

INTER-AMERICAN DIALOGUE'S LATIN AMERICA ADVISOR

BOARD OF ADVISORS

Diego Arria

Director,
Columbus Group

Genaro Arriagada

Board Member, Banco
del Estado de Chile

Joyce Chang

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

W. Bowman Cutter

Former Partner,
E.M. Warburg
Pincus

Alejandro Delgado

Senior Economist for
Latin America, Africa,
the Middle East
& Asia Pacific,
General Motors

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

Vice President,
Global Public Policy &
Gov't Affairs, PepsiCo

Jon Huenemann

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

James R. Jones

Co-chair,
Manatt Jones
Global Strategies LLC

Craig Kelly

Vice President,
The Cohen Group

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.

Andrés Rozental

President,
Rozental & Asociados
and Senior Fellow,
Brookings Institution

Everett Santos

President,
DALEC LLC

Shelly Shetty

Senior Director, Latin
American Sovereign
Ratings, Fitch Inc.

FEATURED Q&A

Has the United States Failed to Adequately Fight Illegal Drugs?

Q A new Inter-American Dialogue report says U.S. drug policies, which are mostly focused on prohibiting the production, distribution and consumption of narcotics, 'have done little to diminish the problems they were designed to address' and are costly in both financial and human terms. The report calls for a broad national debate on U.S. drug strategies and an intense review of international policies. Is growing violence in Mexico and elsewhere in Latin America a sign of failures in drug policy? Has the Obama administration made any significant change in anti-drug efforts? What policies should it be pursuing? What anti-drug programs in the United States and in Latin America have been particularly successful and should be replicated?

A Barry R. McCaffrey, president of BR McCaffrey Associates, a retired U.S. Army four-star general and former director of the White House Office of National Drug Control Policy: "The Inter-American Dialogue report is a tired rehash of arguments for the domestic legalization of illicit drugs. The paper uses shaky logic to claim that the harm done by the so-called 'War on Drugs' in Latin-America exceeds the damage done by some carefully unspecified alternative strategy. Since 1996, the U.S. National Drug Control Strategy has been based on prevention. We also called for science-based treatment of America's 21 million alcohol and illegal

drug abusers and for the enforcement of the law. The medical, social, legal and criminal devastation that comes with chronic poly-drug abuse (alcohol and other drugs) is the most single serious problem facing America's parents, employers, physicians and the criminal justice system. The answer is reducing adolescent exposure through education. We also have to provide effective drug and alcohol treatment for the chronically addicted. Only 3.5 million receive treatment. Millions more need it but are stigmatized, or find it unaffordable, or

Continued on page 3



Fernández Calls for Limiting Foreign Land Ownership

In a speech Tuesday to open Argentina's congressional session, President Cristina Fernández de Kirchner called for limiting foreign ownership of land and also for jailing tax evaders. See story on page 2.

File Photo: Argentine Government.

Inside This Issue

FEATURED Q&A: Has the United States Failed to Adequately Fight Illegal Drugs?	1
Argentine President Calls for Limited Foreign Land Ownership	2
Republican U.S. Lawmakers Express Support for Approving Trade Pacts	2
Brazil Increases Aid for 'Bolsa Familia' Recipients	2
Mexico's Calderón Set to Meet Thursday With Obama	2
Google Opening New Latin America Offices, Increasing Staff Size	3

NEWS BRIEFS

Mexico's Calderón Set to Meet Thursday With Obama

Mexican President Felipe Calderón is set to meet Thursday with U.S. President Barack Obama at the White House. The meeting is expected to focus on cooperation in fighting crime as well as on economic and immigration issues, according to Mexican officials, the Associated Press reported. Calderón's visit to Washington was scheduled before the Feb. 15 killing in Mexico of U.S. Immigration and Customs Enforcement agent Jaime Zapata and comes amid tensions over Mexico's drug war, the flow of weapons from the United States into Mexico and crackdowns on illegal immigrants in the United States.

U.S. Civil Rights Leader Urges Cuba to Release Jailed Contractor

U.S. civil rights leader Jesse Jackson on Tuesday appealed to the government of Cuban President Raúl Castro to release Alan Gross, a U.S. contractor who has been jailed in Cuba since December 2009, the Associated Press reported. Jackson, who has visited Cuba several times in the past, offered to go to the communist island to mediate Gross' release. Gross, who was working for USAID at the time of his arrest, is to go on trial Friday and could face a 20-year prison sentence.

Pan American Energy Buying Exxon Refinery, Service Stations

Pan American Energy is buying an oil refinery in Argentina as well as more than 700 service stations in three countries in South America from U.S.-based oil major Exxon Mobil, Reuters reported Tuesday. Pan American will buy about 500 stations in Argentina and 220 others in Paraguay and Uruguay.

Economic News**Argentine President Calls for Limited Foreign Land Ownership**

Argentine President Cristina Fernández de Kirchner on Tuesday opened the 129th regular session of the nation's Congress, calling for limited foreign ownership of land, a concern that has also recently arisen in Brazil in response to unprecedented levels of foreign investment. Fernández said foreign holdings of land should be limited but gave no specifics, and said the new law should not drive away foreign

“The law shouldn't be anti-foreigner or chauvinistic.”

— *Cristina Fernández de Kirchner*

investors, the Associated Press reported. "It's simply to make sure the vital resources stay in our orbit. The law shouldn't be anti-foreigner or chauvinistic," she said. Fernández also called for the jailing of tax evaders and cracking down on money laundering. On the social front, Fernández proposed making it easier to adopt children, and said pregnant women will be added to a popular \$7 billion program of child subsidies for needy families. In a summary of the address posted on the Casa Rosada's Web site, Fernández touted her administration's ability to maintain a high growth rate of some 9 percent while promoting social inclusion during her term. She also noted that increases in Argentina's central bank reserves averaged 11.8 percent between 2003 and 2010. Critics point out that Argentina's economic growth has been accompanied by high inflation that the government under-reports, thereby misrepresenting the benefits of growth for the nation's poor population.

Republican U.S. Lawmakers Express Support for Approving Trade Pacts

Dozens of U.S. Republican lawmakers elected in November to their first terms with the help of the conservative Tea

Party movement wrote to President Barack Obama on Tuesday saying they want to work with him to approve long-delayed trade deals with Colombia, Panama and South Korea, Reuters reported. "We are committed to working with you to develop a comprehensive trade agenda. We believe the first step in that process is to move forward on our agreements with Colombia, Panama and South Korea without delay," the group said in the letter. Only 67 of the 85 first-term House Republicans signed onto the letter, however. And while the Obama administration has portrayed international trade as an essential element of increasing exports and job creation, political infighting in the Republican-led House has derailed even legislation that has support among both Republicans and Democrats. The Andean Trade Preferences Act, which reduces tariffs on imports from Colombia, Bolivia, Ecuador and Peru in an effort to stem the drug trade, expired on Feb. 12 after legislation to extend it was blocked. The preferences had gotten mired in a larger debate over government spending. [Editor's note: See related Q&A in the Feb. 23 [issue](#) of the *Advisor*.]

Brazil Increases Aid for 'Bolsa Familia' Recipients

Brazilian President Dilma Rousseff said Tuesday that government support for the "Bolsa Familia" program will increase by 19.4 percent on average and affect aid for 12.9 million poor families, local daily *O Estado de São Paulo* reported. The move will cost \$1.26 billion more than had been allocated for the program, and increase average family grants from an average of \$57 to \$69 dollars per month, depending on family size. The Ministry of Planning said Tuesday that the total value of the adjustment of the benefit will come from reserves already contained in the nation's annual budget by reallocating money from other areas, according to the report. The Minister of Social Development,



Rousseff

File Photo: Brazilian Government.

Teresa Campelo, told *O Estado* in an interview after the ceremony in Irecê that the higher grants will reach 50 million people. The amount of grants that families receive has not been adjusted since 2009, according to the report.

Company News

Google Opening New Latin America Offices, Increasing Staff Size

U.S.-based Internet search giant **Google** is opening new offices in Latin America and is also increasing the size of its staff by 50 percent in the region, Bloomberg News reported Tuesday, citing a top company official. The company's revenue from Latin America soared 80 percent last year, faster growth than Google experienced in any other region, Vice President Dennis Woodside said in an interview in Buenos Aires. The Mountain View, Calif.-based company has approximately 500 employees in the region and has opened new offices in Bogotá, Lima and Santiago, said Woodside. "What we are seeing is the Internet coming into its own in all the Latin American markets," Woodside told the news service. "There are 650 million people in the region, and a lot of them are really coming online for the first time. Our business in Latin America is just booming." The company is looking for new areas for growth as its presence in China diminishes and the U.S. market matures. The United States and Britain accounted for some 60 percent of Google's \$29.3 billion in annual revenue in 2010. Advertising generates the bulk of the revenue. Despite soaring revenue from Latin America, Google's Android operating system has not seen sales as strong as those in the United States. Android, which powers smartphones and tablet computers, topped the **Apple**-produced iPhone in the competition for smartphone subscribers in November for the first time. Android had 26 percent of the market, while BlackBerry maker **Research in Motion** led the field with 33.5 percent. Google also is looking for a replacement for Alexandre Hohagen, who headed Google's operations in Latin America, until **Facebook** hired him last month.

Featured Q&A

Continued from page 1

treatment is unavailable. Drug abuse—and crime—are way down in America. Drug abuse peaked in 1979 at some 13 percent of the population. Now it is around 7 percent. (It has just gone up dramatically among youth—largely related to the widespread availability of so-called medical marijuana.) The drug problem in Europe and Latin-America

“Drug abuse—and crime—are way down in America.”

— *Barry R. McCaffrey*

and Afghanistan, and Russia and elsewhere has gone up. Mexico's courageous leadership is trying to establish the rule of law and defeat some of the world's most murderous criminal cartels. The brave people of Colombia have established dominance over internal terrorists that were predominantly funded by hundreds of millions of dollars of criminal money. The problems of drug abuse will not go away if we legalize heroin, crack, methamphetamines, PCP, THC, and illegally diverted highly effective painkillers like Oxycontin. America is largely drug free. However, chronic addicts have lives of utter misery. Illegal drug sales fuel terrible criminal organizations. The solution is freeing young people from a dazed, drugged lifestyle. It also involves all of us in the Americas portraying the strongest possible social and legal disapproval of the production and illegal sale of these devastating substances."

A **Andrés Rozental, member of the Advisor board and president of Rozental & Asociados in Mexico City and senior fellow at the Brookings Institution:** "The Dialogue's report on rethinking U.S. drug policy is an excellent start to what I

hope will be a growing debate in all the countries of our hemisphere on alternatives to the punitive policies that have been followed by governments to attempt to diminish society's appetite for narcotics and to impede the production, sale and consumption of illegal drugs. These policies—which have been the result of international agreements and domestic legislation in place for more than a century—have done almost nothing to change the realities of the drug culture in which we live today. Whereas in the past one could distinguish between producing, transit and consuming countries, most of the countries in our region can now be categorized as all three. This is certainly the case with Mexico, which has evolved from a mostly benign transit territory, to a major producer and growing consumer market, plagued with organized criminal activity, violence and bloodshed because

“These policies ... have done almost nothing to change the realities of the drug culture in which we live today.”

— *Andrés Rozental*

of a failed 'war on drugs.' Even in Colombia, where billions of dollars have been spent in crop eradication and the dismantling of cartels, the amount of cocaine produced and exported has barely changed over the last two decades. Faced with this failure of repressive and punitive policies, the largest countries of the region should be spearheading a broad review of the entire range of issues associated with illegal drugs, especially the medical, legal, economic and societal aspects. The sooner we accept that drug consumption—like alcohol, tobacco and other controlled substances—are permanent manifestations of human behavior,

Continued on page 4

Featured Q&A*Continued from page 3*

the sooner governments and societies will be able to address the issue on its merits, rather than on moral, political or sanctionious grounds. We should admit that even those countries in Asia that punish drug trafficking and consumption with the harshest of penalties have been unable to totally prevent the phenomenon, while other governments, for example in Europe, that have decriminalized the personal use of certain substances have managed at least to take the business away from organized crime and bring it under official supervision and fiscal regimes."

A Sanho Tree, director of the Drug Policy Project at the Institute for Policy Studies:

"For decades, the United States has pursued an unbalanced supply-side approach to preventing drug use when so many studies have shown that demand reduction measures (e.g. prevention and treatment on request) have a much greater impact dollar-for-dollar. The result has been to make a bad situation worse in Latin America, and it has filled our prisons in the United States (we now have 25 percent of the prisoners on the entire planet). Our policies have aggravated turf wars, provided an indirect price support to traffickers and corrupted weak governments throughout the hemisphere. Meanwhile, consumers have little

problem finding whatever drugs they desire. This is not a successful drug control system. As with other wars, Congress has always been willing to fund 'get tough' measures but finds little political will to adequately support 'soft' demand reduction policies. Moreover, their fear of being attacked for appearing weak runs directly counter to public opinion which is turning against the drug war. For instance, 46.5 percent of California voters supported Prop 19 to legalize and tax marijuana. Similar initiatives will be on the 2012 ballot in Colorado and other states. It may surprise readers to learn that Mendocino and Humbolt counties (the pot growing capitals of California) voted against Prop 19 because they want the profits associated with a little prohibition. It's the same with drug traffickers. Without the drug war, they're only peddling minimally processed agricultural commodities that should cost pennies per dose. It's time to stop subsidizing their profits through prohibition. The Obama administration has slowly shifted its policies, but much more cautiously than the times and circumstances demand."

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

What's keeping you up at night?

The Inter-American Dialogue's **Latin America Advisor** gets A) answers to Q) questions that subscribers themselves are asking ... *every business day.*

Members can write editor Gene Kuleta at gkuleta@thedialogue.org to suggest topics for our highly regarded **Featured Q&A** section.

Prospective members can email freetrial@thedialogue.org for a no-obligation, free-trial delivery.

**Latin America Advisor**

is published every business day by the Inter-American Dialogue, Copyright © 2011

Erik Brand

General Manager, Publishing
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Rachel Sadon

Reporter, Assistant Editor
rsadon@thedialogue.org

Inter-American Dialogue

Michael Shifter, President

Peter Hakim, President Emeritus

Katherine Anderson, V.P., Finance & Administration

Genaro Arriagada, Senior Fellow

Sergio Bitar, Visiting Senior Fellow

Joan Caivano, Director, Special Projects

Paul Isbell, Visiting Senior Fellow

Claudio Loser, Senior Fellow

Nora Lustig, Senior Fellow

Manuel Orozco, Director, Remittances and Development Program

Tamara Ortega Goodspeed, Senior Associate, Education

Marifeli Pérez-Stable, Senior Fellow

Jeffrey Puryear, Vice President, Social Policy

Viron Vaky, Senior Fellow

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at: 1211 Connecticut Avenue, Suite 510 Washington, DC 20036 Phone: 202-822-9002 Fax: 202-822-9553 www.thedialogue.org

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 Advisor 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.