

INTER-AMERICAN DIALOGUE'S

LATIN AMERICA ADVISOR

BOARD OF ADVISORS

- | | |
|--|---|
| Diego Arria
Director,
Columbus Group | Donna Hrinak
Senior Director of Latin
America Government
Affairs, PepsiCo |
| Genaro Arriagada
Board Member, Banco
del Estado de Chile | Jon Huenemann
Principal,
International
Department,
Miller & Chevalier |
| Joyce Chang
Global Head of
Emerging Markets
Research, JPMorgan
Chase & Co. | James R. Jones
Co-chair,
Manatt Jones
Global Strategies LLC |
| W. Bowman Cutter
Partner,
E.M. Warburg
Pincus | John Maisto
Director,
US Education Finance
Group |
| Rui da Costa
Managing Director,
Latin America & the
Caribbean,
Hewlett-Packard Co. | Nicolás Mariscal
Chairman,
Grupo Marhnos |
| Alejandro Delgado
Economist for Latin
America, Africa, the
Middle East & Mexico,
General Motors | Thomas F. McLarty III
President,
McLarty Associates |
| Dirk Donath
Managing Director,
Eton Park Capital
Management | Carlos Paz-Soldan
Partner,
DTB Associates, LLP |
| Jane Eddy
Managing Director,
Corporate & Govt.
Ratings Group,
Standard & Poor's | Beatrice Rangel
Director,
AMLA Consulting LLC |
| Marlene Fernández
Former Bolivian
Congresswoman
and Ambassador | José Antonio Ríos
Chief Executive Officer,
Vadium Technology Inc. |
| Jason Hafemeister
Vice President,
Allen F. Johnson &
Associates | Andrés Rozental
President,
Rozental & Asociados |
| Peter Hakim
President,
Inter-American
Dialogue | Everett Santos
President,
DALEC LLC |
| | Shelly Shetty
Senior Director, Latin
American Sovereign
Ratings, Fitch Inc. |

FEATURED Q&A

What Are the Chances For Warmer US-Bolivian Relations?

Q During talks in La Paz earlier this month, Bolivian President Evo Morales and Assistant US Secretary of State Thomas Shannon both expressed hopes for improved relations between the two countries. How can the United States and Bolivia repair their fractured relationship? How close are the two countries to exchanging new ambassadors? Will Morales allow the US Drug Enforcement Administration to resume operations in Bolivia?

tries agreed to work toward a new framework agreement with general principles based on each country's constitution. We consider these to be important advances and we will continue working together in different committees during an upcoming meeting in June, this time in Washington. Bolivia hopes that with a binding agreement on a new basis for interaction, we can redefine specific agreements in different areas such as trade and cooperation, the fight against drug trafficking and judicial cooperation, but always under conditions of equality and mutual respect."

Continued on page 2

A Guest Comment: Erika Dueñas: "The Fifth Summit of the Americas resulted in a rapprochement between the US and Bolivian presidents when President Barack Obama publicly assured that 'violent overthrows' of democratically elected leaders would not be supported by the United States, addressing a statement by President Evo Morales about a plot against him and his government. Morales in turn valued the patience of the US president in listening to each of his counterparts. Also, there was an important meeting between Secretary of State Hillary Clinton and Minister of Foreign Relations David Choquehuanca, who agreed on the need for rapprochement between the two countries in order to overcome past difficulties and normalize diplomatic relations. That brought about an initial meeting in La Paz last week with the goal of revising important aspects of the bilateral agenda, during which both coun-



Caribbean Diplomats Blast US Crackdown on Tax Havens

Caribbean ambassadors to the United States, including Barbados' John Beale and Jamaica's Anthony Johnson (L-R) on Wednesday criticized the US plan to crack down on offshore tax havens. See 'In Focus' on page 3.

Photo: Inter-American Dialogue.

Inside This Issue

FEATURED Q&A: What Are the Chances For Warmer US-Bolivian Relations?	1	At Least One Killed in Strong Earthquake Off Honduran Coast.....	2
US Treasury Freezes Assets of Alleged Drug Trafficker Bermudez Suaza.....	2	Bristow Group Acquires Stake in Brazil's Lider Aviacao Holding.....	3
Due to Rains, Colombia Expects Smallest Coffee Crop Since 2001.....	2	In Focus: Caribbean Diplomats Blast US Plan to Crack Down on Tax Havens.	3

NEWS BRIEFS

At Least One Killed in Strong Earthquake Off Honduran Coast

An earthquake measuring 7.1 on the Richter scale struck this morning off the coast of Honduras, killing at least one person, the Associated Press reported. The quake happened at 3:24 a.m. local time. It was centered in the Caribbean Sea, 80 miles north of La Ceiba, Honduras, at a depth of 6 miles, according to the US Geological Survey. A man was killed when his home collapsed in Pineda de Lima, 120 miles north of Tegucigalpa. Alarmed residents ran from their homes as far away as Guatemala City, where no major damage was reported.

Chilean Power Generator Plans \$187 Million Debt Repayment

Chilean electricity generator **Edelnor** said Wednesday it will repay \$187 million in debt it owes to **ABN AMRO** bank, according to a note sent to the Chilean securities regulator, reported Dow Jones. The company will fund the new loan using its own cash and a \$50 million short-term bank loan. Edelnor, which is owned by state copper company **Codelco** and European energy firm **GDF Suez**, produces 719 MW on Chile's northern grid.

Bolivia's Exports Fall 29 Percent in First Four Months of 2009

Bolivia's exports fell 29 percent from January through April in comparison to the same period last year, totaling \$1.56 billion, the country's National Statistics Institute said Wednesday, Bloomberg News reported. Fuels and lubricants led the declines, falling 33 percent to \$731 million. "The most dynamic sector of the Bolivian economy is being hit hard by the effects of the international crisis," Bolivia's Foreign Commerce Institute said.

Political News**US Treasury Freezes Assets of Alleged Drug Trafficker Bermudez Suaza**

The US Treasury Department on Wednesday froze the assets of alleged Colombian drug trafficker Pedro Antonio Bermudez Suaza. The addition of the reputed Medellin-based kingpin to the US government's list of Specially Designated Narcotics Traffickers also bans Americans from doing any business with him. Mexican authorities arrested Bermudez Suaza last October in Mexico City, the Treasury said. "When Mexican authorities captured Bermudez Suaza, they took down a major conduit of cocaine between the Colombian and Mexican drug cartels," Adam J. Szubin, the director of the Treasury Department's Office of Foreign Assets Control said in a statement. The Treasury also added to its list 13 associates of Bermudez Suaza and 14 companies the Treasury said he controls.



Bermudez Suaza

File Photo: US Treasury.

Economic News**Due to Rains, Colombia Expects Smallest Coffee Crop Since 2001**

Because of heavy rains that have pounded the country this year, Colombia is expecting its smallest coffee crop since 2001, Bloomberg News reported Wednesday. Coffee production in Colombia, the world's third-largest producer of the bean, may slide to 11 million bags, down from 11.5 last year, according to Jorge Lozano, president of the National Association of Colombian Coffee Exporters. The association represents approximately 60 percent of Colombia's coffee exporters. "The figures we're seeing show a substantial reduction," Lozano said. "Eleven million would be a miracle." Last year, coffee exports totaled 11.1 million bags. That figure will likely be reduced to 10 million bags this year, Lozano said. He added inventories around the world "are very low" and any drop in Colombia's production will drive prices up. "Colombia has been selling all of its production," Lozano said. Colombia produces more coffee than any other country except for Brazil and Vietnam. Colombia's coffee production fell 61 per-

Featured Q&A

Continued from page 1

A Guest Comment: Jaime Aparicio: "Following a conversation between Bolivian President Morales and US Secretary of State Hillary Clinton during the recent Summit of the Americas in Port of Spain, a high-level delegation of the State Department, headed by Assistant Secretary for Western Hemisphere Affairs Thomas Shannon, went to Bolivia to try to normalize diplomatic relations. In diplomacy, sometimes symbols are more important than realities. In the case of this meeting in La Paz, while the delegation of the United States was there, the public officials and the media were more interested in the activities of a high-ranking Iranian delegation

visiting Bolivia. Apparently, key Iranian leaders were extremely interested in going to Bolivia to visit a dairy farm that the Iranian government donated to the Morales administration. Ambassador Shannon was probably surprised to receive during the meeting with Minister Quintana (a Montecinos kind of guy) a long list of previous conditions for the US administration in order to normalize the bilateral relations. Those conditions included, among many others, the immediate access of Bolivia to the Andean Trade Promotion and Drug Eradication Act, the facilitation of the extradition of former President Sanchez de Lozada and three former ministers of his cabinet who live in the US and the

Continued on page 4

cent year-on-year in April to 345,000 bags because of heavy rains, the Colombian National Coffee Growers Federation said last week. Some parts of the country saw

“Eleven million would be a miracle.”

—Jorge Lozano

more than double the average amount of rain last year and in the first quarter of this year, according to the federation. Production in 2001 was 10.9 million bags and has remained over 11 million bags since then.

Company News

Bristow Group Acquires Stake in Brazil's Lider Aviacao Holding

US-based **Bristow Group** said Wednesday that it has acquired a 42.5 percent stake in Brazil's **Lider Aviacao Holding** for \$174 million, Reuters reported. The acquisition will aid the expansion goals of Bristow, which provides helicopters to the offshore oil and gas industry in Brazil, said William Chiles, Bristow's chief executive officer. "It would be extremely difficult for Bristow to go down there and compete heads-up with the five other operators there or the five existing operators," Chiles told analysts Wednesday in a conference call. The acquisition "gives us a ticket to play in the Super Bowl and otherwise we would be locked out of that market," Bristow added. The agreement will also help Bristow offer more services to Brazil's state energy company, **Petrobras**. Currently, the Houston-based company provides Petrobras approximately 38 percent of the energy company's transportation. In the deal, \$80 million went to Lider and the remaining \$94 million went to shareholders, said Bristow's acting finance head, Elizabeth Brumley.

In Focus

Caribbean Diplomats Blast US Plan to Crack Down on Tax Havens

By Matthew Schewel

WASHINGTON—New regulatory measures proposed by US President Barack Obama and currently being debated in the US Congress would make Caribbean offshore financial centers "collateral damage" in the battle for stricter regulation of the world financial system, diplomats from several Caribbean countries said Wednesday.

The Obama administration earlier this month said it plans to raise \$210 billion in revenues over the next 10 years by curbing the use of so-called "offshore tax havens" by individuals and companies.

"We hold a view that actions such as these are tantamount to trade protectionism," Cornelius Smith, the Bahamas' ambassador to the US, said at a panel discussion at the Inter-American Dialogue. "If you're compliant and you are meeting regulations then why are you going to be named and shamed by legislation?" Smith said stringent regulations are already in place for Caribbean offshore financial centers, which in some cases go beyond those required by US states, particularly Delaware.

As a result, countries in the Caribbean are simply asking for a "level playing field," according to Nestor Mendez, Belize's ambassador to the US. Mendez's choice of words mirrored the language the Obama administration is using to make its argument. The White House has said the proposed measures will "level the playing field between firms that invest overseas and those that invest at home" by requiring US companies with offshore subsidiaries to report these corporations—and any income they earn—on their US tax returns.

But Mendez said punishing the entire offshore financial sector for a few illegal abuses would be comparable to shutting down an entire hotel to stop criminals who using the premises to commit illegal acts. "You don't shut down the hotel to keep them out, you try to put the best [measures] in place that you have so that it doesn't happen there," he said.

Supporters of the administration's efforts argue that despite regulations currently in place in the Caribbean, bank secrecy laws and vehicles that provide for anonymity still create plenty of opportunities for tax dodgers. Sarah Lewis of Tax Justice Network USA told the panel of Caribbean diplomats that efforts to tighten restrictions aren't about "attacking tax havens," but rather ensuring "equitable burden sharing of taxation."

"Even as well-intentioned as the governments and the local people are, still your jurisdictions are being used for tax evasion and avoidance," she said.

But shutting down offshore financial centers would have "serious ramifications" for the economic security of Caribbean states like Barbados, which relies heavily on the financial services and tourism industries, said John Beale, Barbados' ambassador in Washington. These concerns were echoed by Norman Bailey, a former economic advisor to President Ronald Reagan at the National Security Council, who suggested that those who lose their jobs in tourism and financial services could turn to organized crime, drug trafficking and gangs.

Beale said he hoped the economic security argument would "get through to some of the people involved in the decision" in Washington. "Hopefully [the] legislation will be in the format that assists the United States to go after tax dodgers, while at the same time not blowing away legitimate offshore financial centers," he added.

Featured Q&A*Continued from page 2*

decision that the US Drug Enforcement Administration would not return to the country. Under those circumstances, the official comment about the meeting was that 'it was a first step,' and that 'both parties are delighted with the accomplishments achieved.' Ambassador Shannon was also satisfied with the results of the meeting. The truth of the matter is that it would take more time and new meetings to see any real progress in improving US-Bolivian relations."

A Guest Comment: Iván Rebolledo: "For the past two decades, US engagement in Bolivia—and the Andes for that matter—has focused on security and counter-narcotics issues, favoring unilateral over multilateral action, and has usually been handled in a rigid bilateral manner, without giving enough consideration to other dimensions of mutual policy interest such as energy, economic growth, trade, poverty reduction and aid. As the Obama administration attempts to re-establish its eroded international 'soft

“It is highly doubtful that the DEA will be permitted to return to Bolivia.”

— *Iván Rebolledo*

power' and to repair its tarnished reputation as a benevolent regional power, it is essential that Washington recognize that Morales also possesses similar 'assets' and a legitimate democratic mandate, which has been reaffirmed during the recent referenda processes. Three actions could contribute to a new and positive approach to US-Bolivia relations in the near future. First, there is the need to re-establish normal diplomatic relations,

with an exchange of ambassadors, and a resuming of other suspended programs, including Millennium Challenge funding. Second is a re-examining of the US counter-narcotics policy in Bolivia and a move toward multilateralism over the immediate future. Both the UN Office on Drugs and Crime (UNODC) and the European Union have strategically increased their presence in Bolivia. It would be necessary for these initiatives to be scaled up, since it is highly doubtful that the DEA will be permitted to return to Bolivia. This also shows evidence of an international prerogative to develop approaches that are more multilateral and that could therefore most definitely enlist stronger Bolivian cooperation. Surely, the Bolivian government would welcome a shift in policy whereby US anti-narcotics agencies contribute to rather than lead the design and implementation of policies. Finally, there is a need to consider special treatment for Bolivia on trade and aid that is geared toward growth and poverty reduction. Suspension of ATPDEA has been extremely challenging to workers and manufacturers. Every job created through trade preferences has contributed to workers remaining in Bolivia. As nations like India, Russia and Iran play an increasing role in Bolivia, the US needs to take advantage of every opportunity to stay engaged in positive and meaningful ways and continue to reach out to the Bolivian population through beneficial aid and trade programs."

Erika Dueñas is chief of mission at the Bolivian embassy in Washington.

Jaime Aparicio is a former Bolivian ambassador to the United States.

Iván Rebolledo is a managing partner at TerraNova Strategic Partners and president of the Bolivian-American Chamber of Commerce.

Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2009

Erik Brand,
General Manager, Publishing
ebrand@thedialogue.org

Gene Kuleta,
Editor
gkuleta@thedialogue.org

Matthew Schewel,
Reporter, Assistant Editor
mschewel@thedialogue.org

Inter-American Dialogue:

Peter Hakim,
President

Michael Shifter,
Vice President, Policy

Joan Caivano,
Director, Special Projects

Dan Erikson,
Senior Associate, US Policy

Paul Isbell
Visiting Senior Fellow

Claudio Loser,
Senior Fellow

Manuel Orozco,
Director, Remittances and Development Program

Tamara Ortega Goodspeed,
Senior Associate, Education

Marifeli Pérez-Stable,
Vice President, Democratic Governance

Jeffrey M. Puryear,
Vice President, Social Policy

Viron Vaky,
Senior Fellow

Subscription Inquiries are welcomed at freetrieal@thedialogue.org

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

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.