

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

Will Brazil's New Border Security Project Be Effective?

Q The administration of Brazilian President Dilma Rousseff has called the country's weak border controls the foremost problem with Brazil's security and pledged to complete a new project focused on border security, the Sistema Integrado de Monitoramento de Fronteiras (Sisfron), by 2019. The government will invest \$6 billion to improve security and reign in smuggling of illegal goods, weapons and drugs. Will the system achieve the intended effects? What would be the most effective strategies to control narcotrafficking, smuggling and arms sales along the country's borders? What are the top areas or technologies to which the government should allocate this \$6 billion?

A Jack Devine, president of The Arkin Group and former director of operations at the Central Intelligence Agency and Amanda Mattingly, director for Latin America at The Arkin Group: "Enhancing Brazil's border security, particularly in the troublesome tri-border area, should be a top priority for the administration of Dilma Rousseff. By some estimates, drug seizures along the border have increased by 30 percent from 2009 to 2010. The illegal goods, weapons and drugs flowing over the borders end up on the streets of Rio de Janeiro and São Paulo, fueling internal battles for control over the favelas and undermining efforts by Brazilian police forces to provide the security needed for continued

growth and development. It should also be mentioned that the convergence of threats in the tri-border area—not just of narcotics but also the potential for terrorist financing and possible planning—makes it all the more important for Brazil to increase its security posture along the border in advance of the World Cup and Olympics. The \$6 billion for Sisfron signals that the new Brazilian president is serious. However, the program will only be successful through increased cooperation with neighboring governments. It should also be

Continued on page 3



Duvalier Says He Returned to Haiti to Aid in Reconstruction

Former Haitian dictator Jean-Claude "Baby Doc" Duvalier said Friday that he returned unexpectedly to Haiti to participate in reconstruction after the country's catastrophic January 2010 earthquake. See story on page 2.

File Photo: Le Nouvelliste.

Inside This Issue

FEATURED Q&A: Will Brazil's New Border Security Project Be Effective?	1	Cuba Halts Mail Deliveries to the United States	2
Duvalier: Desire to Participate in Reconstruction Spurred Return	2	Mexico's Central Bank Keeps Benchmark Rate at 4.5 Percent.....	2
Jamaican Lower House Approves Wider Protections for Depositors.....	2	Mexico's Gruma to Sell Most of Stake in Banorte.....	2

NEWS BRIEFS

Cuba Halts Mail Deliveries to the United States

Cuba's state postal service Friday announced Friday that it has suspended deliveries to the United States as a result of security measures that have led to the return of U.S.-bound mail to the island, Agence France-Presse reported. Direct mail service between the two countries was halted in 1963, but talks in 2009 led to deliveries routed through Mexico and Canada. State Department officials said the United States has not imposed new restrictions on Cuban mail and that service interruptions are likely due to third country air carriers' inability to transport additional mail.

Mexico's Central Bank Keeps Benchmark Rate at 4.5 Percent

Mexico's central bank on Friday voted to keep its benchmark interest rate at 4.5 percent, saying that inflation would continue to slow this year despite an increase in global commodities prices, Bloomberg News reported. Luis Flores, an economist at **Ixe Grupo Financiero**, told the news service that the probability of a rate increase will begin to rise in six or seven months.

Mexico's Gruma to Sell Most of Stake in Banorte

Mexico's **Gruma** said Friday that it is planning to sell most of its stake in **Grupo Financiero Banorte** through a secondary offering, Dow Jones reported. Gruma, a maker of corn flour and tortillas, has an 8.8 percent stake in the banking group. In a filing with Mexico's stock exchange, Gruma said its global offering of as many as 156 million shares of Banorte will be made through a public offering in Mexico and a private offering in the United States and other foreign countries.

Political News

Duvalier: Desire to Participate in Reconstruction Spurred Return

Former Haitian dictator Jean-Claud "Baby Doc" Duvalier said Friday that he returned to Haiti Jan. 16 so that he could participate in the impoverished country's reconstruction after its deadly earthquake a year ago, the Associated Press reported. "When I made the decision to come back to Haiti to commemorate this sad

“If Duvalier is not in prison now, it is because he has not yet been tried.”

— René Prével

anniversary with you, in our country, I was ready for any kind of persecution," Duvalier, 59, told reporters in Port-au-Prince. "But I believe that the desire to participate by your side in this collaboration for the national reconstruction far outweighs any harassment I could face." A Haitian court is currently weighing whether Duvalier should be tried on charges including corruption, embezzlement and torture. The charges stem from his 1971-1986 rule, which ended with his flying into exile following a popular revolt. He has spent most of the past 25 years in France. Since his return to Haiti, Duvalier has largely remained holed up in a Port-au-Prince luxury hotel and in a private residence. Haitian President René Prével said Saturday in the Dominican Republic that Duvalier was within his rights to return to Haiti, but added he must now face justice. "If Duvalier is not in prison now, it is because he has not yet been tried," said Prével, the AP reported. Prével and Haitian Prime Minister Jean-Max Bellerive met for four hours Saturday with Dominican President Leonel Fernández to discuss Haiti's cholera epidemic and political crisis. The country's political future remains in question after the inconclusive first-round presidential election Nov. 28. A runoff

that had been scheduled for Jan. 16 was postponed and has not been rescheduled. On Friday, the U.S. State Department revoked the visas of about a dozen Haitian government officials in an effort to pressure the government to drop its preferred candidate Jude Célestin from the presidential ballot. An Organization of American States review found that former first lady Mirlande Manigat and popular singer Michel "Sweet Micky" Martelly were the top vote-getters in the first round and should advance to the runoff instead of Célestin. Prével last week was reportedly displeased by the OAS report but he has not publicly commented on it.

Economic News

Jamaican Lower House Approves Wider Protections for Depositors

Jamaica's House of Representatives has approved a package of wider protections for depositors under the country's Deposit Insurance Act, the *Jamaica Gleaner* reported Friday. The changes, which still must pass the Senate to take effect, affect depositors with trust accounts and in instances where financial institutions merge. Now, the Jamaica Deposit Insurance Corporation, or JDIC, will be able to make direct payments to depositors who have accounts in distressed banks and other financial institutions when the accounts are part of a trust. Previously, the corporation was limited to making one payment of as much as 600,000 Jamaican dollars (\$7,080) for each trust account. The changes give each individual depositor in the trust protection **McKain** for that amount. "Now we can recognize each beneficiary, rather than just the trustee," said the JDIC's chief executive officer, Antoinette McKain. In addition, the changes also allow depositors to make separate claims if they have accounts in two or more institutions that are forced to merge under distressed circumstances.



McKain
File Photo: JDIC.

Featured Q&A*Continued from page 1*

emphasized that no border security system is adequate without a significant intelligence component. As stated thus far, it appears that the \$6 million will go toward the funding of radars, armored vehicles and unmanned aircraft, which would patrol the remote areas along the border in the Amazon region. Additional intelligence capabilities and coordination among the intelligence agencies of neighboring South American nations should also be included and funded adequately in the new Brazilian plan."

A Thomaz Guedes Da Costa, professor and head of the Critical Analysis and Future Department at the National Defense University in Washington:

"There are several reasons that Sisfron calls attention to public policy and efforts to meet the security problems of border permeability in Brazil. First, it is a new evolution of previous national programs such as the System for Vigilance of the Amazon, the System to Protect the Amazon and Calha Norte (a system for the development of the border area north of the Amazon River). Second, in terms of bureaucratic politics, it could be the new federal government granting the Army its turn in the share of funds for modernization (for the Navy, it is the submarine with nuclear propulsion and in the Air Force it is the new FX fighter). If this is the dominant force in the decision, it does not bode well for joint and effective defense decision making when it comes

to force structure and budget. Third, the proposal raises a question regarding what is the dominant military strategy for Brazil regarding the border (Is it sealing the border, random checks on the border or defense in depth?) Fourth, a call for international suppliers includes clauses of foreign financing, securing proprietary technologies and assuring trade compensation. These clauses seem desirable politically but have revealed many uncertainties in the closing contracts and the implementation of past defense programs. Fifth, the program covers the complex relationships between law enforcement and military responsibilities. While it provides funding for expanding procurement of modern radars, unmanned aerial vehicles, sensors and mobile command and control vehicles, it is not clear how it can also serve to improve strategies against organized crime beyond equipment-based capabilities. Sixth, it will be interesting to observe the reactions of neighbors, either seeking cooperation with the new program or reacting to suspicions of the new intelligence capabilities it promises. Finally, it is important to learn how President Rousseff's administration wishes to measure the costs and benefits of this program."

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

Did you know that the Inter-American Dialogue's daily **Latin America Advisor** is available in text-based, HTML format?

Subscribers can easily cut and paste selected content, archive editions in keyword-searchable databases, and more.

**Hyper
Text
My
Latin America Advisor**

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

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.