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FEATURED Q&A

Is Now the Time for Countries to Legalize Street Drugs?

Q In recent months, three sitting Latin American presidents have suggested that it is time to consider a debate about legalizing drugs, with Guatemalan President Otto Pérez Molina most recently promising to raise the issue with other Central American leaders in a coming meeting. Would legalizing drugs have a significant effect on the crippling violence that has wracked Mexico and Central America in recent years, as some analysts suggest, or would the gangs and cartels merely focus on other illegal activities? Is there likely to be a more substantive policy discussion of drug legalization in the coming years? How would the United States react to such a debate?

A Andrés Rozental, member of the *Advisor* board, president of Rozental & Asociados in Mexico City and senior fellow at the Brookings Institution: "The fact that several sitting presidents have now come out publicly in favor of a debate on this issue shows the degree of frustration that exists in Latin America and the Caribbean on the escalating crime and violence that drug trafficking has brought to the region. Their voices join those of former heads of state Zedillo, Cardoso and Gaviria in signaling the failure of current interdiction policies in stemming the flow of drugs to the United States and the meager results of demand reduction among Americans. It becomes clearer as each day passes that there is a major shift in thinking on the drugs issue, not only in public opinion, but also among political leaders, that the time has come to revisit all the aspects—including medical, sociological and legal—of drugs and their effects on societies and governments. Although the U.S. government wasted no time in rejecting the argument made by President Pérez Molina of Guatemala to open a hemispheric discussion, sooner or later Washington will have to come to terms with the fact that

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Chávez on Eve of Cancer Surgery: "I will live! I will live!"

Venezuelan President Hugo Chávez leaves today for Cuba, where he will undergo surgery to remove a cancerous growth in the same place where surgeons removed a tumor last year. He said the new growth may be malignant. See story on page 2.

Photo: Venezuelan Government.

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NEWS BRIEFS

Deadly Argentina Train Crash Was Avoidable: Auditor General

Wednesday morning's train crash at Buenos Aires' busy downtown Once station was avoidable, the country's auditor general said Thursday, the Associated Press reported. Numerous failed safety tests and other troubles had given enough reason for the government to cancel the concession for **Trains of Buenos Aires**, which operates the line where the crash happened, killing 50 people and injuring more than 700. However, the company said Thursday that government price controls have made it impossible for it to pay for improvements.

Colombian Inflation Likely to Accelerate Despite Rate Hikes

Although Colombia has had eight interest-rate increases in the past year, credit-market measures show that inflation will hit the upper end of the central bank's target range, Bloomberg News reported today. More than half of the economists in a recent survey predicted that policymakers will lift the overnight lending rate to 5.25 percent in a meeting today, although central banks in Brazil in Chile have been cutting borrowing costs in the wake of global economic uncertainty.

Bunge to Increase Investment in Brazil by 1 Billion Reais

Bunge said on Thursday that it will invest an additional 1 billion reais ($584 million) in Brazilian agriculture, said the company's chief executive of agribusiness in Brazil, Pedro Parente, Reuters reported. According to Parente, Bunge is considering investments in palm oil production. "It's one of the oils that has shown the greatest increase in consumption in the past years" and Brazil currently imports it, said Parente.

Political News

Venezuela's Chávez Leaves Today for 'Urgent' Surgery in Cuba

Venezuelan President Hugo Chávez is leaving today for Cuba where he will undergo surgery early next week to remove a cancerous growth located in the same place where surgeons last year removed a tumor from his pelvic region, the Associated Press reported. In a letter to the country's National Assembly requesting permission to be away from Venezuela for more than five days, as required by the country's constitution, Chávez described his upcoming surgery as "urgent." Chávez, who has never publicly said what form of cancer he is fighting, added that the growth is about an inch in diameter. Thursday night, on the eve of his departure for Cuba, Chávez spoke during a rally at a Caracas theater that was packed with supporters. He said he is "preparing to face the worst," and referring to the growth, said, "The possibility that it's malignant is greater than it not being [malignant]." Despite his uncertain prognosis, Chávez was characteristically upbeat. "I will live! I will live!" Chávez said, pounding a table during a televised four-hour speech earlier on Thursday. Venezuela's constitution allows the vice president to act as president during temporary absences. However, Vice President Elías Jaua said Chávez is completely capable of fulfilling his duties from Cuba. Chávez did not name anyone to fill in for him while he is out of the country. Opposition lawmakers criticized Chávez's intention of governing from abroad. "We can't have what happened last year, the president purporting to govern from Cuba," said Alfonso Marquina, a legislator

> "The possibility that it's malignant is greater than it not being [malignant]."
>
> *— Hugo Chávez*

Featured Q&A

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Americans continue to consume these substances and that a different approach has to be found to deal with this reality. In the meantime, public opinion in most of our countries puts the blame for the criminal violence principally affecting Mexico and Central America squarely on the United States' inability to stop the flow of weapons southward and the lack of a credible internal demand reduction strategy."

Ray Walser, senior policy analyst at the Heritage Foundation: "Leaders in Latin America—particularly in Colombia, Mexico and Central America—watch in anguish as their nations are ripped apart by the violence of transnational criminal organizations that derive massive profits from trafficking drugs including marijuana, cocaine and heroin into the United States. These leaders are disturbed by their lack of institutional and legal tools to combat organized crime. It is logical that they might endorse measures—decriminalization or legalization—in hopes of weakening profits and finding modest relief from rampant criminality and violence. Such calls are also comprehensible given the Obama administration's ambivalent stance on drug policy. Serious debate, however, is not in the cards. The White House inclines to view drug consumption as primarily a social and health issue rather than one of criminality, morality or national security. It turns away from the puritanical 'Just Say No' stance to nuanced approaches aimed at mitigating and reducing drug harm. For a progressive like President Obama, drug use, like an individual's sexual behavior, is increasingly a personal

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and opposition bloc spokesman, the AP reported. "Because in the absence of the president, the government is the vice president." The developments about Chávez's health have thrown new uncertainty into the country's politics ahead of Venezuela's Oct. 7 presidential election and have raised concerns about whether he would be fit to rule for another six years should he win.

Economic News

Mexico's Inflation Rate Eases in Early February

Inflation in Mexico eased slightly in the first half of February, bringing the annual rate to just above the central bank's target rate, Reuters reported Thursday. For the 12-month period through mid-February, inflation increased to 4.01 percent, just above the target ceiling of 4 percent. The annual inflation rate eased slightly from 4.05 percent at the end of January. In a recent Reuters poll, analysts had been expecting, on average, an annual inflation rate of 4.11 percent through Feb. 15. The latest inflation data show that a decline in the cost of tomatoes offset rising prices for tobacco. Government initiatives to lower fuel subsidies and bring down the price of tortillas are likely to keep inflation at about 4 percent for most of this year, Benito Berber, an analyst at **Nomura Securities** in New York, told Reuters. "Does 4 percent inflation mean that the central bank will increase rates? No," Berber told the wire service. On Wednesday, Mexico's central bank chief, Agustín Carstens, said the country's level of inflation is not worrisome, adding that a drought that harmed agricultural production was partially to blame. "It was very low," he said at an investment conference in Mexico City. "And, really, it could have been lower were it not for outside factors like commodity prices as well as a Mexican drought."

Carstens

File Photo: Mexican Government.

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Inter-American Dialogue Discussion on

The Argentine Economy: Near and Longer-Term Prospects

with

Daniel Marx
Former Finance Minister
of Argentina

and

Eugenio Diaz Bonilla
Executive Director for Argentina and Haiti,
Inter-American Development Bank

Thursday, March 1
8:30 – 10:00 a.m.
Inter-American Dialogue
1211 Connecticut Ave., NW, Suite 510
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Please include your name and affiliation.

Company News

Brazil's Petrobras Declares Two Offshore Fields Commercially Viable

Brazilian state-run oil company **Petrobras** on Thursday declared the country's offshore Bauna and Piracaba oil fields commercially viable, Reuters reported. The declaration is the last move before Brazil can include the fields as reserves and start full production. The two fields have 196.5 million barrels of light oil, Petrobras said in a statement to the country's securities regulator. That would be enough to supply all U.S. needs for approximately 10 days and all Brazilian needs for about 75 days, according to Reuters and **BP**'s Statistical Review of World Energy. The fields comprise part of the BM-S-40 block, which is located about 200 kilometers south of São Paulo state. Petrobras completely owns the block. The Bauna field, formally called the Tiro prospect, contains 113.4 million barrels of oil and natural gas equivalent. Piracaba, formerly called the Sidon prospect, contains 83.1 million barrels of oil and natural gas equivalent. In addition, Petrobras confirmed the presence of light crude in the BM-S-9 block that it owns with **BG Group** and **Repsol Sinopec**. The oil was discovered more than 5,000 meters below the seabed in a subsalt reservoir.

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Featured Q&A

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choice rather than a societal imperative. The consequences of consumption ought not, if non-violent, be stigmatized. Furthermore, the White House prefers maintaining a low profile when tackling consumption at home. At its start, the Obama administration removed 'the drug czar' from cabinet status. The president has kept aloof from any public demand-reduction campaign. Sadly, levels of inconsistency on the drug issue have also risen. Senior officials have pronounced the war on drugs a failure and confessed it is, after all, a war on the American people. Yet they continue to employ the supply reduction, interdiction and anti-kingpin efforts they previously questioned. Additionally, the Obama administration promises to bolster 'citizen security' in the Americas while making substantial cuts to counter-drug assistance. Little wonder confusion reigns as our impacted neighbors demand clarity and honesty on drug issues."

Sanho Tree, director of the Drug Policy Project at the Institute for Policy Studies: "Legalizing drugs would have a significant impact on criminal profits in the long run. While many traffickers have recently diversified their revenue streams, drugs have been their preferred source of income because it's simple and efficient. Otherwise, they would have switched to more profitable crimes long ago. In recent years, extreme prohibition-related violence has destroyed the social contract and emboldened other types of criminals. It's important to remember that this carnage has been over the right to traffic what are essentially minimally processed agricultural commodities that are easy to produce and should cost pennies per dose. Instead, the risks of the drug war have given these criminals an indirect 'price support' or 'crop subsidy' because of prohibition economics. We will never reduce the supply of drugs by making them astronomically more valuable. As the violence caused by drug prohibition threatens governments throughout the region, the demand for ending prohibition will intensify. Previously, it had been only retired politicians and officials who spoke openly of their views. Now, sitting heads of state are joining the discussion. U.S. officials will be the last to join because they see this as a 'third rail' issue. As the prime minister of Luxembourg said of another issue, 'We all know what to do, but we don't know how to get re-elected once we have done it.' For the first time, however, U.S. opinion for legalizing marijuana has surpassed 50 percent. Such culture war issues are deeply rooted in generational politics, but new generations are fast taking over."

> "Such culture war issues are deeply rooted in generational politics, but new generations are fast taking over."
>
> — *Sanho Tree*

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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