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FEATURED Q&A

Is a Rising Tide of Violence Engulfing Latin America?

Q Between 2000 and 2013, the murder rate in Latin America increased by 11 percent, while it stabilized or declined in most of the other regions of the world, according to a recent UNDP report. The report also noted that criminal violence has left more than one million people dead in Latin America and the Caribbean over the past decade. Is a rising tide of violence engulfing Latin America, and why is public safety reportedly worsening in the region as compared to other parts of the world? What must governments and other actors do to arrest the trend? How has a reported deterioration of public safety affected reputation-sensitive business sectors in the region, such as tourism?

A Jack Devine, president, and Amanda Mattingly, director for Latin America, at The Arkin Group: "Latin America has been struggling with a climate of insecurity, and indeed, the negative trend line threatens business opportunities, foreign investment, and economic growth. The problem is not isolated to one country—Venezuela has an average of 70 kidnappings per day; Honduras has a murder rate of 86.5 per 100,000 inhabitants; Mexico believes violent crime costs the country as much as 15 percent of economic output each year. Several factors have contributed to increased crime rates, including those related to poverty, unemployment and urbanization. However, the most critical factor pertains to the rule of law and weak judicial institutions. Countries in Latin America still lack law enforcement authorities with the capacity to police their territories or administer justice equally and expeditiously. Poor governance and a perception of corruption among law enforcement officials continue to undermine the authority of the state and the rule of law. Gangs, criminal organizations and drug cartels have filled the vacuum, and the accompanying violence has become pervasive. To break the cycle, governments from

Continued on page 3

Latin America, Caribbean to See 3.2% Growth Next Year: ECLAC

The region will experience economic growth of 3.2 percent next year, the Economic Commission for Latin America and the Caribbean said Wednesday. ECLAC's head, Alicia Bárcena, said more international trade in 2014 could help drive growth. See story on page 2.

Photo: ECLAC.

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NEWS BRIEFS

Mexico's Lower House Approves Energy Overhaul

The lower house of Mexico's Congress late Wednesday approved an energy-sector overhaul that would end the 75-year monopoly of state oil company **Pemex**, Bloomberg News reported. Members of the Chamber of Deputies approved the measure on a vote of 354-134 and are still debating challenges to some articles of the legislation. If the challenges by minority parties fail, the reform will be sent to Mexico's state legislatures, more than half of which are expected to approve it.

France's Hollande Begins Two-Day Visit to Brazil

French President François Hollande today begins a two-day visit to Brazil aimed at strengthening ties between the two nations, whose trade totals $8.8 billion, Agence France-Presse reported. Hollande's agenda includes preparing a climate pact and developing Franco-Brazilian academic exchanges. Several agreements are scheduled to be signed, including for French oil and gas giant **Total**'s participation in the Libra pre-salt field.

Argentina to Release New CPI, GDP Indexes

Argentina's chief of cabinet, Jorge Capitanich, said Wednesday that the country will release a new consumer price index (CPI) in February and a new GDP index in March, MercoPress reported. Capitanich added that details of the new CPI index will be shared in January, but not the figures. On Tuesday, the IMF said that Argentina would have to release new data by the end of March in order to avoid IMF sanctions, which would block it from voting and accessing finance.

Economic News

Latin America, Caribbean to Grow 3.2 Percent in 2014: ECLAC

The economies of Latin America and the Caribbean will experience 3.2 percent growth next year, higher than this year's expected growth of 2.6 percent, the United Nations Economic Commission for Latin America and the Caribbean said Wednesday. In an annual report, ECLAC said that less buoyant economic demand, as well as more international financial volatility and lower levels of consumption were to blame for the modest performance of countries in the region in 2013. The commission revised its expectation for this year's growth down from July when it expected 3 percent growth for the year. Next year will bring a more favorable external environment that will boost external demand and, in so doing, the region's exports. Private consumption in Latin America and the Caribbean is also expected to grow, though more slowly than in the past, said ECLAC, which added that the region's countries are seeing a continued challenge in boosting investment. "The world economic situation in 2014 provides opportunities and threats for Latin America and the Caribbean," ECLAC's executive secretary, Alicia Bárcena, said in releasing the report. "Opportunities include increased international trade and the possibility of harnessing currency depreciations to ensure sustained changes in relative prices. This—along with industrial policies to support growth, boost regional integration and help small and medium-sized enterprises—could help to increase investment in diversifying production in tradable goods and to reduce the region's structural heterogeneity."

> "The world economic situation in 2014 provides opportunities and threats for Latin America and the Caribbean."
>
> — *Alicia Bárcena*

Ongoing global economic volatility and a higher level of external financing costs in addition to a lower contribution of consumption to growth in gross domestic product present economic threats to the region, according to the report. Also, the region faces a worsening regional current account. The report said Panama will have the region's highest growth rate next year, at 7 percent. Bolivia and Peru will see 5.5 percent growth, Nicaragua and the Dominican Republic will grow at 5 percent, while Colombia, Haiti, Ecuador and Paraguay will see 4.5 percent growth. Argentina and Brazil are expected to post expansions of 2.6 percent, while Chile and Costa Rica will see growth of 4 percent, the report said. Guatemala, Mexico and Uruguay will experience 3.5 percent growth, while Venezuela's economy will expand 1 percent, it added. In 2014, the Caribbean is expected to recover with 2.1 percent growth following a lackluster 1.3 percent expected growth this year.

Political News

Uruguay's Legalization of Marijuana Violates International Law: INCB

Uruguay's move to legalize the growing, purchase and smoking of marijuana violates a five-decade-old international convention and fails to consider the negative health effects of consuming the drug, the International Narcotics Control Board said Wednesday, Reuters reported. Rather than protecting young people, the South American country's decision will have the "perverse effect of encouraging early experimentation" with marijuana and lowering the age at which people first use it, said the board's president, Raymond Yans. The INCB, a quasi-judicial watchdog agency for the implementation of United Nations drug conventions, said Uruguay's legalization contravenes the 1961 Single Convention on Narcotic

Yans

File Photo: INCB.

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Drugs, to which the INCB said Uruguay is a party. Under the terms of the convention, governments are required to limit the use of cannabis to only medical and scientific uses, said Yans, who expressed surprise that Uruguayan lawmakers "knowingly decided to break the universally agreed and internationally endorsed legal provisions of the treaty." The INCB also called on Uruguay "to engage with the board with a view to ensure that Uruguay continues to respect and implement the treaties to which it is a party." The board did not say whether it plans to take any action against Uruguay. The South American country's Senate gave final legislative approval Tuesday to the legalization measure, which has the support of President José Mujica.

Company News

Etrion, Total and Sunpower Secure Funding for 70-MW Solar Project

California-based **SunPower Corp.**, which is 66 percent owned by French oil and gas company **Total**, and Geneva-based **Etrion** announced Wednesday that they have secured financing for their 70-megawatt solar project to be located in Chile's northern Atacama region, Project Salvador, which is estimated to cost $200 million. The companies recently signed an agreement with the U.S. government's development finance institution, the Overseas Private Investment Corp. (OPIC) for loans that account for 70 percent of the project's financing. The companies and project developer **Solventus** will provide the rest of the funds according to their ownership interests. Construction of the plant will begin in January, with most commercial operation expected to begin in 2014 and full commission expected in early 2015. The solar plant will sell electricity on a spot basis to Chile's Sistema Interconectado Central (SIC), and will be the world's largest solar plant based on merchant revenues, meaning it will sell directly to the grid without subsidies. Project Salvador is expected to generate 200 gigawatt-hours of energy annually, enough to meet the needs of 80,000 Chilean households.

Featured Q&A

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Mexico to Brazil must work to strengthen their law enforcement capacities by providing enhanced training, equipment and pay for authorities, and to enact real judicial reform. For example, crime rates are down in Colombia where the government has dedicated itself to reform efforts since 2000, strengthening its police, judiciary, and corrections system. Finally, a holistic approach that involves civil society and private sector businesses as well as international partners such as the United States will help to arrest the trend."

A Gino Costa, president of Ciudad Nuestra in Lima and former interior minister of Peru: "One of the great paradoxes of Latin America during the last decade has been the deterioration of security conditions amid the most notable period of economic growth and social progress in its history. The increase in homicides is the best example of this, as demonstrated by the recently published UNDP report. The region already had among the highest rates of lethal violence in the world. Eleven of the 18 Latin American countries studied in the report have epidemic levels of violence, and in only three cases are the rates lower than the world average. Average figures, however, mask important differences among subregions and countries, and even within them. In general, the phenomenon tends to be rather focused. The majority of the victims—and perpetrators—are male, young, urban and poor. Ten men are killed for every woman, and homicides among youths are twice the overall average. What can be done to reverse this dramatic situation? The UNDP report makes recommendations. First, it is necessary to accept the challenge of lowering deadly violence. It is possible to prevent and reduce it, and some countries and cities in the region have shown that it can be done. Second, it is necessary to improve information systems in order to know exactly where, when, how and why it occurs. Third, it is necessary to act on the triggers of violence (weapons, drugs and alcohol). Fourth, the youth population must be attended to, especially in marginal areas where the most violent homicides occur. Fifth, criminal investigations and criminal justice must be strengthened, while combatting corruption and impunity. Sixth, the exchange of experiences must be facilitated so that lessons can be learned from those who are successful."

A R. Evan Ellis, assistant professor of national security studies at the William J. Perry Center for Hemispheric Defense Studies in Washington: "The increasing violence is mostly about drugs, involving three separate dynamics. In Mexico, the government of Felipe Calderón deployed the military to confront criminal cartels well-entrenched in society, destabilizing an equilibrium behind which Mexican institutions had increasingly been co-opted, and unleashing violence (principally between the cartels, including affiliated gangs) that continued until the successor government of Enrique Peña Nieto quietly shifted the government's strategy. During the same period, successes in interdiction of drug movements by air and sea to the United States forced narcotraffickers to increase the use of land routes through Central America, empowering the MS-13 and Barrio 18 street gangs as local transporters and distributers and unleashing wars between them for control of turf. Similarly, the movement of drugs from Bolivia to new markets in Europe and Russia stimulated local demand, empowered local gangs and spawned turf wars along the way in Brazil, Uruguay and northern Argentina. In Venezuela, murder and other crime have spiraled out of control as the police, judiciary and penal institutions have become thoroughly corrupted during 14 years of 'Bolivarian' government, while senior police and military officials have

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Featured Q&A

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become agents of the narcotraffickers. There are no fast, easy or cheap solutions, but narco finances should be targeted as a center of gravity, while corruption may be targeted through regular tests and technical verification leveraging support from outside the institutions. In Venezuela, the restoration of democratic accountability is probably a prerequisite for separating the criminals from the apparatus of state and rebuilding both law enforcement and society."

Adam Isacson, senior associate for the regional security policy program at the Washington Office on Latin America: "The region's wave of criminal violence has several causes. Recently-established democracies were slow to strengthen civilian police, leaving populations unprotected. Insufficient judicial capacity made it difficult to curb corruption, including officials' links to organized crime. A generation has grown up with a large cohort, especially in fast-growing urban areas, who neither find employment nor go to school. And especially after the mid-1990s fall of Colombia's monopolistic cartels, a democratization of the drug trade has spread organized crime's reach. The violence is ebbing a bit, for now. Since 2010-11 Mexico, El Salvador, Guatemala, Colombia, Brazil and even Honduras have seen modest declines in violent crime. Some of that owes to incipient judicial and police reforms, and a few innovative community policing experiments. Some owes to efforts to create opportunities for at-risk youth. Almost none owes to the 'iron fist' or military-centric strategies that some countries have employed. Too often, though, the main cause has nothing to do with governance. Many drops in violent crime are resulting either from organized-crime groups entering into pacts, or from one organized crime group gaining local dominance. The resulting criminal equilibriums bring down violence. We can take many lessons from this; here are two. First, these are unstable equilibriums. With long-term needs for reform, accountability and economic opportunity unmet, violence may flare up again. Second, drug trafficking, which persists at high levels, is being decoupled from violence, which is dropping. The best way to combat violence, it turns out, is to target groups generating violence, not the drugs they traffic."

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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