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FEATURED Q&A

Will CELAC Succeed Where Other Similar Efforts Have Failed?

Q Thirty-three nations of the Western Hemisphere—excluding the United States and Canada—launched the new Community of Latin American and Caribbean States, or CELAC for its initials in Spanish, on Dec. 2. Why did so many of the region's countries sign on to CELAC, when other multilateral and intraregional organizations exist? What stands in the way of its goals, and why might it succeed where other integration efforts have faltered? How will CELAC differ from the Washington-based Organization of American States, and will CELAC siphon money and resources away from the OAS over time?

A Andrés Rozental, member of the Advisor board and president of Rozental & Asociados in Mexico City and senior fellow at the Brookings Institution: "Latin America and the Caribbean have a history of creating new institutions, notwithstanding the dozens of existing ones that either don't function or are less than effective. By one count, there are over 250 signed institutional arrangements already in the region, yet someone always seems to have a bright idea for another one. CELAC had as its foundational rationale to further economic integration among all the countries in the region at a time when other region-wide mechanisms have been unable to move the agenda forward. That was the motivation behind the original CELAC

initiative, although President Chávez of Venezuela and his ALBA allies made an attempt to turn it into an anti-United States, anti-OAS institution with new funding and a permanent secretariat. Unfortunately for them, Costa Rica, Mexico, Colombia, Chile and to a certain extent Brazil came out squarely against using the occasion to replace the OAS and at the end made sure that it didn't happen. One can't help suspecting that the primary motive behind the ALBA attempt to get rid of the OAS has more to do with trying to

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Chilean Central Bank Keeps Key Interest Rate Unchanged

Chile's central bank on Tuesday left its benchmark interest rate unchanged at 5.25 percent as both demand and inflation remain on the upswing. The meeting was the first for new central bank chief Rodrigo Vergara. See story on page 2.

File Photo: Chilean Central Bank..

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NEWS BRIEFS

Apple Launches iTunes Store in Latin America

Apple on Tuesday announced that it has launched its iTunes store in Brazil and 15 other countries in Latin America, the Associated Press reported. Some officials believe the move will help mitigate piracy in the region, which is among the worst in the world. According to the Cinema and Music Anti-Piracy Association, 65 percent of the music market in Brazil is pirated and illegally downloaded. The move comes amid several other music services' announcements for global expansion.

Insulza Backs Humala's Initiative for Anti-Drug Summit

The secretary general of the Organization of American States has backed Peruvian President Ollanta Humala's plan to hold an antidrug summit next June in Lima, Peru's state run Agencia Andina reported Tuesday. "This is not an issue that concerns only a country or even one region; this is a hemispheric and international issue, an initiative of President Humala which is well received," said José Miguel Insulza after meeting Monday with Humala in Lima. In addition to the antidrug summit, Insulza and Humala discussed next year's Summit of the Americas and OAS General Assembly.

Coffee Production at Brazil's Cooperaiso to Decline

Brazil's Cooperaiso cooperative, the world's largest coffee producer, said that output would drop by 4.7 percent from the previous peak period in the crop cycle, Bloomberg News reported, citing a technical director at the group. According to Marcelo Almeida, production will drop from 3.31 million bags to 3.15 million bags.

Political News**Alleged Cartel Founder Had Arsenal of Nearly 200 Weapons: Authorities**

An alleged founder of Mexico's Zetas drug cartel had an arsenal of nearly 200 weapons at the time of his arrest earlier this week, authorities said Tuesday, the Associated Press reported. Raúl Lucio Hernández Lechuga was arrested Monday in Veracruz State in a shootout with



Marines presented Hernández Lechuga to the press Tuesday in Mexico City.

Photo: Procuraduría General de la República.

authorities that left one suspect dead and a marine wounded, said navy spokesman José Luis Vergara. In the bust, which resulted from a year-long operation to gather intelligence, marines seized 133 rifles, 36 pistols, five grenade launchers and 29 grenades. They also discovered bulletproof vests bearing the letter "Z," the cartel's symbol. Hernández Lechuga was among Mexico's 37 most-wanted drug traffickers, said Vergara. Mexico's government had offered a reward of 15 million pesos (\$1.2 million) for information leading to Hernández Lechuga's arrest. The U.S. Drug Enforcement Administration had offered a \$1 million reward for Hernández Lechuga, who is known by the nickname "Lucky." With his capture, authorities have either detained or killed 22 of the 37 on the most-wanted list. Hernández Lechuga also may be connected to the abduction of nine marines in August, said Vergara. He is alleged to have overseen the Zetas' operations in 10 states including Veracruz, where the marines disappeared. The Zetas have been implicated in some of the marines' abductions, but Vergara did not specify what evidence authorities had about Hernández Lechuga's connection to the case.

Economic News**Chile's Central Bank Keeps Benchmark Rate at 5.25 Percent**

For the sixth consecutive month, Chile's central bank kept its benchmark interest rate unchanged Tuesday at 5.25 percent as demand remains robust despite slowing global growth, Bloomberg News reported. The meeting of the bank's four-member policy board was the first for new central bank chief Rodrigo Vergara. "In recent months a more adverse external outlook has developed, which will probably have consequences for growth and inflation in Chile, as well as for the orientation of monetary policy," the bank said in a statement accompanying the decision. Financial market conditions in Chile have become "somewhat more restrictive" amid tight international conditions. The bank's decision to leave the overnight rate unchanged matched 16 of 20 analysts surveyed by Bloomberg News. The other four expected the policymakers to cut the rate 25 basis points. Chile raised interest rates

“In recent months a more adverse external outlook has developed, which will probably have consequences for growth and inflation in Chile ...”

— *Chilean central bank*

faster than any major economy after Belarus in this year's first half and now has the ability to cut interest rates if growth slows amid Europe's debt crises. Still, Chile's rate of inflation increased in November for the fourth straight month, leading to the decision to keep the overnight rate unchanged. "There still are some significant inflationary pressures, and in addition there aren't clear indications of a major deceleration in domestic demand," **Banco Bilbao Vizcaya Argentina** economist Alejandro Puente in Santiago told the news service in a phone interview. "A rate reduction does-

n't seem prudent yet. The central bank must wait until there's more evidence that the international scenario is having a negative impact on Chile." In a central bank poll of 61 economists released Dec. 9, the median estimate saw the bank lowering the benchmark rate to 5 percent at their next meeting and to 4.5 percent by May as growth slows to 4.2 percent in 2012 from 6.2 percent this year.

Company News

Ex-Siemens Executives Charged in U.S. With Bribing Argentine Officials

Eight former executives of European engineering giant **Siemens** have been charged in the United States with bribing Argentine government officials between 1996 and 2007 in order to secure a \$1 billion contract to produce national identity cards, Bloomberg News reported Tuesday. The charges against the former executives include wire fraud and conspiracy to violate the Foreign Corrupt Practices Act, according to the indictment unsealed in federal court in Manhattan. The ex-offi-

“The company is not indicted.”

— *Siemens spokesman Alexander Becker*

cial of the Munich-based company laundered bribe money through U.S. banks and ran a decade-long scheme to pay bribes of more than \$100 million to Argentine officials, including presidents and cabinet members, U.S. authorities alleged. The case demonstrated "corruption on an absolutely stunning scale," U.S. Assistant Attorney General Lanny Breuer told reporters on a conference call. "This is the first time we have so many defendants charged with this fraud." None of the former executives are in custody in the United States. "The company is not indicted," Siemens spokesman Alexander Becker told Bloomberg News. "We can't comment on proceedings against individuals."

Featured Q&A

Continued from page 1

weaken or eliminate the Inter-American Human Rights Commission and Court, both of which have been a thorn in the side of those country's regimes. In any case, I suspect that in the end CELAC will eventually join the graveyard of Latin American institutions once it becomes even clearer that there continue to be too many divergent interests in a region which has less and less political-ly in common."

A Peter Hakim, member of the Advisor board and president emeritus of the Inter-American Dialogue:

"Latin American countries had different reasons for promoting CELAC. Brazil was most responsible for CELAC. It was at Brazil's 'mega-summit' in 2009, where an already expanded Rio Group was essentially renamed CELAC—and Lula was able to show the reach, influence and leadership of Brazil. Mexico, feeling excluded from Latin America and consistently upstaged by Brazil, leaped at the CELAC idea and offered to host its first meeting in 2010. Colombia under Uribe may not have been enthused by CELAC, but would have been further isolated if it had declined membership. His successor, Santos, saw CELAC, like Unasur, as a mechanism for rebuilding Colombia's ties in South America and showing independence of the United States. Argentina was a proponent of CELAC from the outset—and it was natural for socialist President Michelle Bachelet to bring Chile into CELAC. Her successor, Piñera, understood the country would be isolated if he withdrew. For its part, the OAS is suffering one of its roughest periods ever. Day by day, it becomes harder to find anyone with a good thing to say about the organization (aside from its human rights work). The Obama administration, despite its professed commitment to multilateralism, has largely ignored, even abandoned the OAS. Given Washington's declining relevance in regional affairs, the benefits to Latin America of a region-wide political

organization with the United States as a member are diminishing. Yet, only Venezuela's close allies in the Alba group called for CELAC to replace the OAS. Despite all, most Latin American governments still want the United States inside the tent."

A Alexander Main, senior associate for international policy at the Center for Economic and Policy Research in

Washington: "To judge by much of the discussion in U.S. policy circles, CELAC is merely a fleeting whim propelled by a handful of 'radical' South American governments. Such an assessment shows a limited understanding of the origins of CELAC, which sprang from the merging of two older regional groupings. It also disregards the geopolitical underpinnings of CELAC and the widening, precarious gap between the political, social and economic agendas of much of Latin America and the Caribbean, on the one hand, and of the United States and Canada on the other. To be sure, the deep differences between El Norte and El Sur are not new. The United States and Canada's economic, political and military might has nearly always dwarfed that of their southern neighbors, a fundamental imbalance reflected in much of the decision-making at the OAS. But in the last decade, Latin American and Caribbean countries have charted an increasingly independent course. They have rejected the Washington/Ottawa-backed neoliberal agenda in favor of measures targeting poverty and have crafted bold foreign policy positions often at odds with the United States and Canada. Meanwhile, the U.S. administration has hardly budged from decades-old policies of militarization and aggressive opposition to left-wing movements, often at the expense of human rights and democracy (as sadly exemplified by the administration's ambivalent position toward the 2009 coup in Honduras). So long as this regional gap continues to deepen, CELAC will prosper and the OAS is bound to fall into decay."

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A **Susan Kaufman Purcell, director of the Center for Hemispheric Policy at the University of Miami:** "CELAC's exclusion of the United States and Canada allows Venezuelan president Hugo Chávez to tout the new organization's anti-U.S. and anti-imperialistic credentials. Chávez's allies, such as Cuba, Ecuador, Bolivia and Nicaragua, support this interpretation of CELAC's *raison d'être*. The larger, more important and more

“Since CELAC will operate by consensus, Chávez's anti-American agenda isn't going anywhere.”

— *Susan Kaufman Purcell*

truly democratic countries of the region, however, do not share Chávez's vision. In the words of Colombian President Juan Manuel Santos, 'CELAC isn't being born to be against anyone.' Instead, as Brazilian President Dilma Rousseff has stated, 'The economic, financial crisis should be at the center of our concerns.' Since CELAC will operate by consensus, Chávez's anti-American agenda isn't going anywhere. Furthermore, implementation of policy decisions reached by consensus is optional, which will severely reduce the potential impact of the new organization. What is the point, therefore, of creating still another regional organization? One probable explanation is that Chávez and his friends do not want their human rights performance criticized by Washington or the OAS Human Rights Commission. The creation of CELAC allows Chávez to operate in his own parallel universe, free from U.S. criticism of his and his allies' increasingly authoritarian behavior. Why have the more democratic countries of the region joined CELAC? They probably figure that there is no point to getting on Chávez's bad side, and thereby risk his causing trouble in their respective countries. They

also likely believe that membership in CELAC will allow them to steer the organization in a more constructive direction—one that focuses on solving the new economic challenges facing Latin America and the Caribbean—instead of giving Chávez a stage to play out his anti-imperialist fantasies."

A **Sally Shelton-Colby, diplomat in residence at American University, former U.S. ambassador to the Eastern Caribbean and former deputy secretary-general of the OECD:** "It comes as no surprise that the most anti-American countries in the Western Hemisphere—Venezuela, Bolivia, Ecuador, Nicaragua and Cuba—would be the lead backers of a new organization that would exclude the United States and Canada. But it is ironic that this initiative is launched at a time of declining U.S. influence in the region. Severe debt and deficit woes, domestic political paralysis and an administration focused on ongoing crises in the Middle East and South Asia and the growing military might of China—not to mention the U.S. presidential campaign well underway—have contributed to a contraction of U.S. interest in Latin America and the Caribbean. In addition, while the region's trade is still primarily with the United States, Latin America has expanded its range of strategic interests. Three Latin countries participate in the G-20, there is growing Asian trade with and investment in Latin America, at least one Latin country is a member of the BRICS (with another one or two on the horizon) and Latin America has begun to shape a still modest but growing diplomatic role outside the hemisphere. But the bottom line remains the same as it has been for decades: there is more that binds together the countries of the Western Hemisphere than divides them. Inclusion should be the watchword for the hemisphere, not exclusion."

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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