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FEATURED Q&A

Is Calderon Making Progress Against Drug Traffickers?

Q Since taking office in December 2006, Mexican President Felipe Calderon made the fight against drug cartels a major focus of his presidency, deploying more than 36,000 troops to fight drug traffickers. However, drug violence has increased dramatically with the country's drug-related killings doubling in 2008 from the year before. Is Calderon making progress in the fight against drug traffickers? How should his success or failure be measured?

A **Guest Comment: Barry McCaffrey:** "The cartels' goal is to convince the public that the violence would stop if Calderon accepted these criminal organizations as the *de facto* governing force in Mexico. But the US has never accepted as real the courage and leadership of the brave senior leaders who are struggling to change Mexico into a modern, law-based state. Let's see where Calderon and his senior team end up when they leave office. Some questions that will determine whether Calderon is successful in his fight against drug traffickers are: who is in control of the streets—the National Police or the narcos? Is corruption declining? Do the people still stand for a government that will enforce the law or have they given up in despair? Is drug use among Mexicans, particularly adolescents, going up or down? Is the economy distorted and controlled by drug money? Is the US-Mexico border uncontrolled by Mexican authorities? Are the

Mexican Armed Forces still a loyal tool of the state or have they failed as a disciplined force due to internal corruption? The jury is out. If Mexico becomes a failed state by our inaction and contempt, it will be a tragedy for 110 million Mexicans—and 300 million Americans."

A **Board Comment: Andrés Rozental:** "President Calderon's decision to mount an all-out battle against the drug cartels and narco-traffickers has resulted in some of
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Closing Arguments Start in Trial of Former Peruvian President

Former Peruvian President Alberto Fujimori, who served from 1990 to 2000, stands accused of ordering two massacres in the early 1990s. See story on page 2.

File Photo: Peruvian Government.

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NEWS BRIEFS

Chile's Private Pension Funds Lose \$25 Billion in 2008

Chile's private pension funds lost \$25 billion in 2008 due to the global financial crisis, reported the Associated Press. Losses ranged from 40 percent for the program's riskiest fund to 19 percent for the most popular fund, but experts say the funds are already showing signs of recovery. Chile's private pension fund system, which serves 8.3 million workers, was established in 1981, and provided a model for pension fund reform in a number of other countries.

Sentencing Delayed in Venezuela Suitcase Gate Trial

Sentencing was delayed Monday for a wealthy Venezuelan who was convicted in the US of acting illegally as a foreign agent, the Associated Press reported. Franklin Duran was convicted in a Miami court last November in connection with authorities' discovery in Argentina of a suitcase stuffed with \$800,000. Testimony during the trial indicated that Duran traveled to Miami as an agent of the Venezuelan government to convince the suitcase's courier to stay quiet. Sentencing was rescheduled for March 16.

Cuba to Allow Greater Competition Among Private Taxis

Cuba this week published a law that increases the number of legally licensed taxis, at a time when the country's transportation system is overwhelmed, reported the Associated Press. The new law gives the government the authority to decide what combination of vehicles best meet the transportation needs of its population, and will allow private cabs to charge based on supply and demand, albeit with a price ceiling set by the state.

Political News

In Peru, Closing Arguments Begin in Trial of Former President Fujimori

Closing arguments began Monday in the trial of former Peruvian President Alberto Fujimori, who is accused of ordering two massacres in the early 1990s. In court, chief prosecutor Jose Pelaez argued Fujimori, who was in office from 1990 to 2000, masterminded covert operations against the Maoist Shining Path guerrillas and did nothing to prevent two massacres of civilians by military intelligence officers called the Colina group, according to the Associated Press. "He was in a position to prevent this criminal organization's illegal activities, but he didn't do it because as commander-in-chief of the armed forces he authorized the policy that allowed the group to eliminate" supporters of the rebels, Pelaez said. Fujimori denies knowing that the death squad existed and maintains he never authorized massacres. "It's not been proven that the former president created a policy to violate human rights, nor that he created and directed the Colina group," Fujimori's attorney, Cesar Nakazaki, told Agence France-Presse. In addition to being accused in the two massacres, Fujimori is also charged in the kidnapping of a prominent businessman and journalist who was released after being interrogated, according to AP. If convicted, 70-year-old Fujimori could face 30 years in prison. During the trial, which has been paused twice because of Fujimori's health problems, prosecutors presented no evidence directly linking the former president to the death squad.

Obama Meets With Calderon to Discuss Immigration, Security

In his first meeting with a foreign head of state since his November election, US President-elect Barack Obama met with Mexican President Felipe Calderon Monday in Washington. Over lunch at the Mexican Cultural Institute, Obama and Calderon discussed several topics including immigration and security, the Voice of



Calderon and Obama

Photo: Mexican Government.

America reported. The two leaders discussed how to work together on immigration in order to strengthen both the US and Mexico. Calderon said both countries must collaborate in the fight against organized crime. Since taking office, Calderon has dedicated tens of thousands of troops to fight drug traffickers but has seen drug-related violence in his country soar. Nearly 5,700 people were killed in drug-related violence last year in Mexico. [Editor's note: see related Q&A on page 1.] Obama said his meeting with Calderon also included discussion of the global financial crisis and how it has affected businesses in both countries. Obama added that his administration will work to build stronger relations with Mexico. Calderon meets today with outgoing US President George W. Bush at the White House.

Economic News

Lula Says Brazil Will Announce More Measures to Aid Economy

Brazilian President Luiz Inacio Lula da Silva said Monday that his government will announce more measures later this month to help the country's weakening economy, the Associated Press reported. One of the initiatives is designed to get more credit flowing from Brazil's

Correction

In Monday's edition of the Latin America Advisor, the affiliation of commentator Craig Duncan was omitted. He is Vice President of Corporate Affairs at International Minerals.

National Development Bank to the private sector, Lula said on his weekly radio program. Also during his show, Lula said this year's first quarter will be difficult for Brazil. Speaking later to reporters, Lula would not offer more specifics of upcoming initiatives, saying only, "We will have more measures to announce this month." Brazilian companies that depend on exports, including agribusinesses, have been hurt by slumping demand. Already, Brazil has established emergency credit lines to free billions of dollars and has also provided tax breaks to aid the private sector. Brazil could "add additional incentives" to a national housing plan in order to help the construction industry, according to strategic consulting firm **The Eurasia Group**. The firm said such a move would be aimed at providing "a means to stimulate a sector which is labor intensive." Tax investments would be designed to stimulate investment and Lula also is looking to states to cut value-added taxes, the firm added.

Company News

Bradesco Names Trabuco Cappi to Succeed Retiring CEO

Brazil's **Banco Bradesco** named Luiz Carlos Trabuco Cappi as its new chief executive officer, succeeding Marcio Cypriano, who is slated to retire in March, Reuters reported Monday. Trabuco Cappi is currently the vice president of the insurance division for Bradesco, Brazil's biggest private-sector bank. In a securities filing, Bradesco said it could not renew Cypriano's term because he had reached age 65, the mandatory retirement age. Cypriano had been Bradesco's CEO for a decade. During his tenure, the bank spent almost 10 billion reais (\$US 4.34 billion) to grow its businesses in the areas of insurance, retail banking and consumer finance. Trabuco Cappi, as well as Bradesco's investment bank head



Trabuco Cappi

File Photo: Fenaseg.

Featured Q&A

Continued from page 1

the worst violence Mexico has seen since the 1910 Revolution. Because of the huge amounts of money involved and the vested interests of those who profit from illicit drugs across borders, the confrontations were to be expected, although few people imagined that the killings, beheadings and shootouts would reach the levels that certain parts of the country have seen in recent months. The government's strategy of open warfare between the military and law enforcement bodies on the one hand, and the organized gangs of criminals on the other, should eventually bear fruit with the breakup of the larger cartels, extraditions and prison terms for those who are apprehended. But as I have often said, the larger issue remains one of supply and demand. As long as there is an insatiable appetite for illegal substances anywhere in the world, there will always be those who will provide for it. Today it happens to be the United States and Mexico bearing the brunt of both sides of the equation, but society's overall

decision to prohibit these substances across the board and thus encourage illegal production, trafficking and distribution of narcotics makes it impossible to see light at the end of the tunnel. Only a concerted effort to address the issue, discriminate among substances according to their harmful effects, and educate people to refuse drugs as they now increasingly refuse to smoke or drink alcohol will bring about a lasting solution to the problem."

A Guest Comment: Pancho Kinney: "Whether Calderon is making progress is unclear. Surging violence suggests that internecine cartel struggles for control of smuggling routes are unabated. This intra-cartel fight is compounded by cartel challenges to municipal, state, and federal agencies that stand in their way and intimidation of government officials, the judiciary and media. Rule of law in Mexico is at stake. The Colombian experience is illustrative. Once the dom-

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Jose Luiz Acar Pedro and **Vale** CEO Roger Agnelli had been seen as possible successors to Cypriano. Among the challenges for Trabuco Cappi in his new role will be slowing domestic credit demand and tougher competition from **Itau** and foreign-headquartered banks, such as Great Britain's **HSBC** and Spain's **Santander**, which have operations in Brazil.

Embraer's Backlog Declines for First Time in More Than Two Years

Brazil's **Embraer** announced Monday that, due to decreased demand, its order backlog decreased for the first time in more than two years, Bloomberg News reported. Embraer, the world's fourth-largest aircraft manufacturer, said that as of December 31, its backlog dropped 3.2 percent to \$20.9 billion. The company, based in Sao Jose dos Campos, had not experienced a backlog decline since the second quarter of 2006. However, Embraer also said its deliveries increased 21 percent to a record level in 2008, thanks

to improvements in manufacturing. Last month, Embraer Chief Executive Officer Frederico Fleury Curado said orders started declining in 2008 and will continue dropping this year as the global financial

Embraer had not experienced a backlog decline since 2006.

crisis crimps demand for the company's airplanes. The company has also said some of its customers have sought to delay deliveries because of problems in securing financing. In November, Embraer cut its forecast for 2009 deliveries to 270 planes. It had previously said it planned to deliver as many as 350. In 2008, Embraer delivered 204 aircraft, an increase from the previous year's total of 167. The aircraft maker increased production by adding manufacturing equipment.

Featured Q&A*Continued from page 3*

inant Cali and Medellín cartels, which were directly challenging the government, were defeated and violence significantly reduced, there was no commensurate decline in drug cultivation, production or trafficking. One outcome was that Mexican cartels expanded their role, assuming responsibility for trafficking from South America into US cities. As a

“Rule of law in Mexico is at stake.”

— *Pancho Kinney*

result, the US Government now estimates that 90 percent of cocaine shipments transit through Mexico; up from 50 percent in the 1990s. Unless trafficking through Mexico becomes so difficult that routes shift elsewhere again (e.g. through a post-Castro Cuba), we will likely not see a decrease in trafficking activities there. Cartels are, after all, supplying a steady US demand (which they help sustain). The most probable outcome is a Mexican standoff; a *modus vivendi* featuring curtailed violence, unabated trafficking, and diminished rule of law. This could be viewed as a success—overt challenges to the state end. It could also be considered a failure—cartels remain essentially immune from prosecution while drugs keep flowing.”

Board Comment: Nicolás Mariscal and Sergio Ferragut: "President Calderon had to choose between letting the drug cartels dominate significant swaths of Mexican territory or asserting the authority of the Federal Government over the whole of Mexico. The choice was a no-brainer; he could not relinquish the authority of the government over any segment of the country. The strategy of capturing or killing the leaders aims at destroying the corrupting power these

powerful groups have; the strategy is working, as the flow of drugs to the United States through Mexico has decreased in the past year. Unfortunately, the Mexican press sees fit to provide high visibility to the brutal crimes of the drug traffickers, therefore delivering a multiplying effect on the perception of the population. These crimes are horrendous enough and ought not to be taken lightly, but there is no way the government of any country can accept the rule of organized crime over its territory. Having said so, it is important to add that drug trafficking is a business—albeit illegal—which as any other business is driven by demand. The drug business has become more appealing because of the prevailing policy of drug prohibition which drives drug prices up—the higher risks just command a higher price. President Calderon will do well to complement his current policy of direct confrontation of the drug cartels with a proposal to the international community to decriminalize, regulate and control the use of today's illicit drugs. With the appropriate regulations and controls the world will be a safer place and drug use among young people will be significantly reduced."

Barry McCaffrey is the President of *BR McCaffrey Associates*, a retired US Army Four-Star General, and former Director of the White House Office of National Drug Control Policy from 1996 to 2001.

Andrés Rozental is a member of the Advisor Board, President of *Rozental & Asociados* and Former Deputy Foreign Minister of Mexico.

Pancho Kinney is Vice President of *HNTB Federal Services Corporation* and Former Director of Strategy in the White House Office of National Drug Control Policy.

Nicolás Mariscal is a member of the Advisor board and Chairman of *Grupo Marhnos*. **Sergio Ferragut** is author of *A Silent Nightmare: The Bottom Line and the Challenge of Illicit Drugs*.

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