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FEATURED Q&A

Why Do Some Latin Americans Want to Expel USAID?

Q The U.S. Agency for International Development, or USAID, is planning to distribute \$1.8 billion worth of aid in Latin America and the Caribbean during the next two years, but leftist nations are increasingly at odds with the agency, *The Miami Herald* reported Sept. 5. In June, the ALBA bloc asked its members to "immediately expel" USAID, alleging that it is trying to destabilize the countries' governments. And Ecuadorean President Rafael Correa, who has accused USAID of supporting the opposition, has said his government is writing new regulations for the agency. Is USAID, and the U.S. government in general, improperly influencing some countries of the region? Are countries likely to stop accepting U.S. government aid? How important is U.S. aid to the countries of Latin America and the Caribbean today?

A Mark Feierstein, assistant administrator for Latin America and the Caribbean at USAID: "USAID has worked for 50 years with governments, NGOs and the private sector in Latin America and the Caribbean to reduce poverty, strengthen democracy, improve health and education standards and protect the environment. We are fortunate to have a sophisticated set of government, private sector and civil society partners in the region to advance these objectives; and our development priorities align with theirs. Today USAID's annual budget in the region is approximately \$1

billion, with the bulk dedicated to Haiti's reconstruction, geographic consolidation and extension of civilian rule and reduction of illicit activity in Colombia and Peru, and crime prevention efforts in Mexico, Central America and the Caribbean. Our challenge today is less about countries not accepting our aid than helping them reach the point at which they no longer need foreign assistance. As President Obama has said: 'The purpose of development is creating the conditions

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Venezuela: Top Capriles Aid Fired Over Bribery Allegations

Juan Carlos Caldera, a top aid to presidential candidate Henrique Capriles, is shown in a grainy videotape circulated by pro-Chávez legislators accepting an envelope that they said contained cash ostensibly to finance the campaign or pay bribes. See related story on page 2.

Photo: El Nacional.

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NEWS BRIEFS

Volcano Eruption in Guatemala Forces 33,000 to Evacuate

Officials in Guatemala evacuated 33,000 people Thursday after a long-simmering volcano exploded, hurling clouds of ash nearly two miles high, the Associated Press reported. Some 17 villages were emptied around the Volcán de Fuego, which sits about six miles southwest from the colonial tourist city of Antigua.

Brazilian Bank Workers Threaten to Strike Next Week

Brazilian bank workers will go on strike next week to demand higher pay, Reuters reported Thursday. Banking employees in the country's two largest cities and in as many as nine different states agreed to stop work on Sept. 18 for an indefinite period, according to a statement by industry union Contraf. Banks have offered to increase pay by 6 percent, which workers complain is only 0.58 percent when taking into account inflation. Last year, a collective-bargaining agreement, finalized Oct. 20 after a 21-day strike, gave all Brazilian bank workers a 9 percent pay raise.

Region to See Slowdown in Rate of Economic Expansion: ECLAC

Trade in Latin America and the Caribbean will be 20 percent lower than last year, a study released by ECLAC today found. The region's exports will grow by 4 percent in 2012 and imports will increase by 3 percent, with Mexico and Central America growing faster than South America. Caribbean countries will see a fall in their trade exchange, with exports down 0.7 percent and imports falling 2.1 percent. Over the next three years, regional exports will continue grow at 5 percent annually, a slower pace than recent years, the report found.

Political News**Venezuela: Top Capriles Aid Fired Over Bribery Allegations**

Venezuelan opposition presidential candidate Henrique Capriles on Thursday kicked a top aide off his campaign after corruption accusations by government officials threatened to derail his run for office, Reuters reported. Juan Carlos Caldera is shown in a grainy videotape circulated by pro-Chávez legislators accepting an envelope that they said contained cash ostensibly to finance the campaign or pay bribes. Caldera, himself a lawmaker in Venezuela's congress, is heard discussing a meeting with Capriles on the tape. In a news conference

Caldera claims the money was for his own campaign in Sucre.

Thursday, Caldera said Capriles is not tied to the case, the Associated Press reported. He said the money was for his own election campaign in the Sucre municipality and that the video is a trick by pro-Chávez lawmakers ahead of the Oct. 7 vote. Caldera identified the man in the video as Luis Peña, an aide to Wilmer Ruperti, a shipping magnate who had previously supported President Chávez, according to the AP. Capriles moved quickly to distance his campaign from the mess and fired Caldera, who has also been expelled from his Primero Justicia party. "My grandma used to tell me that the most important thing is our good name. That's why I've always been an open book and I won't allow anyone to get privileges for personal benefit," Capriles told the media. [Editor's note: see election analysis in Wednesday's [Advisor](#).]

Security Crisis in Caribbean Should Be Prevented, Senate Report Says

U.S. Senators Dianne Feinstein (D-Calif.) and Chuck Grassley (R-Iowa) on Thursday released a report that recommends Congress and the Obama administration take new steps to enhance security

efforts in the Caribbean. "Despite impressive gains, drug trafficking, local drug consumption and the U.S. demand for illegal drugs remain major causes of crime and violence," Feinstein said in a press release. "As enforcement efforts in Mexico and Central America inevitably move trafficking back to the Caribbean, we must better support our neighbors in the Western Hemisphere to combat the corrosive drug trade and minimize violence," she said. Sen. Grassley focused his comments in the release on trafficking. "The United States has to adapt to emerging trends in shipping techniques to help keep illicit drugs out of the United States and continue to help Caribbean nations strengthen their counternarcotics efforts," he said. The report, 'Preventing a Security Crisis in the Caribbean,' calls for an assessment by the State Department and the Drug Enforcement Administration of where 'Sensitive Investigative Units' are most needed in the Caribbean. The units have primarily operated only in Panama and Guatemala, according to a congressional report. It also suggests Immigration and Customs Enforcement (ICE) officials should send a full criminal history of all deportees to authorities in the Caribbean, and it called for the U.S. to help Caribbean nations draft asset forfeiture laws and laws controlling chemicals used to make illegal drugs.

Economic News**Moody's Raises Ecuador Credit Rating on Support from China**

Ecuador's credit rating was raised Thursday by New York-based **Moody's Investors Service**, Bloomberg News reported. More than \$7 billion in loans from China have helped to shore up the government's finances, according to the ratings agency, which raised Ecuador's sovereign credit rating one step to Caa1, seven levels below investment grade. Although the Andean nation is facing a \$4.23 billion budget deficit this year, the benefit of rising oil prices and tax increases have helped to fund government spending that has more than doubled since 2007, Bloomberg News reported.

The loans from China and multilateral lenders should be enough to cover shortfalls, Moody's stated. President Rafael Correa defaulted on \$3.2 billion of international bonds in 2008 and 2009, claiming they were negotiated illegally by earlier administrations, a move that had limited his government's access to international capital markets. The yield on Ecuador's benchmark dollar bonds due in 2015 on Thursday fell 15 basis points to its lowest level since June 2008, according to data compiled by Bloomberg.

Latin American Countries Make Biggest Gains in Child Mortality

Three of the top four countries in the world that have made percentage gains against child mortality over the past 20 years are located in Latin America, UNICEF said in a report released Thursday. In Brazil, the number of deaths of children under five years old fell 73 percent since 1990, putting the country fourth in the ranking of advancing countries, behind Turkey, Peru and El Salvador, Agência Brasil reported. In 1990, there were 58 deaths in Brazil per one-thousand children. In 2011, there were 16 deaths for every thousand. The report, "Committing to Child Survival: A Promise Renewed," showed there was a decline worldwide in infant mortality in most countries surveyed by UNICEF. Deaths of children under five years fell from 12 million in 1990 to 6.9 million in 2011. Latin America, overall, saw a 64 percent decline in deaths of children under five years in age. South Asia fared less well, with a 48 percent decline, while Sub-Saharan Africa saw a 39 percent decline. And the rate of decline in under-five mortality has drastically accelerated in the last decade, from 1.8 percent per year during the 1990s to 3.2 percent per year between 2000 and 2011. Four in 10 under-five deaths occur during the first month of life, according to the study. Among children who survive past the first month, pneumonia, diarrhea and malaria are the leading killers. Globally, infectious diseases account for almost two-thirds of under-five deaths. More than one-third of all under-five deaths are attributable to malnutrition.

Company News

Carlyle Group Buys 60 Percent of Brazil's Tok&Stok

The Carlyle Group, a Washington-based buyout firm, on Thursday announced that it has acquired 60 percent of Tok&Stok, one of Brazil's largest specialty furniture retailers, from founders Ghislaine and Régis Dubrulle. Ghislaine Dubrulle will remain as CEO of Tok&Stok following the transaction, which is expected to close before the end of this year, and the founders will retain a 40 percent stake in the company. In 2011, the company generated approximately 1 billion reais (\$496 million) in sales through 35 stores and employed approximately 3,300 people. Financial details of the sale were not disclosed. Carlyle established its South America buyouts team in 2008. In Brazil, the firm has invested across sectors in companies since then, including a tourism operator, health plan broker and an equipment rental company.

ACE Acquires Mexico's Fianzas Monterrey for \$285 Million

Zurich-based insurer ACE Limited said Thursday that it has reached a definitive agreement to acquire Fianzas Monterrey in Mexico from New York Life Insurance Company for approximately \$285 million in cash. Established in 1943 and headquartered in Mexico City, Fianzas Monterrey is Mexico's second-largest surety lines company and the third largest in Latin America, according to an ACE press release. The firm offers administrative performance bonds primarily to clients in the construction and industrial sectors. Fianzas has three regional offices and 25 branches, and distributes its products through a network of some 600 independent agents and brokers. ACE's business in Mexico currently includes commercial property and casualty, accident and health, and life insurance operations. The transaction is expected to be completed during the first quarter of 2013, subject to regulatory approval.

Featured Q&A

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where our assistance is no longer needed.' We are therefore focused less on providing aid per se and more on strengthening countries' capacities to grow their economies and provide services to their people. Argentina, Chile, Costa Rica, Uruguay and, most recently, Panama have all reached this important milestone. And Brazil is now transitioning from beneficiary status to a net donor to development alongside the United States. In the Americas and across the globe, USAID takes a holistic approach to development, openly helping countries tackle economic and political obstacles to peace and prosperity. This approach is broadly embraced by governments and citizens across the hemisphere."

Alexander Main, senior associate for international policy at the Center for Economic and Policy Research in Washington: "USAID's primary vocation consists in providing development, humanitarian and economic assistance to countries in need. Increasingly, this goal is being undermined by the cooperation agency's funding of political activities. This funding, often channeled to groups opposing governments that the United States disagrees with, is frequently identified for what it is: foreign meddling in internal politics. Locals tend to consider that recipients of such assistance are beholden to a U.S. political agenda. In other instances, grantees have been involved in destabilization campaigns or extra-constitutional efforts to unseat democratically elected governments, casting serious doubt on the United States' democratic credentials. Our hemisphere offers various recent examples of how USAID's so-called 'democracy and governance' programs have been linked to undemocratic incidents. In Bolivia, USAID assisted regional opposition groups that, in 2008, supported acts of extreme and racist violence against state

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authorities and indigenous activists. In Venezuela, USAID's Office of Transition Initiatives funneled assistance to groups that had supported an aborted coup against President Chávez in 2002 followed by an economic destabilization campaign that plunged the country into recession. In Haiti, USAID helped fund elections in late 2010 that excluded the country's most popular political party. In these cases and many others, USAID's reputation has suffered and both recipients of politically oriented funding and traditional recipients focused on humanitarian work have ended up tainted in the public eye. Ultimately, USAID should stop trying to juggle both a political and development agenda and focus instead on the much-needed modernization of its development, humanitarian and economic assistance programs."

A Christopher Sabatini, editor in chief of *Americas Quarterly* and senior director of policy for the Americas Society and Council of the Americas:

"Ironically, the leaders that are now threatening to expel USAID owe their political success, directly and indirectly, to USAID's support for democracy and democratic institutions. The political transformation that led to the unraveling of the political class in Bolivia and the arrival of President Evo Morales, for example, started with the 1994 decentralization law that USAID supported. Similarly, USAID and the international donor community's support for electoral reform allowed for popular ballots that led to the elections of Presidents Hugo Chávez, Morales and Rafael Correa—voter preferences that would likely have been quashed decades earlier. Support for democratic institutions, such as human rights, administration of justice and women's rights, has been USAID's mission since the 1990s. That adoption reflected the growing intellectual and international consensus that participation and accountability (democracy) were essential for sustainable, equitable development. While at times (unfortunately) the United States' bilateral sup-

port for these fundamental rights and goals became politicized, the truth is that those principles hold true today. Real development, whether it's improving women's health, reducing infant mortality or increasing social mobility, is only possible if citizens have the rights and tools to be able to participate in the decisions that affect them and can hold their public officials accountable. The fact that governments such as Bolivia's and

“Ultimately, USAID should stop trying to juggle both a political and development agenda.”

— Alexander Main

Ecuador's chafe at international efforts to support independent, pluralistic civil society should say more about these governments' views of the world and politics than U.S. intentions and policies. At the same time, increased state assistance from China has made the United States' development dollars much less relevant today. But the loans and grants that China lavishes on the Ecuadorean, Bolivian, Venezuelan and Nicaraguan governments are not development aid. They are intended to further Chinese commercial interests and are not tied to development concerns—education, human rights, public health. Nor are they, unlike USAID or other development programs, delivered transparently to allow for public scrutiny. Unfortunately, though, the embarrassingly paltry sum of \$1.8 billion that the U.S. government is allocating to the region makes it much easier to refuse. But that's a different issue."

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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