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FEATURED Q&A

Does Bolivia Need Help in Fighting Drug Trafficking?

Q Retired Gen. René Sanabria, the former head of Bolivia's main anti-drug unit, pleaded not guilty on March 2 in Miami to charges of cocaine trafficking. Days after Sanabria's arrest in Panama, Bolivian President Evo Morales said he would not allow the U.S. Drug Enforcement Administration to return to the country, saying it is used to "blackmail" countries that "don't comply with imperialism and capitalism," BBC News reported. How well has the Morales administration done in fighting illegal drugs? What has the DEA's absence, since Morales expelled it in 2008, meant for Bolivia's anti-drug efforts? Does Bolivia need help in fighting drug trafficking?

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: "It is without doubt that Bolivia needs help in fighting drug trafficking. Since President Evo Morales expelled the U.S. Drug Enforcement Administration from Bolivia, the country has been in a downward spiral with respect to the amount of coca cultivated and cocaine trafficked from Bolivia. Morales and other cocalers in Bolivia have argued that 'coca no es cocaína,' but allegations against retired Gen. René Sanabria for drug trafficking while in a senior level position within the Bolivian government

between 2007 and 2008 indicates that Morales' government does not have the capacity or conviction to ferret out those who profit from the illegal drug trade. It had been the DEA that helped the Bolivian government safeguard against such corruption within the elite counter-narcotics police force. But the Sanabria case is just the most recent reminder of the resurgent force of cocaine in this Andean country. According to the United Nations, cocaine production has increased by 50 percent in Bolivia in the last five years, and the U.S.

Continued on page 3



Batista Acquires Control of Ventana Gold in \$1.5 Bn Deal

Brazilian billionaire Eike Batista, through his Grupo EBX holding company, has acquired control of Canada's Ventana Gold in a \$1.5 billion deal. EBX had a 20 percent stake in the company before the deal. See story on page 2.

File Photo: State of Rio de Janeiro.

Inside This Issue

FEATURED Q&A: Does Bolivia Need Help in Fighting Drug Trafficking?	1	Danny Glover To Escort Aristide Back to Haiti	2
Brazil Sees Fastest Economic Growth in Nine Months	2	U.S. Has Flown Drones Over Mexico for Two Years to Aid in Drug War	3
Standard & Poor's Raises Colombia to Investment Grade	2	Colombia to Hit Record Levels of Oil Production: Official	3

NEWS BRIEFS

Danny Glover To Escort Aristide Back to Haiti

Actor Danny Glover and Miami-based lawyer Ira Kurzban have arrived in South Africa to escort former Haitian President Jean-Bertrand Aristide, who has been living in exile for seven years, back to Haiti, the Associated Press reported, citing Kurzban. The United States has called for Aristide to wait until after Sunday's presidential runoff election to return, fearing that the leader's presence would be a distraction. However, aides to Aristide have said that he fears the next president might not allow him to return.

Argentine Research Company Fined Over Inflation Data

Argentine economic research company **Economía y Regiones** will stop making its reports on consumer prices public after facing government fines for failing to comply with new regulations demanding that private economists explain their methodology, Bloomberg News reported. The national statistics agency reports that consumer prices rose by 10 percent from the year prior, private economists peg the figure above 20 percent.

Brazil's Batista Acquires Control of Ventana Gold in \$1.5 Bn Deal

Billionaire Eike Batista has acquired control of Canada's **Ventana Gold Corp.** in a \$1.5 billion deal, *The Wall Street Journal* reported Wednesday, citing Batista's holding company, **Grupo EBX**. The holding company took control of Ventana through its international unit, **AUX Canada Acquisition**, and paid 13.06 Canadian dollars (\$13.27) per each share of Ventana. EBX owned 20 percent of the capital before the acquisition and now has a 91.3 percent stake.

Economic News

Brazil Sees Fastest Economic Growth in Nine Months

Economic activity in Brazil, Latin America's largest economy, in January grew at its fastest pace in nine months, Bloomberg News reported Wednesday. The country's economic activity increased a seasonally-adjusted 0.71 percent in January as compared to December, according to the central bank. The increase, as compared to a revised increase of 0.11 percent in December is

Traders are expecting policymakers to increase the country's benchmark interest rate by 0.5 percent during their April 19-20 meeting.

the steepest increase for economic activity since April of last year. Traders are expecting policymakers to increase the country's benchmark interest rate by 0.5 percent during their April 19-20 meeting. That would be the third consecutive increase. Brazil's rate of inflation is at a 26-month high, according to estimates by Bloomberg. The central bank may lengthen its rate-increase cycle due to the quicker-than-expected rate of growth, said Enestor Dos Santos, senior Brazil economist at **BBVA** in Madrid, Bloomberg News reported. "The figure released today reinforces the risk that the economy will refrain from moderating," Dos Santos said in a report. According to the central bank's nonseasonally-adjusted figures, economic activity increased 5.14 percent year-on-year in January, as compared to 3.71 percent year-on-year in December. Brazil's economy grew 7.5 percent last year, its fastest increase since 1985. The economy experienced growth of more than nine percent in the first and second quarters of 2010. On March 11, economists covering Brazil cut their forecast for

economic growth for the third consecutive week. In the central bank survey, the economists forecast gross domestic product expansion of 4.1 percent this year, a decline from 4.29 percent in the previous week's survey. Since that survey, Brazil's Labor Ministry reported that the economy created 280,799 registered jobs in February, a record for that month.

Standard & Poor's Raises Colombia to Investment Grade

Standard & Poor's Ratings Services on Wednesday raised its credit ratings for Colombia to investment grade. "We raised the foreign-currency rating to reflect the growing resilience of Colombia's economy to withstand external shocks," said Standard & Poor's credit analyst Joydeep Mukherji. "In addition, the country's favorable medium-term growth prospects should contain the public sector's debt burden." S&P's decision lifts Colombia's long-term and short-term foreign currency sovereign credit ratings to BBB- and A-3, respectively. The outlook for Colombia is stable said S&P, adding that deepening domestic capital markets and improving external liquidity are likely to reduce vulnerability embedded in Colombia's debt burden. The country's gross domestic product and fiscal revenue also will provide stability, said S&P. "The rating reflects the political consensus in Colombia on market-oriented economic policies that have contributed to economic growth and growing investor confidence in recent years," S&P added. "It also reflects an increasingly resilient economy that provides policymakers with greater scope to use countercyclical fiscal and monetary policies." S&P also said that although Colombia's decades-long conflict with rebels will likely persist for several years and could cause more setbacks, those events are not likely to change the government's economic-development and fiscal-management strategies. "We are of the view that the upgrade to investment grade represents the well deserved and hard earned reward for years of market friendly policies and orthodox macro management," Alberto Ramos, managing director and co-head of Latin America economics at **Goldman Sachs**, said in a

note. "In addition, the authorities' success in recent years in pacifying the country also generated an important economic and social dividend." S&P said that stronger GDP growth than expected along with approval and implementation of fiscal laws proposed by President Juan



Santos

File Photo: Colombian Government.

Manuel Santos could gradually reduce Colombia's debt burden, which may lead to future upgrades. Santos announced S&P's upgrade during a meeting of the Liberal Party in Bogotá, saying the investment grade rating allows many companies, pension funds and public institutions to invest in Colombia. "From this moment on, it will be cheaper to access credit, and that has a very positive impact on the economy, job creation and the country's competitiveness," he said.

Political News

U.S. Has Flown Drones Over Mexico for Two Years to Aid in Drug War

U.S. authorities have flown unmanned drones over Mexico for two years in an effort to help Mexico conduct surveillance on suspected drug traffickers, the Associated Press reported Wednesday. Mexico approved the flights, but neither country announced them. The flights of the Predator aircraft were conducted before flights by the U.S. Air Force's Global Hawk drone, which began last month. In a statement Wednesday, Mexico's National Security Council said the drones have mainly flown along the U.S. border in order to gather information that the Mexican government had requested.

Company News

Colombia to Hit Record Levels of Oil Production: Official

With investments from China and

Featured Q&A

Continued from page 1

Department of State recently lumped Bolivia in with Burma and Venezuela as the world's most egregious offenders of the world fight against drugs. The State Department said that Bolivia has 'failed demonstratively' in its counter-narcotics efforts, unable to control the cultivation of coca or stem the rise in cocaine production. Sadly, Morales continues to espouse anachronistic, anti-imperialism jargon against the United States and the intentions of the DEA rather than dealing with the corruption in his own government or helping the Bolivian people to find legal alternatives to the increasingly violent drug trade."

A Paul Gootenberg, professor at the State University of New York at Stony Brook: "I would reverse the question to: 'Does the United States need help in rethinking its war on drugs?' After all, over the past 40-odd years, the United States has relentlessly pursued failed interdictionist drug policies in the Andes. These have boomeranged into ever-widening problems with cocaine, including the current mayhem in Mexico. Bolivia has finally opted out of the militarist anti-drug strategy for one that actively integrates coca peasants into the national state and by legitimating benign indigenous coca-leaf over illicit cocaine. Bolivia has a

strong national anti-drug program, including policing, but without DEA intervention. It may not be working perfectly right away, but this experiment at least offers an alternative to the proven-to-fail U.S. policies of the past. If you

“This experiment at least offers an alternative to the proven-to-fail U.S. policies of the past.”

— Paul Gootenberg

want to see a looming disaster, just look at neighboring Peru: following drug-war prescriptions to the letter, and with a large marginalized Amazonian peasantry, the country is swiftly rebounding as the top cocaine exporter of the Andes, as it was during the 1980s, in no small part due to long U.S. pressures against Colombia. So why all the fuss over little Bolivia, a country not even in the top 10 sites for cocaine seizures in 2011? I think because our government doesn't want Bolivia to show the rest of Latin America any new possibilities in drug policy."

Continued on page 4

Mexican billionaire Carlos Slim, Colombia expects to hit record levels of oil production this year, surpassing the 1999 record of 850,000 to 900,000 barrels a day, the director general of the National Hydrocarbons Agency, Armando Zamora, said Wednesday in an interview with Bloomberg News. Zamora added that exploration and production spending may exceed \$4 billion this year. Slim, the world's richest person according to *Forbes* magazine, has said he is seeking to boost investment in the Colombian oil sector due to the country's liberal policies and burgeoning middle class. In February, Slim's **Grupo Carso** acquired a 70 percent stake in **Geoprocesados S.A.'s Tabasco Oil**, which has rights to explore

and produce oil in a field in eastern Colombia. According to Zamora, Slim's investments, along with those from China's **Sinopec**, Spain's **Repsol** and others, will help double output to 1.4 million barrels a day by 2014, though production after 2015 will depend, in part, on regulatory approval from environmental authorities. Another issue of concern is security, as guerrilla forces have continued attacks on pipelines and kidnappings, including an incident on March 8 when 23 oil workers were abducted. Colombian soldiers freed all but one a day later. Zamora said the military's quick response to such attacks demonstrates that the nation is prepared to adequately protect its infrastructure and industry.

Featured Q&A*Continued from page 3*

A **Pien Metaal, coordinator of the Drug Law Reform project at the Transnational Institute:** "The surge in cocaine production in Bolivia in the past decade responds on the one hand to simple market logic of the drug trade, changing routes and a restructuring of the mafias that are involved in the business. Instead of a few strong, vertically-structured organizations, the current cocaine production has come into the hands of many small, family-based organizations. The strong increase of involvement of rural communities calls attention. On the other hand, there is a notable weakness of the institutions involved in the control of the drug trade and a prevailing corruption within its ranks, in itself neither particularly new nor related to Morales' administration. The expulsion of the DEA has, overall, been positive for Bolivia since it has reaffirmed its efforts to control cocaine production, increased its seizures and renewed its sovereign control in the area formerly dominated by a foreign entity. On the other hand, for the reasons mentioned above, Bolivia is not able, with the means it has now, to effectively control cocaine production and could definitely do with assistance. The question is what kind of help would be appropriate, and what policies would improve control measures? And last, but not least, by whom? Maybe Brazil, receiving the lion's

share of Bolivia's cocaine and therefore directly interested in limiting the flow into its territory, should contribute in an intelligent way. But clearly the expansion of cocaine production bears a direct relation to poverty and exclusion of these

“Bolivia is not able, with the means it has now, to effectively control cocaine production and could definitely do with assistance.”

— *Pien Metaal*

rural communities, which should be addressed by the government through their economic development policies. Unfortunately, the government seems to respond in a classical manner: by just increasing repression and penalties. Overall, stronger institutions and better systems of preventing and controlling corruption will benefit the drug control strategy, both processes that will take more time to be constructed."

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

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Q&A EVERY BUSINESS DAY

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