two countries.

Mexico's Congress Approves Budget With Wide Deficit

Mexico's Congress on Monday approved a 2010 budget that includes 3.18 trillion pesos (U.S.\$244 billion) of spending and results in the widest deficit in more than two decades, Bloomberg News reported. The congressional version of the bill shifts 96.6 billion pesos of spending to infrastructure, agriculture, education, health and social programs from President Felipe Calderon's original proposal.

Political News

Peru's Garcia Asking Interpol to Investigate Chile Spying Allegation

Peruvian President Alan Garcia rebuked Chile Monday over allegations of spying and said he would ask Interpol to investigate the matter, Bloomberg News reported. "These repulsive acts do not correspond to a democratic country and leave Chile in poor standing in the eyes of the world," Garcia told reporters, according to the Associated Press. Chilean Foreign Minister Mariano Fernandez denied allegations that Chile's government paid a Peruvian military officer to spy for Santiago. Chile has conducted a probe and has ruled out any involvement by the Chilean government, said Fernandez. Peruvian news organizations reported Thursday that Victor Ariza, a Peruvian Air



Fernandez

File Photo: Chilean Government.

Force officer, was arrested on accusations of espionage. On Friday, a judge in Peru formally approved charges against Ariza and another unidentified Air Force member. The judge also approved an arrest warrant for two members of Chile's military. Garcia, said the alleged espionage was driven by Chile's fears of Peru's economic expansion. Relations between the two countries worsened last year when Peru sought action against Chile in the International Court of Justice in connection with a maritime dispute.

Economic News

Argentina May Offer Retail Investors Three-Year Bond in Restructuring

Argentina's government could offer retail investors a three-year bond in exchange for interest they lost since 2004 as part of the reopening of the country's 2005 debt restructuring, Reuters reported Monday, citing local newspaper *Ambito Financiero*. As part of the plan, retail investors would receive 60 days more than hedge funds and institutional investors to participate

Featured Q&A

Continued from page 1

A **Diego Arria, a member of the Advisor board and director of the Columbus Group in New York:** "Reading the extraordinary comments about Secretary Valenzuela from senior Democratic and Republican officials, there is no doubt that 'he is the man.' He has a unique opportunity to promote vigorously some of the fundamental issues he presented in his statement to the Foreign Relations Committee on July 8; namely, to debate in the Organization of American States the urgent need to transform the Inter-American Democratic Charter into a real democratic instrument—so that it ceases to be a club of presidents and not of states, as should be the case. The unfortunate case of Honduras confirms how the OAS secretary general wrongly perceived his role vis-a-vis member states. Before President Manuel Zelaya was

ousted for violating the Constitution, the Honduran Congress warned the secretary general to desist in efforts to promote a referendum which represented a constitutional violation. In choosing to disregard the legislative and judicial powers, he contributed significantly to the crisis. Valenzuela has 20/20 vision of

“Valenzuela has 20/20 vision of the main problems he will face.”

— Diego Arria

the main problems he will face. In his statement to the U.S. Congress, he said: 'Despite shared democratic values ... there are examples of fairly elected governments undermining democratic

Continued on page 4

in the debt restructuring. The country defaulted in 2001 on approximately \$100 billion in sovereign debt and then restructured the debt. However, holders of about \$20 billion in bonds refused to join the restructuring. The government has named **Barclays, Citigroup and Deutsche Bank** as managers of the reopening of the 2005 debt restructuring. Although the government has not released the exact terms of the reopening, Economy Minister Amado Boudou has said officials would make different offers to institutional and retail investors. The government may offer institutional investors a seven-year bond, the newspaper reported without naming sources.



Boudou

File Photo: Argentine Government.

Company News

CEO: Canada's Scotiabank Seeking 'Small Niche' in Brazil

Bank of Nova Scotia, or Scotiabank, would like to secure a "small niche" in Brazil, the bank's chief executive officer, Richard Waugh, said Monday, Bloomberg News reported. "We probably can see ourselves having some small niche," Waugh said at a banking conference in Miami.

Scotiabank may seek to grow its investment banking operations in Brazil.

Currently, Scotiabank has a representative office in Brazil, Latin America's largest economy. It also has operations in countries including Peru, Mexico and Jamaica. Scotiabank may seek to grow its investment banking operations in Brazil, especially in the mining, infrastructure and energy sectors, said Waugh.

The Dialogue Continues

How Do Broadband Costs, Access Compare in the Region?

Q Last year, the average monthly price for fixed broadband access (at purchasing power parity) was \$28 for developed countries and \$289 for developing countries, according to the International Telecommunication Union, a U.N. agency. How does Latin America compare to other regions when it comes to the cost and penetration of fixed broadband access? Why are costs so much higher for broadband connections in the developing world, and what public policy changes could help narrow that gap? Why is it important (or not) that Latin American policymakers focus on communications technologies among the other pressing economic and social priorities in the region looking ahead?

A Valeria Jordan, coordinator of Access and Infrastructure for the Information Society Program at the United Nations Economic Commission on Latin America and the Caribbean: "The digital divide isn't based on preferences or interests; it is derived from socioeconomic factors that restrict the possibilities of consumption of ICT services and the capacity to use them. In Latin America, access to the Internet in the richest segment of households reaches up to 30 times the access levels of the poorest segment (in 11 of the 14 countries for which OSI-LAC has data). Countries of the region have made great strides toward reducing the digital divide. Still, they haven't been able to avoid falling behind in broadband Internet. In 2008, just 5 percent of the population in the region had access to this service, versus 26 percent in OECD countries, and services were more expensive and slower than in more developed countries. The average connection speed in those countries is 17 Mbps, while in the most advanced countries in Latin America and the

Caribbean it is no higher than 2 Mbps. The lowest monthly subscription rate for broadband in the OECD countries averages \$19 (in PPP), while in Mexico or Chile, such service reaches \$29 and

“ Broadband in the region is out of reach of a large part of the population. **”**

— Valeria Jordan

\$35 respectively. This situation is worse when we compare the level of service tariffs with the capacity to pay, which shows that broadband in the region is out of reach of a large part of the population. Given the potential of ITC, particularly the Internet, for economic and social development, the implementation of public policies to stimulate broadband is fundamental. These should be part of a framework of long-term national development policies that see technologies as tools to boost productivity and competitiveness of countries, and to promote social inclusion due to their positive externalities. Access to broadband should be seen as a good in the public interest; therefore, it should have a place in countries' development agendas together with other policy priorities. If not, we run the risk of remaining at the margin of the dynamics that underpin modern economies and societies."

Editor's note: the above is a continuation of a Q&A published in the Nov. 12 issue of the Advisor.

Featured Q&A*Continued from page 2*

institutions. Over the past decade some have used their authority to curtail the rights of others and to hollow institutional checks and balances.' This is precisely the case in Venezuela, Nicaragua, Ecuador and Bolivia, where another Honduras may be waiting to explode. I hope that Secretary Valenzuela picks up the phone—because no one picks it up at the OAS."

A **Billie Miller, former minister of foreign affairs and foreign trade of Barbados:**

"Ambassador Valenzuela is no stranger to Western Hemisphere affairs. In his long and distinguished career he has attained intimate knowledge of Latin America and the Caribbean and as he assumes the office of assistant secretary of state he will have the well wishes of the Caricom countries in particular. Whatever Caribbean priorities he may have at this time, it will be taken for granted that for the United States, security in its narrow sense of national safety and border control will be a major priority. There are two points to be highlighted here. The first is that viewing the Caribbean predominantly as a third bor-

der of the United States is not how residents of the Caribbean would wish to be seen. Borders tend to connote exclusivity rather than inclusivity. The Caribbean wants to be regarded as part of a good and safe neighborhood of the Americas.

“National safety and border control will be a major priority.”

— *Billie Miller*

Secondly, in the Caribbean security is interpreted in wider terms which encompass not only national safety but also climate change, HIV/AIDS (second to sub-Saharan Africa in prevalence rates) and free and fair trade, among others. These observations are commended, with respect, to Ambassador Valenzuela for his consideration."

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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