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FEATURED Q&A

Is Honduras' Government Failing to Adequately Function?

Q The catastrophic Feb. 14 fire at an overcrowded Honduran prison, which killed 360 people after guards could not find the keys to inmates' cells, exposed another level of dysfunction in the Central American country. Honduras already has the world's highest murder rate, according to the United Nations, and the U.S. Peace Corps recently withdrew its volunteers from the violence-wracked and corruption-plagued country. Is Honduras' government failing to adequately function and provide basic safeguards for citizens? Is the government of President Porfirio Lobo doing the best it can, or is it falling short? To what extent does Honduras' current problems stem from the country's 2009 coup?

A Jorge Ramón Hernández Alcerro, Honduras' ambassador to the United States: "The people and government of Honduras are dismayed by this tragedy. President Porfirio Lobo called it an 'unacceptable situation,' suspending the directors of Penitentiary Services and the Comayagua Penitentiary and ordering an immediate independent investigation. The U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives established that the cause of the fire was accidental. Honduras' government is providing prompt attention to the victims' families. Individual funeral costs will be covered and the administration will conduct a dialogue to reach an amicable solution regarding compensation. The National Congress is currently debating a new penitentiary law. A specialized Institute for Penitentiary Affairs will be established and funds will be appropriated for the most urgent repairs of prisons, infrastructural changes and other measures to provide for the personal safety and health of inmates and the proper training of their caretakers. The structural problems of prisons in Honduras have been aggravated by lack of resources, allocated to other sectors of society, and by overpopu-

Continued on page 3

Forty-Nine Killed, Hundreds Hurt in Argentina Train Crash

Rescue crews raced to help victims after a packed commuter train crashed into Buenos Aires' busy Once station during Wednesday morning's rush hour. The crash killed 49 and injured hundreds. See story on page 2.

Photo: Reuters.

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NEWS BRIEFS

Chile's LAN Reduces Fares on South America Routes

Chile's **LAN Airlines** on Wednesday cut rates on its routes between Chile and other South American countries by as much as 40 percent, MarketWatch reported. The airline lowered its rates permanently on routes to Argentina, Brazil, Ecuador and Peru. LAN is planning to merge with Brazil's **TAM** in the second quarter of this year, which could further reduce fares between the two countries, said Nicolas Goldstein, LAN's regional business manager.

Profits Decrease by 26 Percent for Mexico's Grupo Bimbo

Mexican bread maker **Grupo Bimbo** on Wednesday said fourth-quarter revenues fell by 26 percent from the year prior to $79 million, Dow Jones reported. Despite a 37 percent jump in sales, higher costs related to recent acquisitions, depreciation of the peso and a rise in raw materials costs accounted from the decline in net profit.

Central America's Largest Wind Farm Opens in Honduras

Honduran President Porfirio Lobo on Wednesday inaugurated the Cerro de Hula project, Central America's largest wind farm. Built by Spanish firms **Gamesa** and **Iberdrola Engineering**, the facility has installed capacity totaling 102 MW, enough to boost Honduras' installed wind capacity by 7 percent, Gamesa said. Texas-based **Globeleq Mesoamerica Energy** will operate the farm through its local subsidiary, **Energía Eólica de Honduras**. The Export-Import Bank of the United States and the Central American Bank for Economic Integration financed the project.

Political News

Argentina Train Crash Kills 49, Injures Hundreds

A commuter train packed with passengers slammed into Buenos Aires' busy Once train station during Wednesday morning's rush hour, killing 49 people including a child and injuring more than 600. The crash was Argentina's deadliest rail disaster in three decades, Reuters reported. The force of the impact shoved the second train car inside of the first, trapping dozens of passengers alongside the platform. "The train [car] was embedded inside the other ... the seats were gone, they disappeared and people were jumping out of the window," a passenger who identified himself as Fabio told a local television station, the wire service reported. "There were lots of people thrown to the floor, injured, bloodied." Officials said a problem with the train's braking system was likely to blame. "The train entered Once station at 26 kilometers per hour ... we suppose there was some flaw in the brakes," Transportation secretary Juan Pablo Schiavi told the state-run Telam news service. "The train folded up on itself." The eight-car train was carrying between 1,200 and 1,500 passengers and most of the passengers who were killed or injured were in the first two cars, said Schiavi. President Cristina Fernández de Kirchner expressed "profound sadness" and declared two days of national mourning while calling off the country's Carnival celebrations. About 460 of the injured passengers were still hospitalized Wednesday night. They included the train's 28-year-old driver who was in intensive care. Privatizations in the 1990s led to the dismantlement of much of Argentina's rail network. "This is the responsibility of a company that is known for insufficient maintenance and ... improvisation," Edgardo Reinoso, a representative of the train workers' union, told Reuters. "On the other hand, there is also a lack of controls on the part of state entities." **TBA**, the company that holds the concession for the Sarmiento line where the collision occurred, said it was probing the reason for the crash. The line carries about 10 million passengers every month, which connects the capital to its western suburbs. The Sarmiento line was also the site of a crash in September in which two trains collided with a bus. Wednesday's crash was the worst since one in 1978, in which 55 people were killed.

> "There were lots of people thrown to the floor, injured, bloodied."
>
> *— Passenger identifying himself as "Fabio"*

Economic News

Brazil Ranks Last in 'Cloud Computing' Policies: Report

The Washington-based Business Software Alliance, an industry group representing **Adobe**, **Intel**, **Sybase** and other U.S. technology companies, said Wednesday that Brazil ranks last among 24 countries in its first-ever scorecard of global "cloud computing" policies. The BSA's new "Global Cloud Computing Scorecard" compares 24 countries that account for 80 percent of the global information and communications technology (ICT) market, based on seven policy categories that measure a country's "preparedness to support the growth of cloud computing." While developed nations are more "cloud ready" than developing economies, a lack of alignment in the legal and regulatory environments may prevent "the smooth flow of data across borders" that would take advantage of cloud computing efficiencies, BSA said. The rankings were based on themes such as privacy, cybercrime and intellectual property laws. Some of the factors counting against Brazil were its "preferential treatment for domestic suppliers" in government procurements and lack of ICT standards, BSA said. Mexico and Argentina, the only

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other two countries in Latin America that were included in the study, ranked 14th and 15th, respectively. Japan, Australia and Germany topped the list.

Company News

Brazil's Cosan Buying Stake in Rail Company for $524 Million

Brazil's biggest sugar and ethanol group, **Cosan**, has agreed to pay $524 million for a 5.7 percent stake in **America Latina Logistica** (ALL), a railway and logistics company serving Brazil and Argentina, Reuters reported Wednesday. The purchase price is more than double the current market value for the shares, according to the report. ALL controls a 21,000-kilometer railway network that links major agricultural regions in southern Brazil and northern Argentina with the key ports of Santos, Paranagua and Buenos Aires. Cosan executives said they paid a premium in order to have "a material say" in the day-to-day operations of ALL. "The idea is not to control this company but to have a strategic position big enough to participate in the decisions. For us, it's key," chief executive officer Marcos Lutz said on a conference call to analysts who were asking how he could justify paying such a high premium, Reuters reported. Rising production and demand could put a toll on transportation networks. The sugar cane crop in Brazil's center-south, the main growing region, is expected to grow to 536 million tons in the coming season, Bloomberg News reported last week. Sugar cane output in the center-south fell for the first time in a decade in the 2011-12 season after frost, flowering and dry weather damaged the crop. **Raizen**, a joint venture of **Royal Dutch Shell** and Cosan, said last week it will process 9 percent more sugar cane in the season starting in April than a year earlier, with ethanol supply about 10 percent higher at 2.4 billion liters, according to Bloomberg News.

Lutz

File Photo: ISO Datagrow Conferences.

Featured Q&A

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lation resulting from the surging rates of criminality. This situation derives from what U.S. Secretary of State Hillary Clinton described as America's 'insatiable demand for illegal drugs.' Without it, crime rates would drop dramatically as would the number of inmates. In a short period of time, President Lobo has taken bold and defining steps to strengthen the legal and institutional framework to protect human rights and combat crime and narcotics trafficking. Honduras is lucky that it doesn't stand alone in facing this crisis. We are grateful for the solidarity and assistance received from other nations. It is a clear message that the international community understands the dire circumstances overwhelming our nation today with both transnational crime and social issues."

Sandra M. Martinez, president of Fenix Liderazgo y Desarrollo, S.A.: "Almost every institution in Honduras appears to be tainted by corruption. This opportunism, when carried to its extreme and coupled with high rates of violence and impunity for criminals, is destroying the country's social fabric. The high degree of corruption in the police force is undeniable, including direct involvement in murders, extortion, robberies, kidnappings, drug-trafficking and gang-related activities. Even high profile assassinations have not been resolved. It is alleged that only about 2 percent of crimes committed in Honduras are investigated and solved. Another institutional dysfunction is that only 1.9 percent of employed Hondurans pay taxes. The international isolation imposed on Honduras after the coup exacerbated pre-existing problems. The economic paralysis brought about the closure of many small- and medium-sized businesses. Due to the suspension of collaborative international security activities, drug smuggling increased. President Pepe Lobo inherited a difficult situation both domestically and internationally, but his administration has not adequately addressed critical systemic issues. One of his administration's accomplishments has been the National Congress' approval of a Commission to Reform Public Security with the intention of purging the police, the attorney general's office and the judiciary of corruption. However, a month has passed since the law was passed and it has not yet been put into effect. Even though some critics call for withdrawal of aid to Honduras, the country must have the collaboration of international partners to provide not only financial resources, but also analytical, technical, planning and project management capacities to improve security for its citizens and stimulate economic growth. There needs to be support for private entrepreneurial ventures to create jobs. Institutions, civil society and the government must find the integrity and courage to move ahead together to purge the police, address ongoing basic challenges such as the penal system, the broken public education system and to ensure the independence of the judiciary. "

Cresencio Arcos, a member of the Inter-American Dialogue and former U.S. ambassador to Honduras: "In 1983, as head of the U.S. Commission on Central America, Henry Kissinger was most intrigued by Honduras' relative calm and peace as opposed to its three adjoining violence-prone neighbors. Today, Honduras seems to have lost its way. The primary source of the almost unequalled deadly situation is the chronic weakness of the country's institutions. Moreover, the widening gap between the rich and poor served to exacerbate the effects of the 'coup' or the abrupt regime change in 2009. This event served to severely polarize the country and undermine the wobbly government security apparatus and legal structures. Added to this 'lethal' brew is the increased influence of transnational crime. The Lobo administration has found itself confronting

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Featured Q&A

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insurmountable security challenges with a dwindling public trust. The recent revelations of police corruption and accusations of murder, extortion, kidnapping and drug trafficking have been most damaging. Now, the horrific prison fire suggests official incompetence, lack of responsibility and gross negligence. The sum is an alarming breakdown of a fledgling and fragile democratic process which the Honduran people expected to improve their lot. President Lobo and the public and private leadership must rise to the occasion and act with resolve to mend a badly hobbled public structure and regain the people's confidence and international credibility."

Carlos Imendia, economic consultant based in San Francisco: "I don't believe the catastrophe is sheer chance or exclusively the corollary of recent events such as the 2009 coup. The inferno-like images we sadly watched on TV are a dismal pattern, knitted long ago as we discussed in the *Advisor*'s Dec. 15 issue devoted to the role of the army in quelling violence in Honduras, an impoverished country endangered to soon enter the list of failed states. The drama is deeper than the sensationalism of the news or the sorrow of promising young Peace Corps volunteers leaving poor communities, because the communities have been secularly abandoned by insensible political and economic elites and have no hope things will structurally change in the short run. There have been more than three incidents causing fatalities at obsolete Honduran jails in the last 20 years, showing that public policy has certainly failed. It's good news though that a bill will be enacted to overcome the collapsed penitentiary regime and more fire trucks will be available, but the issue here is whether a social purpose will be forged to respect personal freedoms and life and whether personal safety becomes the rule rather than the exception. If Honduras invested a share of its national income proportional to the wealth of the country's richest 5 percent, fewer people would go to jail and the country would appear in the headlines for realizations we all aspire to. President Lobo and his government might not offset almost 200 years of denial, but they can set the stage for a better society before his term ends."

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

Latin America Advisor
is published every business day by the Inter-American Dialogue, Copyright © 2012

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Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at:
1211 Connecticut Avenue, Suite 510
Washington, DC 20036
Phone: 202-822-9002 Fax: 202-822-9553
www.thedialogue.org ISSN 2163-7962

Subscription Inquiries are welcomed at freetrial@thedialogue.org

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