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FEATURED Q&A

How Well is the OAS Handling the Coup in Honduras?

Q The Organization of American States has taken center stage in the international community's response to the *coup* in Honduras. Has the OAS acted appropriately to date? What are its strengths and weaknesses in responding to situations like the one in Honduras, and what needs to change at the OAS to make it better? Where else in the region could similar situations to the Honduras *coup* emerge? Is the OAS the best mechanism for maintaining the peace and stability necessary for economic growth in the region's most fragile democracies?

A **Board Comment: Peter Hakim:** "The OAS is the only institution with the mandate and legitimacy to respond to constitutional violations in the hemisphere. The Inter-American Democratic Charter is clear on this point, as are previous OAS resolutions on the collective defense of democracy. To act without agreement of national authorities, however, the OAS needs the consensus of its members. In Honduras, the OAS appropriately sought to carry out a unanimous decision of its members—to condemn the *coup* against President Zelaya, regard him as the legitimate president, and restore him to office. It was expected, erroneously, that the *coup* could be swiftly reversed. The new Honduran authorities rejected the OAS judgment, and stubbornly refused to accept Zelaya's return—leading to Honduras' suspension from the OAS

and other sanctions. Hindsight suggests the OAS and its members may have too quickly adopted a strategy of ultimatums and sanctions, rather than starting out by negotiating with the new government to resolve the crisis. The negotiations now led by President Arias are the right way to proceed. As it was, Secretary General Jose Miguel Insulza appeared overly identified with a particular course of action that did not bear fruit. The weaknesses of the OAS in dealing with democratic breakdowns and other crises include (1) its difficulty in

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Micheletti Government Orders Venezuelan Diplomats Out

The government of *de facto* Honduran President Roberto Micheletti Tuesday ordered diplomats from Venezuela to leave the country. Venezuela said it would defy the order. See story on page 2.

File Photo: Honduran Government.

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NEWS BRIEFS

Chavez Bristles at Colombia-US Military Deal, Drug Report

Venezuelan President Hugo Chavez on Tuesday sharply criticized Colombia's decision to allow the United States to strengthen its military presence and also bristled at a new report on illegal drugs, the Associated Press reported. On Tuesday, Chavez said Colombia's plan to allow more US military members to be stationed in Colombia amounted to "a threat against us." Chavez said he was ordering "an entire review of our relations with Colombia." Chavez also blasted a US Government Accountability Office report that says corruption in the Venezuelan military and government has aided drug traffickers. Chavez said the report was an attempt to classify Venezuela a "narco state."

Mexico's Central Bank Will Ban Banks From Charging Some Fees

Mexico's Central Bank said Tuesday that it will ban commercial banks from charging customers some fees, Bloomberg News reported. The measures, which the Central Bank said are aimed at increasing transparency, will take effect Aug. 21. Beginning on that date, banks will be prohibited from charging for depositing returned checks, for surpassing limits on debit cards and for canceling credit cards, online banking and deposit accounts.

Brasil Foods Plans to Raise \$2.79 Billion in Stock Sale

Brasil Foods said Tuesday in a regulatory filing that it plans to raise 5.29 billion reais (\$US 2.79 billion) by selling 132.3 million new shares, Bloomberg News reported. The company is selling the shares after its level of debt increased with the purchase of **Sadia**.

Political News**Honduras Orders Venezuelan Diplomats to Leave Within 72 Hours**

Honduras' *de facto* government on Tuesday ordered diplomats from Venezuela to leave the Central American country. "We are going to wait for them to obey the order this country has given them," said *de facto* President Roberto Micheletti, according to the Associated Press. "We have information that many of their people are involved in the movements that have been happening in our country," apparently referring to protests in support of ousted President Manuel Zelaya. Ariel Vargas, the *charge d'affaires* at the Venezuelan embassy in Tegucigalpa, said Honduras' Foreign Ministry ordered diplomats out within 72 hours. Vargas said he and others at the embassy would ignore the order. "We only have relations with the government of President Manuel Zelaya," he said, adding that the order for the diplomats to leave "does not exist for us, because the Micheletti government does not exist. It is a usurper government,

a *coup* government, a government that is not recognized by anyone on an international level." Honduras and Venezuela both recalled their ambassadors after the June 28 *coup*. Meantime, Zelaya vowed to return to Honduras after Thursday, following the expiration of a deadline mediator and Costa Rican President Oscar Arias set to resume talks between the two sides, Agence France-Presse reported. "I have a large border with El Salvador, I have a border with Guatemala and with Nicaragua. The journey could be by air, land or sea," Zelaya, who was in Nicaragua, told a Honduran radio station. Meantime in Washington, US Sen. Jim DeMint (R-S.C.), delayed a Senate confirmation vote for Arturo Valenzuela, the White House's nominee for assistant secretary of state for Western Hemisphere affairs, *The Washington Post* reported. DeMint said he was concerned about the Obama administration's support of Zelaya. He also sought a postponement of the confirmation of Thomas Shannon, who would be Valenzuela's predecessor, as Washington's ambassador to Brazil. The confirmation votes will likely take place next week.

Featured Q&A

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addressing critical situations in their early stages because the organization must either wait for a consensus of its members or have the authorization of the government in power (specifically,

“In Honduras, the OAS appropriately sought to carry out a unanimous decision of its members.”

— *Peter Hakim*

the executive branch, not congress, the judiciary, or the opposition); and (2) the challenge of reaching consensus—on principles, objectives, and implementation strategies—among 34 countries

given the hemisphere's political and ideological divisions. The OAS' crisis response capacity could be improved by giving the organization's secretariat more operational autonomy or by creating an executive group (like the UN Security Council) with greater flexibility in its decision making, but neither approach would today have significant support among OAS members. Fortunately, there are few other places in the hemisphere where a *coup* might take place. And the OAS response in Honduras, if it does nothing else, provides substantial warning of the high costs of deposing an elected president."

Board Comment: John Maisto:
"The OAS response to the Honduran *coup*—a *coup*, no matter what the interim government, Congress, and Supreme Court

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Company News

Spain's Santander Considering Sale of Stake in Brazilian Operation

Spain's **Banco Santander** said in a filing to Brazilian regulators that it is considering the sale of a minority stake in its Brazilian operation, Bloomberg News reported. The bank said that it has not yet



Botin

File Photo: Fundacion Marcelino Botin.

made a decision on the possible primary share offering, but it could raise as much as 6 billion reais (\$US 3.2 billion) by selling the stake, reported *Valor Economico*. In 2007, Santander bought the **Banco Real** unit of **ABN Amro Holding** for 11 billion euros (\$US 15.6 billion). The Spanish bank is aiming for profit growth in Brazil of two-thirds by 2010 with a goal of becoming the country's largest private lender, Bloomberg reported. In October, Santander Chairman Emilio Botin said the bank would expand in Brazil by opening 400 branches and investing 2.56 billion reais there over two years. Santander's operations in Brazil contribute nearly a fifth of the company's profit.

America Movil Reports 27 Percent Rise in Profits for Second Quarter

America Movil, the largest mobile phone company in Latin America, on Tuesday reported a 27 percent increase in profits for the second quarter of the year, Bloomberg News reported. The company, which is controlled by billionaire Carlos Slim, reported net income of 22.5 billion pesos (\$US 1.69 billion), or 69 centavos per share. Net income from the same period last year was 17.7 billion pesos, or 51 centavos per share. The Mexico City-based company also reported that sales grew 11 percent as it promoted data services including access to high-speed Internet. [Editor's note: see related Q&A in the July 10 [issue](#) of the *Advisor*.]

In Focus

Brazil's Rousseff Makes Push for Biofuels, Trade in Washington Visit

By Matthew Schewel

WASHINGTON—Despite lingering uncertainties in the commercial relationship between the US and Brazil—including a US tariff on Brazilian ethanol imports and slow movement on bilateral tax and investment treaties—the two largest economies in the Americas are initiating a strategic partnership, top officials from both governments said Tuesday.

Dilma Rousseff, chief of staff of Brazilian President Luiz Inacio Lula da Silva and Lula's chosen successor, said the two countries are working on building a "strategic agenda" with a particular emphasis on biofuels and climate change cooperation.

Rousseff and other Brazilian officials met with US President Barack Obama on Tuesday after attending a gathering of the US-Brazil Executive Forum, a group of 10 business leaders from each country that meets twice a year to discuss ways to promote bilateral trade and investment. During the brief encounter, Obama pledged to "support in every possible way the relationship between Brazil and the US" and expressed a special interest in boosting commercial ties, Rousseff told reporters after the meeting, speaking through a translator. During the trip, Rousseff's delegation also met with National Security Advisor Gen. James L. Jones, White House economic advisor Lawrence Summers and Treasury Secretary Timothy Geithner. Trade between the US and Brazil surpassed \$63.4 billion in 2008, according to Reuters, but business leaders want to ease barriers to investment even further and cut down on red tape.



Rousseff in Washington Tuesday

Photo: Latin America Advisor.

Among the private sector proposals both governments accepted during the discussion were agreements to increase passenger flights by 50 percent over the next four years, streamline the process Brazilians have to go through in order to obtain US visas and also extend the terms of tourist and business visas Brazil grants to US citizens. While bilateral tax and investment treaties—both of which are supported by the private sector group—are also on the agenda, they are still in the initial stages of data collection, said Rousseff. She lauded the private sector for its engagement in trying to move ahead the stalled Doha round of trade talks, which she said had experienced a change in pace due to the global economic crisis. On the question of whether the US had pushed hard enough on Doha, Obama's deputy national security advisor, Michael Froman, said the US president "supports the conclusion of an ambitious and balanced Doha round," and cited the ongoing negotiation efforts of US Trade Representative Ron Kirk.

Froman addressed the hot-button issue of the US tariff on Brazilian sugarcane ethanol, which the binational group of executives opposes. "Our view is that ethanol tariffs are determined by Congress, and we'll work with Congress to make sure whatever we do with biofuels is WTO-consistent," he told reporters. On the whole, Froman added, the strategic partnership between the US and Brazil is a "landmark development in the relationship between the two countries."

US Commerce Secretary Gary Locke, who also participated in the forum, sought to underline the similarities between the two nations in arguing for increased commercial ties: "Our countries share common values based on our multicultural, multiethnic societies and entrepreneurial spirit."

Featured Q&A*Continued from page 2*

explain it—was swift, direct and extreme. By expelling the interim government and refusing to deal with it, the OAS left itself no diplomatic space for mediation. The OAS, composed only of executive branches with no political space for a congress or supreme court, could have recognized that both camps violated the Honduran Constitution and the Inter-American Democratic Charter (IADC), though a military coup can never be justified. Pushed hard by the Bolivarians to apply quickly the last resort of the IADC—expulsion—the OAS eschewed engagement with all sides, respect for Honduras' other branches of government, and other diplomatic steps. Expulsion is like a nuclear weapon. Its value is the threat to use it. OAS credibility has been damaged for many Hondurans, and for many who perceived the OAS response as 'a rush to judgment' that 'showed selective zeal for democracy, at best,' as *Newsweek* put it. It is fortunate that Secretary Clinton, accompanied by the quick thinking of the OAS secretary general, deftly created an Oscar Arias-Central America based mediation to work for a constitutional, legal, and peaceful solution. The best hope now for the OAS is the success of that effort in engaging both sides in quiet, persistent diplomacy without bombast, plus some help from friends, such as Secretary Clinton's recent efforts. Afterwards, the OAS could be part of an international compliance group to ensure no re-election shenanigans and international election observation."

A Board Comment: Diego Arria: "It is clear that the OAS—mainly its secretary general—treated Honduras as a 'banana republic,' which is evident in the hastiness by which it acted to suspend it from the organization without taking into consideration the constitutional and legal context in which President Zelaya's removal took place. During his quick visit to Honduras, Mr. Insulza also threatened the country with further sanctions, and refused to meet with the interim authori-

ties 'in order not to legitimize them.' Curiously, Insulza had declared that he considers Fidel Castro a legitimate head of state because he has been in power for 50 years. It is also clear that the OAS proved once more that it is a club of presidents—not of states—that protect each other, as legislative and judicial powers are not provided the same considerations as the executive. The unforgivable fact is that the OAS secretary general could have prevented this crisis three months ago when Zelaya started to promote the referendum, which had been ruled by the courts as a violation of the Honduran constitution. But Mr. Insulza chose instead not to denounce Mr. Zelaya's initiative, notwithstanding these rulings. Why Insulza would send his electoral assistants to Honduras, knowing that such an initiative would have serious legal and political consequences, has never been properly accounted for. I am convinced that neither the OAS nor its secretary general would have acted so forcefully had the events taken place in a more important country. In fact, the organization did not act when Presidents Lucio Gutierrez and Abdala Bucaram were deposed by the military in Ecuador, or in the case of President Gonzalo Sanchez de Lozada in Bolivia. Hugo Chavez's footprints were visible in both countries, and they're even clearer in the case of Honduras. In sum, Insulza acted more like the CEO of the United Fruit Company than the secretary general of the OAS."

Peter Hakim is a member of the Advisor board and president of the *Inter-American Dialogue*.

John Maisto is a member of the Advisor board, director of the US Education Finance Group and former US ambassador to the OAS.

Diego Arria is a member of the Advisor board and director of the *Columbus Group*.

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

Gene Kuleta,
Editor
gkuleta@thediologue.org

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

Inter-American Dialogue:

Peter Hakim,
President

Michael Shifter,
Vice President, Policy

Joan Caivano,
Director, Special Projects

Dan Erikson,
Senior Associate, US Policy

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Jeffrey M. Puryear,
Vice President, Social Policy

Viron Vaky,
Senior Fellow

Subscription Inquiries are welcomed at
freetrial@thediologue.org

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1211 Connecticut Avenue, Suite 510
Washington, DC 20036
Phone: 202-822-9002 Fax: 202-822-9553

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