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
Senior Partner,
Aimara Capital LLC

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

Marlene Fernández
Corporate Vice President for Government Relations,
Arcos Dorados

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

Craig A. Kelly
Director, Americas International Gov't Relations,
Exxon Mobil

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

How Can Companies Protect Themselves From Cyber-Attacks?

Q BP's former chief information officer, Dana Deasy, said in early November that 40 percent of worldwide cyber-attacks target energy companies, and he noted a dramatic increase the amount of time the company has spent on cyber risk management over the last few years. Who are the main perpetrators of cyber-attacks against energy companies, and what should companies do to better protect themselves from attacks? What are the potential ramifications of attacks and cyber espionage on energy companies, in terms of intellectual property, economic and other losses?

A Alejandro Buschel, founder and managing partner of ProGloBix in Seattle: "Energy companies are being targeted for many reasons: to inflict economic pain at the national level, to disrupt daily life for thousands and simply because they are perceived as being soft targets. The perpetrators range from nation-states to groups without any particular goals. Energy companies should implement controls along their supply chain and perform technical assessments on an ongoing basis to ensure networks are not exposed to the Internet directly and to operate under strict cyber-hygiene guidelines. Their somewhat hard shell belies a very soft belly, with equipment linked to antiquated technical systems. Unfortunately, regulators around the world do not have an operating framework that requires companies to have security that is aligned with minimum commercially accepted best practices. The impact of an outage at one utility may cascade outside the state or country where energy companies operate, complicating the calculation of risk and therefore making the risk management scenario more complex. A sustained and coordinated attack against utilities has not been experienced so far, yet the possibility exists that several parties could carry this scenario out, crippling nations and having a significant impact on life and property. Energy companies should not

Continued on page 2

Thousands Protest Election Result in Honduras March

Presidential candidate Xiomara Castro and her husband, former President Manuel Zelaya, led a march Sunday in Tegucigalpa in protest of conservative Juan Orlando Hernández's election, which they say was marred by fraud. See story on page 2.

Photo: Associated Press.

Inside This Issue

FEATURED Q&A: How Can Companies Protect Themselves From Cyber-Attacks? 1

Thousands Protest Hernández's Election in Honduras.....2

FARC Acknowledges Collecting Money From Coca Growers 2

U.S. Says it's Helping Cuban Mission to Find New Bank.....3

Chile's CorpBanca Confirms Merger Talks, Deal Could be Worth $5 Bn 3

Job Postings: JP Morgan Private Bank, the World Bank, Otter Box and More 3

Copyright © 2013, Inter-American Dialogue

NEWS BRIEFS

FARC Acknowledges Collecting Money From Coca Growers

The Revolutionary Armed Forces of Colombia, or FARC, rebels said Friday that they have collected taxes from coca growers, but denied charges of "narco-terrorism," saying they collected taxes to protect farmers from "abuse from intermediaries and drug traffickers," Agence France-Presse reported. Last Thursday, the FARC and Colombian government resumed peace talks with a focus on ending drug trafficking in the country, the third item on their agenda for peace talks.

Brazil's Manufacturing Activity Declines in November

Brazil's manufacturing activity declined in November to a seasonally adjusted 49.7 on the **HSBC** Purchasing Managers' Index, down from 50.2 in October, Reuters reported Monday. A 50 on the scale separates contraction from expansion. The volume of new orders declined for a fifth straight month, with the biggest drop occurring at capital goods firms, while Brazilian factories cut jobs for an eighth straight month. Output in the country rose in November, but at a slower rate than in October.

Venezuela Temporarily Seizes Smurfit Kappa Plant

Venezuelan President Nicolás Maduro said Saturday that his government had temporarily seized a packaging plant of Ireland-based **Smurfit Kappa Group**, which the government accused of price speculation, Bloomberg News reported. An inspection of the facility in Valencia revealed price increases of 166 percent for food packaging and 372 percent increases for packaging of other goods, said Industry Minister Ricardo Martínez.

Political News

Thousands Protest Hernández's Election in Honduras

Thousands of leftists, led by presidential candidate Xiomara Castro, marched through Tegucigalpa Sunday, claiming that the election of Castro's opponent, conservative ruling-party candidate Juan Orlando Hernández, was marred by fraud, the *Los Angeles Times* reported. Demonstrators, many wearing red baseball caps, marched alongside a coffin carrying the body of José Antonio Ardón, an activist of Castro's Libre party, who was fatally shot on Saturday, according to the Telesur television channel. Although authorities have not said who was responsible for the shooting, the protesters pinned blame on Hernández and his National Party. "Assassins!" the protesters chanted, Agence France-Presse reported. Despite the large crowd, the protest was mainly peaceful, according to authorities. On Saturday, Honduran electoral authorities confirmed that Hernández won the Nov. 24 election. He garnered 37 percent of the vote as compared to Castro's 29 percent, said the electoral institute, the *Los Angeles Times* reported. The remainder of the vote was split among candidates from smaller parties. Hernández is scheduled to take office Jan. 27. Castro and her husband, former President Manuel Zelaya, who was ousted in 2009, are demanding a recount. They claim that electoral officials hid 20 percent of the ballots that were marked for Castro. Observers who were monitoring the election for international organizations have said the vote count was most likely accurate. Honduras has been beset by rising levels of poverty and violence since the coup that toppled Zelaya. He increased social spending, but raised concerns that he was trying to indefinitely hold on to power. Honduras has the highest level of economic inequality in Latin America, with the gap soaring since the coup, according

Hernández

File Photo: Hernández Campaign.

Featured Q&A

Continued from page 1

wait for regulators to mandate new requirements; they should improve their understanding of the threat landscape and act early when it is affordable."

Jarrett Benavidez, managing director for Latin America and the Caribbean at Trustwave: "Energy companies, like all companies, need to protect themselves from cyber-attacks by taking a holistic approach to security. As these companies adopt new practices and technologies that allow them to operate and communicate more efficiently, they also adopt new risks and become more susceptible to cyber-attacks. The widespread use of smart phones and mobile applications, for example, has changed the landscape of cybersecurity. The 2013 Trustwave Global Security Report revealed a 400 percent increase in mobile malware during 2012. This dramatic increase demonstrates how criminals are increasingly targeting individual users of mobile devices to initiate larger attacks against their employing corporations, and thus create the need to implement controls governing the use of personal mobile devices on corporate networks. While criminals are targeting businesses across all industries, attacking energy companies is a particularly high-stakes game. Energy companies have massive amounts of data, such as personal records of millions of customers and hugely valuable intellectual property and R&D. Additionally, these companies own and manage the world's power supplies and distribution systems that if disabled by a cyber-attack would have almost limitless consequences from

Continued on page 4

Copyright © 2013, Inter-American Dialogue

to a report last month by the Washington-based Center for Economic and Policy Research. [Editor's note: See Q&A on the election in the Nov. 27 issue of the *Advisor*.]

U.S. Says it's Helping Cuban Mission to Find New Bank

The United States said is helping the Cuban Interests Section in Washington to find a new bank to operate its accounts after **M&T Bank** announced it was ceasing to provide banking services to foreign missions, the Associated Press reported last week. In a Nov. 27 communique, the U.S. State Department said that the bank severed its relationship with Havana due to "a business decision," adding that Washington has no power to order a bank to handle the accounts of a foreign mission. "The U.S. government seeks to help foreign missions in the United States that have trouble obtaining banking services, while ensuring the continued security of the U.S. financial system including through appropriate regulatory oversight," said the State Department. "We would like to see the Cuban missions return to full operations." The banking cutoff caused Cuba to stop providing nearly all consular services on Nov. 26, including visa processing and passport services, at the Cuban Interests Section in Washington as well as at its Permanent Mission to the United Nations in New York. Havana blamed the loss of its relationship with the bank on the five-decade U.S. embargo against Cuba. Approximately 557,000 U.S. travelers are expected to visit Cuba this year, carrying some $2 billion with them, a major boost for the nation's struggling economy, Emilio Morales of the U.S.-based **Havana Consulting Group** told the Associated Press. Most of the U.S. travelers to the communist island are Cuban-Americans who bring money to relatives, said Morales. In addition, smaller numbers of Americans traveling to Cuba for religious, academic and cultural exchanges are permitted to visit. "If there is no prompt solution to the measures taken by the government of Cuba on the suspension of consular services ... the Cuban people could be severely harmed economically by their relatives being unable to travel," Morales told the AP. " It would also mean million-dollar losses for agencies that sell airline tickets and for the Cuban government." Every month of delay could lead to lost remittances totaling $158 million, and $23 million in losses for travel companies, said Morales.

> "The Cuban people could be severely harmed economically by their relatives being unable to travel."
>
> — *Emilio Morales*

Job Postings

Readers of the *Advisor* and others occasionally ask us to pass along job announcements. We are pleased to share the recent Latin America-related listings below.

JP Morgan Private Bank, Latin America Strategist, New York, N.Y.

The World Bank, Financial Management Specialist, Latin America, Washington, D.C.

Otter Box, Marketing Manager for Latin America, Located in the United States

Fitch Ratings, Director, Latin America Sovereigns, New York, N.Y.

Frontier Strategy Group, Senior Analyst, Latin America, Washington, D.C.

Wood Mackenzie, Senior Upstream Analyst, Latin America, Houston, Tex.

Company News

Chile's CorpBanca Confirms Merger Talks, Deal Could be Worth $5 Bn

Chilean lender **CorpBanca** confirmed Friday that it is discussing a possible merger with a Chilean or foreign bank, Reuters reported. A merger deal could be worth as much as $5 billion, the wire service reported. "CorpBanca is analyzing, with the assistance of international investment banks, a possible transaction that involves the bank in a business tie-up with national or foreign operators," the bank said in a statement to Chile's securities regulator after the close of trading on Friday. Local online news publication *El Mostrador* reported that the bank was in talks about a potential merger with Chile's **Banco de Crédito e Inversiones**, Brazil's **Itaú Unibanco**, Spain's **BBVA** and Canada's **Bank of Nova Scotia**. In the report, *El Mostrador* cited documents from **Merrill Lynch**, which it said was acting as an advisor on the talks along with **Goldman Sachs**. A merger could be done in the form of a share swap, *El Mostrador* reported. Itaú is offering just over $5 billion, while the offer from Scotiabank includes $1 billion in cash, and BBVA is offering between $300 million and $400 million in cash, the site reported. BBVA, Banco de Crédito e Inversiones and Scotiabank declined requests for comment by Reuters, and the news service was unable to reach a representative at Itaú. CorpBanca said Friday that it had not reached any agreement on a deal. Alvaro Saieh, the billionaire who controls CorpBanca through the **CorpGroup** financial services group, has been working to raise cash since his retail firm **SMU** breached debt covenants this year because of an accounting error. On the day CorpBanca confirmed the merger talks, its stock rose 3.8 percent in Santiago to 6,850 pesos. That values the company at approximately 2.33 trillion pesos ($4.39 billion).

Copyright © 2013, Inter-American Dialogue

Featured Q&A

Continued from page 2

communication to transportation to security. Disabling an energy company or a power grid would yield high-profile results and thus make tempting targets for anyone trying to get their message out into the media. It is the responsibility of energy companies, under the close supervision of governments who should be carefully monitoring compliance with security standards and best practices, to ensure that the planet's power sources and distribution systems are protected as much as possible to minimize the risk of a debilitating attack on this critical infrastructure."

Luca Tenzi, corporate security expert and lecturer: "A number of studies and reports indicate that to date there have been a number of attacks worldwide against IT infrastructure belonging to Exxon, Shell, BP and others. It's a given that industrial and economic espionage runs unstoppable along Internet lines, while a reality of governmental units engaged in operations of industrial espionage in favor of major domestic companies is taking concrete shape. An example can be highlighted from the analysis of the Brazilian government's reaction to the NSA spying activities revealed by Edward Snowden. It is certainly not surprising that Brazil has been, and probably still is, monitored by intelligence services, mainly due to the foreign policy of former President Luiz Inácio Lula da Silva, who transformed Brazil from Latin America's 'sleeping lion' into a key stakeholder in the regional geopolitical turmoil. Nevertheless, what seems to appear more nuanced is the real motivation that gave impetus to these kinds of activities. Is it possible that a government supported electronic espionage activities against multinationals competing in the Brazilian market? As reported by the Brazilian media, the answer seems to be yes. Indeed, it seems that the Canadian and American intelligence services were spying on Minister Edison Lobão and his Ministry of Mines and Energy, as well as on state-owned companies Petrobras, Eletrobras and agencies in charge of oil exploration. This information is particularly relevant if we consider that three of the largest mining companies are based in Canada. These facts led Minister Lobão to explicitly state that Canada has a particular economic interest in Brazil, especially in the mining sector, and wonder if the intelligence operations carried out against Brazil in this area did serve Canadian business interests. However, the information war today may not be the only scenario of concern. It is not unlikely, in fact, that some companies may decide to rely more and more on covert units or, even better, on third-party companies to raise the level of competition against their competitors, bringing it to a cyber-warfare level with business interruptions and system shutdowns."

> "It's a given that industrial and economic espionage runs unstoppable along Internet lines."
>
> *— Luca Tenzi*

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

Megan Cook
Reporter, Assistant Editor
mcook@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

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.