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FEATURED Q&A

What Can Bolivians Expect From Morales' Third Term?

Q Evo Morales on Jan. 22 began his third term as Bolivia's president. In his inaugural address, Morales vowed to reduce poverty and said his country has reduced its dependence on the United States during his presidency. What can Bolivians and businesses expect from Morales' new term? Will he succeed in reducing poverty? Will Bolivia-U.S. relations improve while Morales is in office, and should that be a priority for the two countries?

A Roberto Laserna, director of the Center for the Study of Economic and Social Reality (CERES) in Cochabamba, Bolivia: "It is true that poverty declined and a new middle class emerged during the last 10 years in Bolivia. These mostly came due to the export bonanza driven by the unusually high commodity prices in international markets and the coincidental start in operations of big investment projects in the hydrocarbons and mining sectors. The bonanza expanded international trade and public expenditures, trickling down opportunities in the commercial, financial, transportation and construction sectors. Government policies had very little to do with these processes. The major problem is that this is hardly sustainable. Even if international prices were to remain high, a lack of investment in exploration is exhausting reserves and hampering Bolivia's capacity to export in the long term. This threatens the current export-oriented model, including the most relevant and efficient redistribution policy of the Morales government: Renta Dignidad, the non-contributive universal pension to people older than 60, since most of it comes from natural gas rents. Political dependency on the United States has been certainly reduced, but economic dependency on raw materials is greater than ever. Improving relations with the United States (or with Europe for that matter) is not a priority for the Bolivian government and will not be until the authorities recognize the advantages of

Continued on page 3

Mexican Attorney General's Office Defends Investigation

Mexican Attorney General Jesús Murillo Karam's office on Monday defended its investigation into the September disappearance of 43 college students following statements by Argentine experts that the probe was marred by errors. See brief on page 2.

File Photo: Mexican Government.

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NEWS BRIEFS

Mexican Official Defends Probe into Students' Disappearance

Mexico's attorney general's office on Monday defended its investigation into the September disappearance of 43 college students following statements by Argentine experts that Mexico's investigation was marred by errors, Agence France-Presse reported. The Argentine group of forensics experts said there was no scientific evidence that the students' bodies were incinerated by a drug gang. But Mexican Attorney General Jesús Murillo Karam's office said there is ample evidence to conclude that the students were murdered by a drug gang.

Protesters, Police Clash in Haiti Over Fuel Prices

Police and protestors clashed in Port-au-Prince as demonstrators demanded lower fuel prices, the latest in a series of protests in Haiti over the cost of gasoline, BBC News reported Monday. The government recently cut the price of a gallon of gasoline by 25 cents to about $4.50, and further cuts will reduce it to about $4, while diesel prices were reduced by 20 cents to $3.55 and will decrease further to $3.30. Protestors have said the cuts are not enough to reflect the global drop in oil prices.

Brazil's São Martinho Sees 66 Percent increase in Net Profit

Brazilian ethanol and sugar producer **São Martinho** said Monday that its October-to-December net profit grew 66 percent year-on-year to 54.6 million reais ($19.7 million) due to increased sugar sales and biomass electricity, Reuters reported. The company's sugar output increased 25 percent during the April to December crushing season.

Political News

Venezuela Had Billions in Secret Swiss Accounts: Report

Venezuela's government at one point had as much as $11.9 billion in secret Swiss bank accounts with **HSBC**, according to a report released Monday by the International Consortium of Investigative Journalists, the *Miami Herald* reported. According to data released by the group, Venezuelan clients, including individuals with accounts at the London-based bank, had $14.8 billion in Swiss accounts between 1998 and 2007. Venezuelan clients of HSBC had more money in Swiss accounts than those of any other country except for Switzerland, which had $31.2 billion, and the United Kingdom, which had $21.7 billion, the report said. Keeping bank accounts in Switzerland, which is known for its secrecy in banking laws, is not illegal. However, the amounts of money kept in Swiss accounts by Venezuela's government raise questions about transparency at a time that the South American country is beset by numerous economic problems. The official listed on the Venezuelan Treasury Office account is Alejandro Andrade, who once was a bodyguard for late President Hugo Chávez and eventually became the country's national treasurer between 2007 and 2010. Andrade also headed the Economic and Social Development Bank of Venezuela, or Bandes, from 2008 to 2010. During Andrade's time at Bandes, the U.S. Attorney for the Southern District of New York charged four of the development bank's officials in a kickback scheme that produced $66 million for a brokerage in Miami, the *Herald* reported. Andrade, who now lives in Wellington, Fla., was not charged in the case. The revelations about the Venezuelan government money in the Swiss accounts led opposition lawmakers in Venezuela to demand answers. "As a citizen and deputy, I want the government to explain where those deposits of public funds that were in Swiss bank accounts went," opposition legislator Andrés Velásquez said in a posting on Twitter. The details about the accounts came from Hervé Falciani, a former employee of HSBC, who gave the information to France's government in 2008. The International Consortium of Investigative Journalists received the information after French daily newspaper *Le Monde* obtained it from the government and shared it with the international group of journalists. The data also include information about several other accounts. Brazilian clients had 8,667 Swiss accounts at HSBC, according to the investigative journalists' group, the Associated Press reported. Ecuador's richest man, Álvaro Noboa, as well as Mexican billionaires Carlos Hank Rhon and Camil Garza are also on the list of HSBC clients with Swiss bank accounts, the *Miami Herald* reported. HSBC said the information released is eight years old and added that the bank has since taken action to prevent its accounts from being used for money laundering and evading taxes. The bank has closed accounts from clients who "did not meet our high standards," Franco Morra, of HSBC's subsidiary in Switzerland, told the *Herald*.

Economic News

Argentine Central Bank to Loosen Currency Controls for Importers

Argentina's central bank announced Monday that it would easy currency controls for importers by gradually boosting the number of authorizations it allows for purchases of dollars, Reuters reported. The effort is an attempt by the central bank to calm protests over the currency controls, which critics say are harming the economy. Businesses in the South American country must submit a request to the central bank every time they want dollars to pay for imports. Last week, the central bank refused all requests for three days, preventing importers such as vehicle makers from operating at full capacity. "The central bank will slowly increase the possibility of access to the foreign currency market for importers to cancel out payment promises, while also adopting the relevant measures to avoid speculative maneuvers," the bank, which is headed by Alejandro Vanoli, said in a statement. The bank did not provide details about how

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much it would boost importers' access to the U.S. currency. Late last year, Vanoli said Argentina's government would start to normalize its currency market in 2015. However, the bank does not seem to have taken any actions to ease the currency controls. The scarcity of dollars has its roots in Argentina's massive debt default in 2001. Argentina has been locked out of global credit markets since then and has relied on foreign reserves to finance imports, boost its currency and pay off debts. It enacted currency controls to protect its declining level of foreign reserves and, in so doing, stoked a black market for currency.

Vanoli

File Photo: Argentine Government.

Company News

Netflix Starts Selling Video Service in Cuba

U.S.-based **Netflix** on Monday started offering its online video service in Cuba, the Associated Press reported. The company's announcement follows the thaw in relations between the United States and Cuba and the recent loosening of restrictions on U.S. companies in doing business with Cuba. However, Netflix's move appears to be largely symbolic as a small number of Cubans have the high-speed Internet access required for streaming television shows and movies, and Netflix's $8 per month subscription fee is unaffordable to most Cubans. Any subscribers in Cuba would also have to establish an international method for payment as a ban on making U.S. payments is still in effect. Only about 27 percent of Cubans have access to the Internet, the AP reported, citing Internet Live Stats, which compiles data from the International Telecommunications Union, the United Nations and the World Bank. Washington-based non-governmental organization Freedom House estimates that only 5 percent of Cubans have internet access. Still, Los Gatos, Calif.-based Netflix is hoping that Cuba's Internet service improves and that the rapprochement between the United States and Cuba will continue, the AP reported. Netflix expanded into several Latin American countries in 2011 and now has more than 5 million subscribers in the region. Latin America accounts for almost 10 percent of the company's 57 million customers globally. It has about 39 million customers in the United States, but is experiencing its fastest growth overseas. By the end of next year, the company wants to be providing streaming video in 200 countries, including China if it can get the needed approvals.

Freedom House estimates that only about 5 percent of Cubans have Internet access.

Featured Q&A

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global integration, which will only come as natural resources rents decline, either by lower prices or by reserves exploitation. The bonanza is about to end, and Bolivia has not changed its economic structure to make the achievements of the last years a sustainable success."

A Kathryn Ledebur, director of the Andean Information Network in Cochabamba: "Poverty fell 25 percent, and extreme poverty sank by 43 percent during Morales' tenure. Popular cash-transfer programs for mothers, students and the elderly contribute significantly to this progress and will continue during his third term, although Morales has warned that a potential economic downturn may slow the pace of reforms. Overall policy goals should continue, and the administration has announced justice sector reform, though its details remain unclear. Large-scale business should continue to peacefully co-exist with Morales in spite of a reduced economic bonanza. Small-business owners will still struggle with bureaucracy and the need to meet retroactive salary raises and double holiday bonuses that benefit formal sector workers. Morales recently expressed a desire to exchange ambassadors with the United States, but the underlying mistrust and mutual resentment between the two nations have not been even superficially addressed, and renewed efforts could fall flat as they did after the 2011 bilateral framework agreement. In January, Morales administration officials asked to resume intelligence exchange with the U.S. Drug Enforcement Administration (without a formal presence in Bolivia) in spite of its 2008 expulsion. Yet, it is doubtful the agency, reticent even to allow its partner nations to share information with Bolivia, will accept a limited presence in lieu of its traditional 'my way or the highway' approach. Although improved relations would benefit both nations, the countries' diplomatic rapport is continuing even without ambassadors and perhaps has improved with the absence of U.S. funding, a frequent bone of contention during the past decade."

> "The underlying mistrust and mutual resentment between the two nations have not been even superficially addressed..."
>
> *— Kathryn Ledebur*

A César Arias, associate director of Latin American sovereigns at Fitch Ratings: "The main foreign policy drift in Evo Morales' third term might not be a rapprochement with the United States, but rather a strengthening of investment

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Featured Q&A

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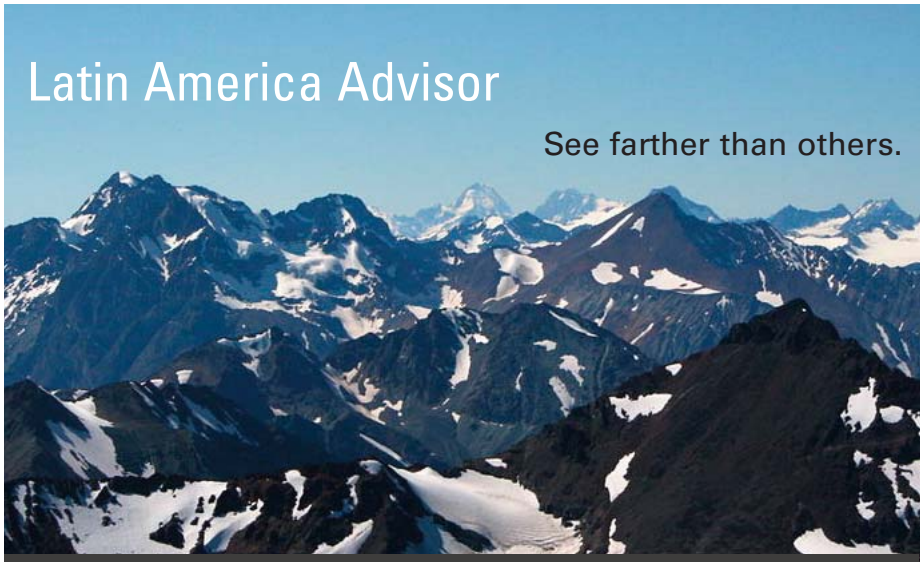
and financial links with China. The Bolivian authorities announced negotiations for up to $3 billion, 9 percent of 2014 GDP, in bilateral loans with China after a trip to Beijing last November. multilateral loans and the issuance of $1 billion in bonds in 2012-2013. However, lower gas export receipts, which are tied to global oil prices, and tighter international liquidity conditions are prompting

> "The main foreign policy drift in Evo Morales' third term might not be a rapprochement with the United States, but rather a strengthening of investment and financial links with China."
>
> *— César Arias*

Chinese loans are expected to support Morales' ambitious national development strategy, which envisions an acceleration of extractive projects, infrastructure investment and industrialization policies between 2015 and 2020. The loan disbursements will focus on three main areas: inter-province road connectivity, the construction of an export-oriented train line and port, and the development of the large iron ore deposits in the Mutún Mountain. In the last three years, Bolivia has covered 80 percent of its public investment financing requirements with tax collection and commodity-derived revenue and only 20 percent with Bolivian officials to diversify its external financing sources. Last month, for example, the ministry of finance suspended the placement of an additional $1 billion in global bonds contemplated in the 2015 budget due to the recent widening of sovereign spreads for energy exporters, the strong appreciation of the dollar and the expectation of higher interest rates in the United States."

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



The **Latin America Advisor**'s daily **Q&A** section helps readers plan ahead. What do you need to know? E-mail to freetrial@thedialogue.org for access.

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