LATIN AMERICA ADVISOR

A DAILY PUBLICATION OF THE DIALOGUE

www.thedialogue.org

Wednesday, May 27, 2015

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THEDIALOGUE

FEATURED Q&A

Can the U.S. Help Fix the Caribbean's Energy Problems?

Obama met last month in Kingston with Jamaican Prime Minister Portia Simpson-Miller. // Photo: White House.

Q U.S. President Barack Obama announced last month in Jamaica that the United States will offer $20 million in funding for clean energy investments in the Caribbean, a region that has become increasingly dependent on oil from economically troubled Venezuela and where high power costs have curtailed growth. One of the aims of Obama's trip, during which the U.S. Department of Energy also signed a statement of intent with Jamaica's Science and Energy Ministry to cooperate on infrastructure, storage and diversification of fuels, was to deepen U.S. energy ties with the region. What's driving the Obama administration's push for Caribbean energy cooperation? Is it a commitment the United States will continue after Obama leaves office? Are U.S. efforts focused on the right areas to make a difference in the Caribbean's energy problems? What potential issues could cause plans to fall short of expectations?

A Johanna Mendelson Forman, senior advisor at the Stimson Center's Managing Across Boundaries program and scholar-in-residence at the School of International Service at American University: "President Obama's April 9 announcement of a $20 million fund to advance green energy projects in the Caribbean should come as no surprise. The impending demise of Venezuela's oil largesse, known as Petrocaribe, has cast a long shadow on the energy future of the Caribbean, so dependent on fossil fuels for electric power generation and transport. The drivers of this U.S. push for cooperation are hardly subtle. The Caribbean is our third border, and any disruption has larger national security implications. Three specific reasons about timing

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FIFA, Company Officials Indicted in Alleged Graft Scheme

Nine officials of soccer's governing body, FIFA, and five corporate executives have been indicted on racketeering, wire fraud, money laundering and other charges.

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Peña Nieto, Rousseff Agree to Expand Trade Deal

Mexican President Enrique Peña Nieto and Brazilian President Dilma Rousseff on Tuesday in Mexico City agreed to expand a deal that they hope will double trade between their nations.

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Almagro Takes Office as OAS Secretary General

Former Uruguayan Foreign Minister Luis Almagro took office Tuesday as secretary general of the Organization of American States.

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Almagro //File Photo: OAS.

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POLITICAL NEWS

U.S. Indicts FIFA Officials in Alleged $150 Million Corruption Scheme

Nine officials of soccer's governing body, FIFA, and five corporate executives have been indicted on racketeering, wire fraud, money laundering and other charges in connection with an alleged $150 million bribery and kickback scheme, the U.S. Justice Department announced this morning. The defendants, including Latin American and Caribbean nationals, were involved "in a 24-year scheme to enrich themselves through the corruption of international soccer," the Justice Department alleged in a statement. The 47-count indictment, which was unsealed in federal court in Brooklyn, N.Y., also named U.S. and South American sports marketing executives "who are alleged to have systematically paid and agreed to pay well over $150 million in bribes and kickbacks to obtain lucrative media and marketing rights to international soccer tournaments," the Justice Department said. Early this morning, Swiss authorities conducted an operation at the five-star Baur au Lac hotel in Zurich, where FIFA officials had gathered for their annual meeting, to arrest seven of the people named in the indictment. Among those charged are Jeffrey Webb and Jack Warner, "the current and former presidents of CONCACAF, the continental confederation under FIFA headquartered in the United States," said the Justice Department. Also named in the indictment are Eduardo Li, the current FIFA executive committee president and president of the Costa Rican soccer federation; Julio Rocha, current FIFA development officer and former head of the Central American Football Union; and Costas Takkas, attaché to the CONCACAF president and former general secretary of the Cayman Islands Football Association. In addition, sports marketing executives named in the indictment include Alejandro Burzaco, controlling principal of Argentina-based Torneos y Competencias and Hugo and Mariano Jinkis, controlling principals of Full Play Group, which is also based in Argentina. U.S. authorities also unsealed guilty pleas of four individual defendants and two corporate defendants in connection with the alleged corruption, the Justice Department said. It alleged that FIFA officials and sports marketing executives engaged in a scheme that derived revenue through the commercialization of "media and marketing rights associated with soccer events and tournaments" and said the activities had occurred for 24 years. "The indictment alleges corruption that is rampant, systemic, and deep-rooted both abroad and here in the United States," U.S. Attorney General Loretta Lynch said in a statement. "It spans at least two generations of soccer officials who, as alleged, have abused their positions of trust to acquire millions of dollars in bribes and kickbacks." In a related announcement, prosecutors in Switzerland said they had launched criminal proceedings against unidentified officials in connection with suspected money laundering and mismanagement related to FIFA's decisions to hold the 2018 World Cup in Qatar and the 2022 World Cup in Russia, The Washington Post reported. The arrests came just ahead of the expected re-election of Sepp Blatter as FIFA's president. Blatter was not charged in the indictment and denied earlier this month that he was the target of the U.S. investigation.

Lynch // File Photo: U.S. Department of Justice.

Uruguay's Almagro Takes Office as OAS Secretary General

Former Uruguayan Foreign Minister Luis Almagro took office Tuesday as secretary general of the Organization of American States, pledging to re-incorporate Cuba into the organization, EFE reported. "Cuba's presence, combined with renewed bilateral relations with the United States... is beneficial for the entire

NEWS BRIEFS

Morales Replaces Officials After Belaunde's Escape

Bolivian President Evo Morales on Tuesday named a new interior minister and national police chief after Martín Belaunde, a former advisor to Peru's president who faces corruption charges, escaped house arrest over the weekend, Reuters reported. Hugo Moldiz resigned as interior minister, and lawyer Carlos Romero was named as his replacement. Police chief Luis Enrique Cerruto also resigned and was replaced by Ramiro Téllez, head of a special unit known as the Special Force to Fight Crime.

Former Petrobras Exec Sentenced to Five Years in Prison for Corruption

A former top executive at Brazil's Petrobras on Tuesday received the harshest punishment so far in the corruption scandal that has tarnished the state oil company's image, The Wall Street Journal reported. Former international operations director Nestor Cerveró was convicted of money laundering and sentenced to five years in prison and was fined for his role in the scheme, in which suppliers are alleged to have inflated contracts, with company employees skimming off the extra money. Cerveró's lawyer said his client was not part of the scheme and will appeal the sentence.

Peña Nieto, Rousseff Agree to Expand Trade Deal

Mexican President Enrique Peña Nieto and Brazilian President Dilma Rousseff on Tuesday in Mexico City agreed to expand a deal that they hope will double trade between their nations, Latin America's two largest economies, over the next decade, The Wall Street Journal reported. The nations agreed to expand their 2002 economic cooperation agreement to cover agricultural and industrial products, services, e-commerce and intellectual property rights, Peña Nieto said.

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stand out. First is the inability of Venezuela to continue its oil program with concessional repayment programs, especially with the price of crude oil hovering at $60 a barrel. Second is the Obama administration's return to a more robust climate change mitigation program and the devastating impact especially in small island states of the neighboring Caribbean. Third is the growing market for the United States to provide natural gas as a transitional fuel to the Caribbean. The U.S. windfall of gas and oil from fracking has changed our ability to become an exporter to the Caribbean. American companies are eager to compete to build the necessary infrastructure to make this a reality. And if the United States does not move quickly, Chinese investors are already eying the potential for building LNG terminals in the Caribbean, especially in Cuba and the Dominican Republic. Any new administration will continue to support the Caribbean's urgent needs to address energy security. Just as Obama adopted the policies of the Bush administration to support renewable energy development in the Caribbean, continuity of this agenda is highly likely, especially as the Cuba embargo is gradually lifted and that island can become a green energy platform as well as a recipient of LNG. Moreover, the private sector, which provides the bulk of funding for new projects, will not disappear with shifting political cycles. What could thwart the energy future of the Caribbean? A failure to revise regulatory frameworks, technology costs remaining out of reach, inadequate infrastructure and push-back by state-run energy companies, many of which are hobbled by corrupt practices."

Ronald Sanders, consultant, former Caribbean ambassador and senior fellow at the Institute of Commonwealth Studies: "Twenty million dollars is a very small sum to fund clean energy investments in the Caribbean in any serious way. The enormous cost of building the infrastructure to transition from fossil fuels requires Caribbean governments to have access to concessionary financing from international financial institutions (IFIs). The U.S. government has undertaken to support change in the criteria for concessional financing so as to allow qualification for Caribbean countries that up to now are 'graduated' because (apart from Haiti) they are not low-income countries. The change, if it occurs, will not do so with the required immediacy. The majority of Caribbean countries also now confront high debt. With oil prices now substantially lower than they have been for decades, there is little incentive to incur the huge capital cost of moving to clean energy sources. What appears to be driving this belated U.S. interest in the Caribbean's energy sector are two things: a desire to neutralize the reliance of many Caribbean countries on Venezuela, which supplies petroleum and petroleum products under a payment scheme that incorporates long-term loans at low interest rates, and the wish to sell U.S. natural gas and clean energy technology to the region. The latter will not be achieved unless the United States provides direct funding on a concessionary basis and inducements to its private sector to invest. On the matter of Venezuela, Caribbean governments that now benefit from the advantageous payment scheme will not turn away from it while it continues. If any U.S. government is seriously concerned with improving conditions in the Caribbean to achieve higher levels of prosperity that discourage refugees and illegal migration as well as reduce crime and promote greater political stability, it needs to develop a comprehensive plan for the area. It would best do so by consulting with regional governments on such a plan."

Rafael Cox Alomar, assistant professor of law at the David A. Clarke School of Law at the University of the District of Columbia: "The Obama administration, more so than any of its post-Cold War predecessors,

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hemisphere," Almagro told the OAS' Permanent Council in Washington. Cuba's membership in the OAS was suspended in 1962. Almagro's vow to re-incorporate Cuba followed the historic thaw between the United States and Cuba,

Cuba's suspension from the OAS was lifted in 2009.

which the countries' presidents announced in December. The OAS lifted Cuba's suspension in 2009, but the Caribbean nation has shown little interest in rejoining the organization. As OAS chief, Almagro succeeds Chilean José Miguel Insulza, who held the post for two consecutive five-year terms.

BUSINESS NEWS

Peru Wins Case Against Camisea Consortium

Peru's government has won a dispute with the Camisea consortium, which operates the gas field of the same name in southern Peru, according to a ruling issued May 21 by the World Bank's International Center for the Settlement of Investment Disputes in Washington, Xinhua reported Tuesday. The Pluspetrol-led consortium must pay hydrocarbons promotion agency Perúpetro about $64.9 million for royalties related to the reload of LNG. Peru filed the lawsuit in 2012 after finding that 10 LNG cargoes shipped to the U.S. Gulf Coast had been re-exported to Asia, which is permitted, but royalties must be paid on the final destination, according to Argus Media. Peru argued that Argentina's Pluspetrol was responsible for compensating for the royalties lost due to the reload and was responsible for the gas under its contract. Pluspetrol argued that it was not responsible for the actions of traders.

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has understood the Caribbean's geopolitical significance in the design of a comprehensive national security policy. President Obama's move to resume full diplomatic relations with Havana after a hiatus that lasted over half a century, together with Vice President Joe Biden's launch of the Caribbean Energy Security Initiative in June 2014, could very well signal the beginning of a new hemispheric approach in Washington. The Caribbean's unique potential for generating wind, solar, geothermal and hydraulic energy; the demise of the Petrocaribe arrangement as a result of the dramatic plummeting of international crude prices and Venezuela's own economic meltdown; and the United States' unparalleled production of natural gas; together with the real possibility that global players such as China and Russia might pose a challenge to Washington's historical ascendancy in the region have all led the Obama administration to a take a new look at the Caribbean. Strengthening the U.S. homeland necessarily requires the strengthening of the region closest to the United States' borders—and that is the Caribbean. It is no secret that the gravest challenge besieging the Caribbean economies today is their excessive dependency on imported fossil fuels as sources of energy, which in turn leads to exorbitant electricity prices that effectively emasculate their competitive advantages for attracting both domestic and foreign investment. The successful completion of OPIC's $90 million financing of Jamaica's Blue Mountain 34 megawatt wind project and the thorough execution of the goals set out at the Caribbean Energy Security Summit, held in Washington on Jan. 26, are all steps in the right direction."

Andrew Holland, senior fellow for energy and climate at the American Security Project: "Geopolitics and economics are bringing U.S. foreign policy back to the Caribbean, and energy is a new tool for expanding American influence. As Venezuela threatens to fall into economic collapse, those countries dependent on its Petrocaribe subsidy program could get dragged down with it. In order to prevent this, the United States will build its own energy ties throughout the Caribbean. On its own, the president's $20 million figure is not nearly enough, but the signal it sends about American commitment is important. The United States can help countries diversify off imported fuel oil by securing financing for renewable energy (the Caribbean has plenty of sun and wind), it can promote exports of liquefied natural gas to larger islands like the Dominican Republic, and it can promote fuel switching to more efficient propane for electricity for smaller markets, like the upgrade the U.S. Virgin Islands has just completed. Put together, this suite of options for energy engagement will promote strong ties between the United States and Caribbean countries for a long time to come."

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is published every business day by the Inter-American Dialogue, Copyright © 2015

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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
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www.thedialogue.org

ISSN 2163-7962

Subscription Inquiries are welcomed at freetrial@thedialogue.org

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