

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

Economist for Latin
America, Africa, the
Middle East & Mexico,
General Motors

Dirk Donath

Managing Director,
Eton Park Capital
Management

Jane Eddy

Managing Director,
Corporate & Govt.
Ratings Group,
Standard & Poor's

Marlene Fernández

Former Bolivian
Congresswoman
and Ambassador

Jason Hafemeister

Vice President,
Allen F. Johnson &
Associates

Peter Hakim

President,
Inter-American
Dialogue

Donna Hrinak

Senior Director of Latin
America Government
Affairs, PepsiCo

Jon Huenemann

Principal,
International
Department,
Miller & Chevalier

James R. Jones

Co-chair,
Manatt Jones
Global Strategies LLC

John Maisto

Director,
US 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

Everett Santos

President,
DALEC LLC

Shelly Shetty

Senior Director, Latin
American Sovereign
Ratings, Fitch Inc.

FEATURED Q&A

Will Honduras' New President Win International Legitimacy?

Q De facto Honduran President Roberto Micheletti bristled earlier this month at U.S. suggestions that he step down before President-elect Porfirio Lobo is sworn in Jan. 27. What bearing does Micheletti's refusal to step down before then have on U.S. relations with Honduras? Will Brazil and other countries that have refused to recognize Lobo's government acquiesce after Lobo is sworn in? Under what circumstances will deposed Honduran President Manuel Zelaya finally leave the Brazilian Embassy and where will he go?

more practical approach to bilateral relations should overcome formal statements of recognition. Realpolitik and the need to share efforts to face common challenges should coalesce in the months that follow. Two key elements will determine Zelaya's future: amnesty and asylum. It is still uncertain whether Congress will grant amnesty for political crimes. The current Congress decided on Jan. 12 to leave that determination to the incoming legislators. Common crimes are not part of the equation, leaving Zelaya accountable to

Continued on page 3

A Roberto Flores Bermúdez, former ambassador of Honduras to the United States: "The Tegucigalpa/San Jose agreement brokered by the United States stipulated that the Honduran Congress would be the one "to resolve the issue regarding the bringing back of the Executive Power to its status prior to June 28 until the conclusion of the current term." Congress decided on Dec. 2 to ratify its June 28 decision, 111 to 14, regarding Zelaya's separation from office and the succession of Micheletti as president. The accord does not call for the ratified president to step down, therefore his remaining in office until the end of the term should not have a negative effect on U.S.–Honduras relations. The Nov. 29 general elections—with the presence of international observers—was an inherent step to solve the political crisis. Recognition is not a staple in inter-American relations. A



Haitians, Rescuers Desperately Search for Earthquake Victims

Haitians and foreign rescue teams on Thursday mounted desperate searches for victims of Tuesday's massive earthquake as countries around the world pledged aid. See special coverage on page 2.

Photo: Agencia Brasil.

Inside This Issue

FEATURED Q&A: Will Honduras' New President Win International Legitimacy?1

Special Coverage: Devastation in Haiti:
The Search for Victims, Nations Mobilize Aid ..2

Former Panamanian President
Perez Placed Under House Arrest2

Honduran Supreme Court Head
Charges Top Military Leaders2

Pinera Holds Slim Lead Ahead of
Sunday's Presidential Vote in Chile3

Brazil's Retail Sales Increased
for Seventh Consecutive Month3

NEWS BRIEFS

Former Panamanian President Perez Placed Under House Arrest

Former Panamanian President Ernesto Perez Balladares was placed under house arrest Thursday in connection with accusations of money laundering, the Associated Press reported. Perez, who was president from 1994 to 1999, is accused of accepting money from the **Lucky Games** casino. Panama awarded the casino an operating license during Perez's presidency. Perez's party has said the allegations are politically motivated.

Honduran Supreme Court Head Charges Top Military Leaders

The president of Honduras' Supreme Court on Thursday charged the country's top military leaders with abuse of power for sending President Manuel Zelaya out of the country during the June 28 coup that ousted him, the Associated Press reported. Judge Jorge Rivera ordered the six commanders to stay in the country and testify in court next week. The charges question the legality of Zelaya's removal from Tegucigalpa but not the coup itself. [Editor's note: See related Q&A on page 1.]

Petrobras Denies It's in Talks With Galp Energia

Brazilian state-owned oil company **Petrobras** denied Thursday that it is in talks to acquire a stake in Portuguese oil company **Galp Energia**, Bloomberg News reported. Brazil's energy minister, Edison Lobao, said Wednesday that Petrobras was in negotiations to acquire a stake in the company, but Petrobras, in a regulatory filing, said it is "constantly analyzing investment opportunities in Brazil and abroad," but added "in this case there is no ongoing negotiation."

Special Coverage: Devastation in Haiti**Haitians, Rescue Teams Desperately Search for Quake Victims**

Two days after the massive earthquake that destroyed much of their country's capital city, countless Haitians tried desperately to find medical attention for themselves and loved ones and free people from beneath the rubble of collapsed buildings. Time was running out for those who were pinned in the wreckage and for others who were badly injured. Bodies, some covered with blankets, some exposed, lined the streets of Port-au-Prince before trucks hauled them away but were forced to leave others because there was no room aboard. No one knows how many people were killed, but estimates are solidly in the tens of thousands. A Haitian Red Cross official told *The Washington Post* the death toll could be 50,000. The United States, Latin American nations and countries as far away as Belgium and China pledged aid, but the destruction was so massive and widespread that the first arriving rescue teams were quickly overwhelmed, leaving many Haitians to dig through rubble with their bare hands and simple tools to rescue vic-

tims. Arms and legs were seen sticking out from beneath the debris of collapsed buildings. "It's a tremendous effort," U.S. Army Lt. Gen. Ken Keen told CNN. "Our priority right now is getting rescue efforts, which are already on the ground, [to the victims] ... and getting medical treatment and working with the govern-

Bodies, some covered with blankets, some exposed, lined the streets of Port-au-Prince.

ment and international organizations to provide much-needed relief aid." Frustration also flared at Haiti's government as survivors saw little sign of help from Haitian officials, who themselves suffered the destruction of the presidential palace and other buildings. "It's the families of the victims—it's not the government," Ives Sima, who dug through the ruins of a collapsed eight story technical college, told *The Washington Post*. "For us, the government doesn't exist at all."

Latin American Countries Mobilize Earthquake Relief Efforts

Latin American countries on Thursday stepped up aid efforts to Haiti in the wake of Tuesday's devastating earthquake, sending planes full of medical supplies, food and rescue workers, in some cases accompanied by senior government officials.

The Dominican Republic, Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, and poorer nations like Honduras and Nicaragua were among those that sent or pledged aid in the immediate aftermath of the quake.

The Dominican Republic, which shares a border with Haiti on the island of Hispaniola, sent a convoy of 12 trucks with food, medicine and clothing on Wednesday, also receiving earthquake victims in its hospitals and serving as a staging ground for international aid efforts. Dominican President Leonel Fernandez traveled to Port-au-Prince on Thursday, where he met with his Haitian counterpart, Rene Preval, and pledged further help to get the country's electricity and telecommunications systems back online.

Brazil, which heads the United Nations stabilization mission in Haiti, pledged as much as \$15 million in aid and sent a delegation headed by Defense Minister Nelson Jobim to survey the damage and coordinate relief efforts. Brazil has reported the deaths of 14 military personnel and one civilian in the quake, and a Brazilian national who is deputy to the the U.N.'s special representative in Haiti is still missing. Brazil's presi-

See Relief Efforts on page 4

Political News

Pinera Holds Slim Lead Ahead of Sunday's Presidential Vote in Chile

Polls show billionaire businessman Sebastian Pinera has an extremely thin lead ahead of Sunday's presidential election in Chile, Reuters reported. A poll by public opinion group MORI published Wednesday gives Pinera 50.9 percent support and his opponent, former President Eduardo Frei, 49.1 percent ahead of the runoff vote. The difference between the two candidates is within the poll's 3 percent margin of error. A win by Pinera would put an end to an unbroken succes-



Pinera and Frei (L-R)

File Photos: Pinera, Frei campaigns.

sion of left-center Concertacion presidents who have ruled Chile since Gen. Augusto Pinochet's dictatorship ended in 1990. The Concertacion has lost support, partially from Chileans who believe the country could have better managed billions of dollars in savings from soaring copper prices. "Twenty years is long enough," Ramiro Silva, a 35-year-old electrician told Reuters. "The Concertacion has to make a mea culpa and give up power." Frei, 67, who was president from 1994 to 2000, battled recession and supports more government involvement in the economy. [Editor's note: See Q&A on Chile's presidential contest in the Dec. 7 [issue](#) of the *Advisor*.]

Economic News

Brazil's Retail Sales Increased for Seventh Consecutive Month

Retail sales in Brazil, Latin America's largest economy, grew 8.7 percent in

Featured Q&A

Continued from page 1

Honduran justice and implicitly subject to pending arrest warrants. Asylum, which Zelaya would have to request, would probably receive authorization from Honduran authorities to allow for his departure to the country that grants him that status."

A Sarah Stephens, executive director of the Center for Democracy in the Americas in Washington:

"Roberto Micheletti, along with his government, is the source of Honduras' problems; not the solution. They have been intransigent from the outset of the coup through the balance of Honduras' political crisis, and unwilling to honor the San Jose Accords. Neither U.S. nor regional policy should reflect what Micheletti does or doesn't do between now and the inauguration of the Lobo government. Rather, the focus of policy going forward should be restoring the democratic order and fully protecting the human rights, press freedoms and other political rights that Hondurans need and have been denied since June 28. The changing of the guard in Honduras offers U.S. policymakers the opportunity to get back into alignment with majority sentiment in the region, and the chance to insist that the Lobo government honor elements of the San

November compared to the same month the previous year, the national statistics agency announced Thursday, according to Bloomberg News. The November increase was the largest since October

The November increase was the largest since October 2008.

2008, when sales grew 9.8 percent. The rising retail sales figures could lead policymakers to increase interest rates in the first half of this year in order to keep inflation down as demand spurs economic growth. Leaving aside seasonal factors for increasing sales, the retail sales figure

grew 1.1 percent in November as compared to the previous month, according to the statistics agency, IBGE. The central bank has estimated that economic growth this year will increase to 5.8 percent from 0.2 percent last year. Last month, **Wal-Mart**, the world's largest retailer, said it plans to increase investment in the South American country by as much as 38 percent, or 2.2 billion reais (\$U.S. 1.25 billion).

“The changing of the guard in Honduras offers U.S. policymakers the opportunity to get back into alignment with majority sentiment in the region.”

— Sarah Stephens

ment breaks decisively with the patterns and practices of the coup government will determine what the region does in terms of recognition but also in dealing with Honduras' government going forward. For U.S. policymakers, it is my hope that they'll work harder at getting the aftermath right, after falling as short as they did at a time when it counted during the election campaign."

Continued on page 4

grew 1.1 percent in November as compared to the previous month, according to the statistics agency, IBGE. The central bank has estimated that economic growth this year will increase to 5.8 percent from 0.2 percent last year. Last month, **Wal-Mart**, the world's largest retailer, said it plans to increase investment in the South American country by as much as 38 percent, or 2.2 billion reais (\$U.S. 1.25 billion).

To Our Subscribers

The Latin America Advisor will not be published Monday, Jan. 18 in observance of the Birthday of Martin Luther King, Jr. holiday in the United States. We will resume publication on Tuesday, Jan. 19.

Featured Q&A*Continued from page 3*

A Cresencio Arcos, counselor for government affairs at K&L Gates in Washington, former US ambassador to Honduras and a member of the Inter-American Dialogue: "Micheletti's reaction to U.S. suggestion to step down at this late stage is relatively unimportant. The issue now is whether the United States recognizes the Lobo government and when that will occur. Without U.S. recognition, the incoming government will be limited if not crippled. After signaling an O.K. to Lobo, then the task remains: Will the other countries of the hemisphere also recognize the Lobo administration? If only a handful step forward, the international legitimacy of the new Honduran government will be in limbo. Micheletti's appearance on inauguration day in Tegucigalpa on the presidential platform will damage the image Lobo is trying to establish. It will be a hard road ahead for Lobo to regain the recognition and support of the Latin American region as well as the Europeans. Brazil, which most probably feels having been left out to turn in the wind by the United States over the Mel Zelaya factor, will be most reluctant

to manifest any quick recognition of the Lobo government, which was elected in a very difficult and controversial period. Brazil will probably use its recognition leverage to ensure that President Zelaya is allowed to leave the Brazilian Embassy safely and with some decorum. The whole Honduran episode may be forgotten soon in Washington but not in most

“It will be a hard road ahead for Lobo to regain the recognition and support of the Latin American region as well as the Europeans.”

— *Cresencio Arcos*

of Latin America. The consensus is that the United States found a way out of the problem but not a solution. "

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

Relief Efforts*Continued from page 2*

dent, Luiz Inacio Lula da Silva, spoke by telephone with U.S. President Barack Obama on Wednesday and offered to spearhead a new international donors' conference to raise funds for Haiti.

The U.S. government has pledged \$100 million in aid and is itself coordinating a massive relief effort, which includes large shipments of food, medical supplies, rescue personnel, military ships and helicopters. The United States is also sending 2,000 Marines and 3,000 Army troops. Mexico on Wednesday sent three military planes to Port-au-Prince carrying rescue workers and 20 tons of food, and it plans to deploy two hospital ships to Haiti in the coming days.

Argentina, Chile, Colombia and Venezuela also sent planes carrying relief supplies and personnel, while Peru's prime minister led a convoy of three planes, two of which were diverted to the Dominican Republic.

Cuba said it had 344 health workers in Haiti at the time of the quake and plans to send more doctors and medicines. The Caribbean Community, or Caricom, which includes Haiti as a member, said in a statement it plans to send a delegation of Caribbean heads of state to Port-au-Prince on Friday and coordinate emergency assistance through its disaster relief agency, CDERA.

Sources: Reuters, Agence France-Presse, Mexican Presidency, Agencia Andina, Cuban Foreign Relations Ministry, Caricom, The New York Times.

Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2010

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

Katherine Anderson, Vice President, Administration

Genaro Arriagada, Senior Fellow

Joan Caivano, Director, Special Projects

Dan Erikson, Senior Associate, US Policy

Paul Isbell, Visiting Senior Fellow

Claudio Loser, Senior Fellow

Nora Lustig, Senior Fellow

Aurea Molto, 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 US 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 fretrial@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.