INTER-AMERICAN DIALOGUE'S
LATIN AMERICA ADVISOR

BOARD OF ADVISORS

Diego Arria
Director,
Columbus Group

Genaro Arriagada
Nonresident Senior Fellow,
Inter-American Dialogue

Joyce Chang
Global Head of Emerging Markets Research, JPMorgan Chase & Co.

W. Bowman Cutter
Former Partner,
E.M. Warburg Pincus

Dirk Donath
Managing Director,
Eton Park Capital Management

Jane Eddy
Managing Director,
Corporate & Govt. Ratings Group,
Standard & Poor's

Marlene Fernández
Corporate Vice President for Government Relations,
Arcos Dorados

Jason Hafemeister
Vice President,
Allen F. Johnson & Associates

Peter Hakim
President Emeritus,
Inter-American Dialogue

Donna Hrinak
President,
Boeing Brazil

Jon Huenemann
Vice President,
U.S. & Int'l Affairs,
Philip Morris Int'l

James R. Jones
Co-chair,
Manatt Jones Global Strategies LLC

John Maisto
Director,
U.S. Education Finance Group

Nicolás Mariscal
Chairman,
Grupo Marhnos

Thomas F. McLarty III
President,
McLarty Associates

Carlos Paz-Soldan
Partner,
DTB Associates, LLP

Beatrice Rangel
Director,
AMLA Consulting LLC

José Antonio Ríos
Chief Executive Officer,
Vadium Technology Inc.

Gustavo Roosen
Chairman of the Board,
Envases Venezolanos

Andrés Rozental
President,
Rozental & Asociados and Senior Fellow,
Brookings Institution

Everett Santos
President,
DALEC LLC

Shelly Shetty
Head, Latin America Sovereign Ratings,
Fitch Inc.

FEATURED Q&A

Why Are Kidnappings on the Rise in Colombia's Capital?

Q The number of kidnappings in Bogotá soared last year to 49, as compared to 11 the previous year, according to a recent report by País Libre. The nongovernmental organization added that the number of kidnappings also rose in the province of Boyacá, to 17 last year as compared to one the previous year. País Libre added that the total number of kidnappings in Colombia remained steady last year. What are the reasons for the dramatic jump in kidnappings in Colombia's capital and other areas? Do the increases foreshadow a rise in kidnappings nationwide? How are businesses being affected?

A Jason Marczak, director of policy at the Americas Society and Council of the Americas: "Colombia has made significant improvements in reducing the threat of kidnappings over the last decade, with recent kidnappings exhibiting the changing nature of the problem. País Libre noted that annual kidnappings dropped from 85 percent from 2003 to 2012. The Revolutionary Armed Forces of Colombia (FARC) were responsible for nearly 25 percent of these kidnappings, with the National Liberation Army (ELN) behind approximately 12 percent. Still, while both groups continue to resort to kidnappings for financing of operations or for political or social intimidation, their capacity to do so has dramatically diminished as the Colombian armed forces regained territory and significantly improved safety in the last decade. But the rise in kidnappings in the last couple of years in Bogotá and in the resource-rich department of Boyacá raises new concerns. Overall kidnapping levels are still at a historically low level, but are on a slight rise with a steady but fluctuating number of kidnappings for ransom. Although it may sound counterintuitive, one reason for the rise in kidnappings may be attributed to an overall increase in security and to the corresponding number of guerrillas who have demobilized in the last

Continued on page 3

Chávez in 'Delicate Condition' as He Fights New Infection

Venezuelan President Hugo Chávez is fighting a new and severe respiratory infection, which has placed him in a "delicate condition," the government announced Monday. The presidents supporters asked Venezuelans to pray for him. See story on page 2.

File Photo: Venezuelan Government.

Inside This Issue

FEATURED Q&A: Why Are Kidnappings on the Rise in Colombia's Capital? 1

Chávez Suffers New Respiratory Infection, in 'Delicate Condition' 2

Falklands Referendum a Public Relations Exercise: Argentine Envoy 2

Mexico's Slim Retains Title of World's Richest Person 2

Ecuador's Oil Sector Investment Reaches $2 Billion in 2012 3

Argentina's Tax Revenue Soars Nearly 29 Percent in February 3

Copyright © 2013, Inter-American Dialogue

NEWS BRIEFS

Mexico's Slim Retains Title of World's Richest Person

Carlos Slim, Mexico's telecom mogul, has retained his spot as the world's richest person for the fourth year in a row, *Forbes* magazine said Monday in announcing its annual rankings of the world's wealthiest people. His net worth, at $73 billion, is up $4 billion from 2012 but is still $1 billion shy of his all-time record. Last year, a boost came from surging stock prices at his financial arm, **Grupo Financiero Inbursa**, and at his industrial and retail giant, **Grupo Carso**.

United States, Mexico Sign Deal to End Tomato Fight

Mexico's Commerce Department said Monday that the country's tomato growers have signed and implemented a new agreement with the United States over their $1.8 billion fresh tomato trade, the Associated Press reported. The deal, reached last month but which was subject to a public consultation period, narrowly avoided what could have bloomed into a trade war pitting U.S. growers against producers of cheaper Mexican tomatoes. The new agreement strengthens anti-dumping enforcement and resets minimum wholesale prices.

Peru's Copeinca Hires Advisors After Receiving Buyout Bid

Peru's **Copeinca**, the country's second-largest fish exporter, said Monday that it has hired a team of advisors from **UBS**, **DNB Markets** and **Carnegie** after receiving a buy-out bid for $556 million from **China Fishery Corp.**, Reuters reported. Last month, two of Copeinca's controlling shareholders turned down the unsolicited bid. However, the third controlling shareholder said it would consider the offer.

Political News

Chávez Suffers New Respiratory Infection, in 'Delicate Condition'

Venezuelan President Hugo Chávez, who has been hospitalized for nearly three months following his latest cancer surgery, is suffering a new and severe respiratory infection which has placed him in a "very delicate" condition, Information Minister Ernesto Villegas said late Monday in a sobering update on the 58-year-old president's health, the Associated Press reported. Chávez is also undergoing "chemotherapy of strong impact," Villegas said, adding that the ailing leader is "standing by Christ and life conscious of the difficulties he faces." Except for a few photos released last month showing him in his hospital bed, Chávez has not been seen or heard from publicly since his Dec. 11 surgery in Havana. The government announced Feb. 18 that he was brought back to Venezuela that day and was admitted to a military hospital in Caracas. Villegas also called on Chávez supporters to be "on a war footing" and lashed out at the president's opponents. If Chávez dies, the Venezuelan Constitution calls for a snap election within 30 days. Vice President Nicolás Maduro, whom Chávez urged Venezuelans to support as his successor, has frequently taken control of the country's broadcast stations, as Chávez often did, to tout the government's accomplishments and blast the opposition. Maduro said last week that in December, while Chávez was hospitalized in Cuba, he suffered a respiratory infection that nearly killed him. Doctors inserted a tracheal tube to help him breathe, and the government has said Chávez still had trouble breathing. There has been speculation that Chávez's cancer has spread to his lungs and cannot be stopped, the AP reported. Maria Gabriela, one of Chávez's daughters, said in a posting on Twitter, "We will prevail!" She added, "With God always."

Chávez is "standing by Christ," said Villegas.

Falklands Referendum a Public Relations Exercise: Argentine Envoy

Argentina's ambassador to Great Britain said Monday that a planned referendum next week on the fate of the Falkland Islands is a "public relations exercise" that the international community will not recognize as legal, Reuters reported. "This referendum has no legal grounds. It's not approved, nor will it be recognized by the United Nations or the international community," Argentine ambassador Alicia Castro told reporters in London. "So this referendum is little more than a public relations exercise," she said. The inhabitants of the contested islands, which Argentines call "Las Malvinas," are due to take part in the referendum on March 10-11 to declare whether or not they want to remain British. The vote comes on the heels of last year's 30th anniversary of Argentina's 10-week war with England over the islands. The current spat, which has lately centered on rights to exploit oil and gas in nearby waters, makes regular headlines in both Argentina and England, where the Argentine ambassador post had been vacant for years. Castro took the position there this month after serving as Argentina's envoy to Venezuela. The British government says the people of the Falklands can determine their own future, but public opinion there runs heavily in favor of England. The majority of the islands' 2,800 citizens are of British descent. "The Argentine government has already dismissed the referendum before it has even taken place, a position that runs counter to the universal principles of democracy and self-determination," a British Foreign Office spokesman said Monday.

Castro

File Photo: Argentine Government.

Copyright © 2013, Inter-American Dialogue

Economic News

Ecuador's Oil Sector Investment Reaches $2 Billion in 2012

Ecuador's government says the oil sector received investments of about $2.04 billion last year for exploration and production activities, Dow Jones reported Monday. The Ministry of Nonrenewable Natural Resources said that of the total, about 81 percent came from state-run oil companies Petroecuador and Petroamazonas. The rest, about $384 million, came from private companies operating in Ecuador. Companies from China, Italy, Spain and Chile are among the foreign investors working in Ecuador today. In all, oil sector investments in 2012 were about 6.6 percent higher than the total invested in the prior year. Oil output was up only slightly, however, at 184.32 million barrels. Ecuador's president, Rafael Correa, faces difficulties in expanding production further, and opposition to tapping oil deposits in the Amazon is on the rise. Last month, a global campaign to stop oil exploration in areas occupied by the indigenous Sani Isla community of about 400 people collected more than a million online signatures in little more than a week, *The Guardian* reported. Organized by Europe-based political activist group Avaaz, the petition calls on Correa to stop oil exploration in the Amazon and stand by earlier promises to protect the Amazon's environment.

Argentina's Tax Revenue Soars Nearly 29 Percent in February

Argentina's government said Monday that its tax revenue increased 28.8 percent in February as compared to the same month last year, Reuters reported. Tax revenues amounted to 60.89 billion pesos ($12.05 billion) last month. The figure beat the estimates of analysts, who has forecast 59.29 billion pesos in tax revenues, on average. Much of the country's growth in revenues stems from inflation, which private economists estimate is running about 25 percent annually, Reuters reported. Argentina's growth slowed last year after posting 8.9 percent growth in 2011.

Featured Q&A

Continued from page 1

10 years. From August 2002 to June 2012, 56,895 persons demobilized according to data from the Universidad Nacional de Colombia. Once back in society, many of these ex-guerrillas migrate to urban areas and know few options to make money besides kidnapping. That is why efforts such as the Colombian Agency for Reintegration (ACR), launched in 2003, are critical for giving ex-guerrillas the tools to be contributing members of society. As part of a 6.5-year process, on average, ex-combatants acquire the necessary education and skills to join the local workforce. These types of programs help to prevent illicit activities among ex-combatants. Looking ahead, if government talks with the FARC do result in peace, one priority should be a continued strengthening of programs such as the ACR so that demobilized guerrillas can truly reintegrate into society."

Andy Webb-Vidal, CEO of Latin-IQ Corporation, a business risk consultancy: "País Libre's assertion that the number of kidnappings in Bogota surged to 49 last year, an increase of some 350 percent over 2011, certainly appears dramatic, but I would question the quality of these figures. The NGO has in the past been lax in the way it compiles data, and practically all of these kidnappings were short-term abductions linked to extortion and robbery by criminal gangs, not long-term kidnappings by insurgent groups. This doesn't herald a wider nationwide trend. However, arguably more serious is an unreported big increase in levels of extortion in the Colombian capital over the past year or two. There are now estimated to be between 250 and 300 criminal gangs in operation in Bogotá. Although most are small with areas of influence extending over only a few blocks, they are actively engaged in extortion. The types of business most affected are predominantly local stores and shops, not multinationals. The number of small-time criminal gangs operating in Bogotá has increased in part because larger organized criminal gangs linked to former paramilitary groups, who maintained a degree of order in the underworld, have been dismantled. In effect, what we've seen in Bogotá is an atomization of the large criminal structures that mirrors the atomization of the drug cartels at the national level in previous years. The situation could well worsen in the coming months because Bogotá is seriously under-policed for a city of its size."

> "The situation could well worsen in the coming months."
>
> — *Andy Webb-Vidal*

Adam Isacson, senior associate for regional security policy at the Washington Office on Latin America: "Bogotá's 2012 kidnapping figure is troubling, as is any security indicator moving in the wrong direction in Colombia. Placed in context, though, it is a warning flag but not a crisis. Forty-nine kidnappings pales in comparison to the 183 that Bogotá experienced a decade ago, in 2003. And nationally, the País Libre report finds that kidnappings are flat: the organization recorded 305 both in 2011 and 2012, up from a 2009 low of 213 but still one-seventh the 2003 figure (2,122). Interestingly, País Libre blames guerrilla groups for only 42 of those 305 kidnappings, a much lower figure than a decade ago, when they carried out well over half. Today, the organization blames 'common crime' for most kidnappings. On the whole, Bogotá's violent crime is not out of control. The city registered 16 percent fewer homicides in January 2013

Continued on page 4

Copyright © 2013, Inter-American Dialogue

Featured Q&A

Continued from page 3

than in January 2012; its homicide rate now resembles that of Indianapolis or Houston. Still, with kidnappings quadrupling, the mayor's office, the security forces and the national government must devote more resources to identifying the cause and shutting it down."

Jorge Lara Urbaneja, a Bogotá-based international business consultant: "Unfortunately, kidnappings, extortions and illegal mining are in Colombia to stay. According to recent figures released by the U.S. State Department, coca producing areas in Colombia, in parallel with drug consumption in the United States, have reduced substantially. Peru and Bolivia are taking over coca raw production and the European, Brazilian and Argentine markets are replacing those of the United States. This means that Colombian underground organizations, headed by the FARC, ELN and other groups formed by their reinserted members, are running out of money. Changes in the international markets are forcing them to work in-country and that implies hurting innocent local people. However, although any new kidnapping cases and any increase in numbers are regrettable, Colombia is far from returning to those scary figures of the early 2000s, when kidnappings were counted in the thousands. Keeping that in mind, we have not really seen any dramatic jump in kidnappings and probably will not have it, particularly in Bogotá. The Colombian army and police have improved their capacity, intelligence and efficiency after facing the same crimes and the same criminals for over 50 years. Colombian security forces now train their colleagues around the world. But, more important, illegal mining apparently is giving Colombian criminals better returns than drug trafficking and extortion. Trafficking and exports of gold and strategic minerals is easier and more profitable. But business in Colombia should not be more affected now than before. Sadly, very few cities in the world and none in Latin America qualify as a fully safe business environment."

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 © 2013

Erik Brand
General Manager, Publishing
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Inter-American Dialogue

Michael Shifter, President
Peter Hakim, President Emeritus
Genaro Arriagada, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Director, Special Projects
Maria Darie, Director, Finance & Administration
Mary Ellen Flather, Senior Director of Strategy and Development
Claudio Loser, Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, China and Latin America Program
Manuel Orozco, Director, Remittances and Development Program
Tamara Ortega Goodspeed, Senior Associate, Education
Jeffrey Puryear, Vice President, Social Policy

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at:
1211 Connecticut Avenue NW, 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

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.

Copyright © 2013, Inter-American Dialogue