

INTER-AMERICAN DIALOGUE'S LATIN AMERICA ADVISOR

BOARD OF ADVISORS

Diego Arria

Director,
Columbus Group

Genaro Arriagada

Nonresident Senior
Fellow,
Inter-American
Dialogue

Joyce Chang

Global Head of
Emerging Markets
Research, JPMorgan
Chase & Co.

W. Bowman Cutter

Former Partner,
E.M. Warburg
Pincus

Dirk Donath

Managing Director,
Eton Park Capital
Management

Jane Eddy

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

Marlene Fernández

Corporate Vice
President for
Government Relations,
Arcos Dorados

Jason Hafemeister

Vice President,
Allen F. Johnson &
Associates

Peter Hakim

President Emeritus,
Inter-American
Dialogue

Donna Hrinak

President,
Boeing Brazil

Jon Huenemann

Vice President,
U.S. & Int'l Affairs,
Philip Morris
International

James R. Jones

Co-chair,
Manatt Jones
Global Strategies LLC

Craig Kelly

Vice President,
The Cohen Group

John Maisto

Director,
U.S. 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
and Senior Fellow,
Brookings Institution

Everett Santos

President,
DALEC LLC

Shelly Shetty

Head, Latin America
Sovereign Ratings,
Fitch Inc.

FEATURED Q&A

How Prepared Is the Region to Handle Natural Disasters?

Q The Mexican government said Jan. 8 that 600,000 households suffered property damage or crop losses due to an unusual combination of floods, drought and freezing weather in 2011, the Associated Press reported. Meanwhile, devastating floods in Colombia, Brazil and elsewhere have left thousands homeless across the region. How prepared is the region to handle natural disasters? Which countries have effective policies in place and which are lacking? Could natural disasters unravel the region's economic progress?

of disasters in Latin America and the Caribbean with the support of ECLAC and more recently of the World Bank, the Inter-American Development Bank and the U.N. Development Program. Indeed, several reports describe the devastating impacts of disasters in locations including Central America after Hurricane Mitch in 1998, Grenada after Hurricane Ivan in 2004 and Haiti after the 2010 earthquake. The region is perceived to have a reasonable level of preparedness but soon will be lingering behind if no more investment is made in

Continued on page 3

A Jean Luc Poncelet, head of the Program on Emergency Preparedness and Disaster Relief at the Pan American Health Organization: "For the most part, countries in the region are now self-sufficient in responding to small disasters. However, support from other countries is sometimes needed when dealing with moderate disasters. And in case of large disasters, few countries are able to cope with only their own resources. Another common deficiency is the absence of real multi-hazard approaches. For example, the contingency plans that countries have are in most cases heavily oriented toward disasters that countries perceive to be of the highest risk—for example, countries in the Caribbean have plans anticipating hurricanes, but not other potential disasters. Since the early 1980s, there has been a systematic economic appraisal of the impact



Chávez Threatens to Seize Venezuela's Private Banks

Venezuelan President Hugo Chávez, pictured Sunday during his weekly television program, threatened to nationalize the country's private banks if they do not provide a government-imposed amount of money for agricultural loans. See story on page 2.

Photo: Venezuelan Government.

Inside This Issue

FEATURED Q&A: How Prepared Is the Region to Handle Natural Disasters?	1	At Least 98 Hurt as Strong Earthquake Rattles Peru	2
Venezuela's Chávez Threatens to Seize Banks Over Agricultural Loans	2	Starbucks Opening First Costa Rica Store in May	2
Raúl Castro Calls on Communist Party to Fight Corruption	2	Shares of Mexico's Televisa Slide on Antitrust Ruling	3

NEWS BRIEFS

At Least 98 Hurt as Strong Earthquake Rattles Peru

At least 98 people have been injured after a 6.3-magnitude earthquake shook Peru early this morning, local radio station Radio Programas reported. The quake struck at 12:11 a.m. local time and was centered 9 miles southeast of Ica, or 173 miles south-southeast of Lima, at a depth of 24.4 miles, according to the U.S. Geological Survey. At least one victim, who had a fractured pelvis, was gravely injured, the director of Peru's National Institute of Civil Defense told Radio Programas.

Starbucks Opening First Costa Rica Store in May

Seattle-based coffee retailer Starbucks plans to open its first Costa Rica store in May, the company said Friday. The new store, which will be located in San José, will operate as a joint-venture with El Salvador-based **Corporación de Franquicias Americanas**. "We are honored to expand our role in the rich coffee heritage that's present in Costa Rica," said Pablo Arizmendi-Kalb, vice president and general manager of Starbucks Latin America, said in a statement.

Itaú Unibanco Eyeing Acquisitions Outside Brazil

The head of Itaú Unibanco, Latin America's largest bank by market value, is considering acquisitions outside Brazil, Bloomberg News reported today. In a story published in Brazil's *O Estado de S. Paulo*, chief executive officer Roberto Setúbal said the bank is focusing on countries such as Chile, Colombia and Mexico, and eventually Peru. While a deal in the United States is possible, the bank is not currently looking at Europe, Asia or the Middle East, Setubal said.

Economic News**Venezuela's Chávez Threatens to Seize Banks Over Agricultural Loans**

Venezuelan President Hugo Chávez on Sunday threatened to nationalize the country's banks if they refuse to provide 40 billion bolivars (\$9.31 billion) this year for loans to farmers, Bloomberg News reported. On his weekly television program, Chávez singled out **Banesco Banco Universal**, **BBVA Banco Provincial** and **Mercantil Banco Universal**, saying that although they are providing loans to industrial producers, they are not providing credit to small farmers. Chávez said his government will establish a fund

“If you don't comply with this, I'm willing to nationalize those private banks.”

— Hugo Chávez

called "Ezequiel Zamora," which will directly assign loans to the agricultural sector. Borrowers will then pay back the banks, the president said, adding that he will create the fund using special legislative powers that lawmakers gave him. "If you don't comply with this, I'm willing to nationalize those private banks," Chávez said during his "Alo Presidente" television program. Chávez said Vice President Elías Jaua would meet this week with bankers including Juan Carlos Escotet, Banesco's president. "Escotet, let me know if you can," Chávez said on his television program, Bloomberg News reported. "If not, give me the bank." In addition to pushing banks to provide more financing in agriculture, Chavez's government has also put an emphasis on housing ahead of the country's October presidential election. Last year, private banks in Venezuela handed over money for housing construction through a government fund following Chávez's threats to seize **Provincial**, the local unit of Spain's

Banco Bilbao Vizcaya Argentaria, saying it was not cooperating with the government on providing financing for housing projects. Also during his Sunday television program, Chávez repeated his statement that Venezuela would not accept any rulings from the World Bank's International Center for the Settlement of Investment Disputes, or ICSID. "Any decision taken at the ICSID comes up against the Venezuelan constitution," he said. "As an independent country, we won't accept that." There are currently about 20 cases pending against Venezuela in ICSID. Chávez's government on Jan. 25 formally presented a request to leave the organization.

Political News**Raúl Castro Calls on Communist Party to Fight Corruption**

Corruption in Cuba is a bigger threat to the country than anything the United States could bring forth, President Raúl Castro told Communist Party delegates Sunday at a gathering in Havana, the Associated Press reported. During the conference, Castro also repeated his vow to put term limits in place for Cuban officials, adding that the change would require an amendment to Cuba's constitution. He added, however, that officials



Castro spoke to more than 800 Communist Party delegates on Sunday.

Photo: Juventud Rebelde.

should begin to observe term limits even before the law is changed. Castro also defended the island nation's one-party political system. "To renounce the principle of a one-party system would be the equivalent of legalizing a party, or parties, of imperialism on our soil," said Castro. He added that no fundamental changes to

Cuba's system would be announced at the two-day Communist Party Conference. "There has been no shortage of criticism and exhortations by those who have confused their intimate desires with reality, deluding themselves that this conference would consecrate the beginning of the dismantling of the political and social system the revolution has fought for for more than half a century," said Castro. The Cuban president also was critical of the United States in his speech, saying the U.S. system gives power mainly to the wealthy. Cuba seeks the participation of all its citizens through meetings of the party and in workplaces. "We must promote democracy in our society, starting with the party," he said. In addition, Castro, 80, said Cuba lacks young leaders who will be ready to step into positions of political power in the future.

Company News

Shares of Mexico's Televisa Slide on Antitrust Ruling

Shares of Mexican broadcaster **Grupo Televisa** last week saw their biggest drop in nearly three years ahead of the official announcement from the country's antitrust agency on Televisa's plans to enter the wireless sector, Bloomberg News reported Friday. The Mexico City-based company's shares dropped 9.1 percent

Televisa's shares closed Friday at their lowest level since Oct. 3.

during the week to 51.73 pesos, marking their largest weekly drop since March 2009. At Friday's close, Televisa's shares were at their lowest level since Oct. 3. In a 3-2 vote on Jan. 25, Mexico's Federal Competition Commission denied the company's proposed 50 percent acquisition of mobile provider **Grupo Iusacell**,

Featured Q&A

Continued from page 1

view of the growing expectation of the population and increasing infrastructure and economic assets. The social, health and economic impacts have been massive but can be mitigated and at low cost if risk-reduction measures are included in the early stages of public and private investments."

A Niels B. Holm-Nielsen, regional coordinator for disaster risk management in Latin America and the Caribbean at the

World Bank: "The region has made significant strides to better understand and manage disasters over the past decades. Countries like Chile, Colombia, Costa Rica and Mexico have improved their capacity to forecast some hazards, prepare for emergencies and handle emergency situations. With few country exceptions in Latin America and the Caribbean, fewer people die per hazard event today than did just one decade ago, largely due to improved disaster management policies, early warning systems, and emergency response organization. Nevertheless, economic losses due to disasters in all countries of the region are trending upward. The global reinsurance industry expects roughly a doubling in economic disaster losses each decade under current trends. As an example, in a country like Colombia that has one of the region's best national disaster risk management systems in place, the number of households affected by disasters has increased by 10 percent annually for the past two decades. Most countries in Latin America and the Caribbean remain highly fiscally exposed to adverse natural events. With the exception of a few coun-

tries in the region, governments do not calculate their contingent liability associated with the impact of natural hazards, which means that they live daily with the very real possibility of being blindsided by an adverse natural event that could significantly impact their economies. The smaller economies are particularly at risk. Some analyses indicate that Jamaica would not be able to finance the

“Economic losses due to disasters in all countries of the region are trending upward.”

— *Niels B. Holm-Nielsen*

recovery after the type of natural hazard event that statistically would be expected to occur every 20 years. Governments and populations need to take these risks seriously to ensure sustainable growth and poverty reduction. There is a growing body of knowledge and improved technology within the region and globally to assist people in Latin America and the Caribbean to get the disaster risk understanding right. But the drive for change must come from within the people and institutions in the countries. What matters is how people build and where people build. Improving territorial planning, building standards and building codes and insurance markets would make a significant impact in changing the tides."

Continued on page 4

Mexican daily newspaper *El Universal* reported, citing unidentified sources. The agency has said that it will not publicly release its decision until the parties in the case have been formally notified. Televisa has not commented. "I see it as negative for the company," Jorge Lagunas, a money manager at **Grupo Financiero Interacciones** in Mexico City told

Bloomberg News. "The company needs to look for other vehicles to figure out what to do to participate in quadruple-play more quickly." Televisa already offers so-called "triple play" packages, which bundle television, landline phone and Internet services. Offering mobile phone services would allow Televisa to begin selling "quadruple-play" packages.

Featured Q&A*Continued from page 3*

A Juan Pablo Sarmiento, director of the Paul C. Bell Disaster Risk Management Program and co-director of the Disaster Risk Reduction Program at Florida International University: "While one can recognize a certain level of progress in most countries of the region in terms of disaster management capacities, including regulatory frameworks and financial instruments, there are still significant gaps in risk identification (hazards, vulnerabilities and probabilistic risk assessments) and proactive risk management with a multi-hazard approach. These achievements, with the deficiencies mentioned, focus the attention on unique events of great intensity that usually affect limited geographic areas. Those events are associated with intensive risks usually generated by earthquakes, tsunamis, tornadoes and hurricanes. However, the impact of the hydro-meteorological phenomena in Mexico, Colombia and Brazil during 2011 shows a different pattern, characterized by a sum of events accompanied by damage and losses that occurred throughout a vast territory over a period of time. These events correspond to extensive risks. The events in Mexico, Colombia and Brazil in recent months show that there is still a long way to go in terms of risk management. There is a clear need to consider

not only the impact of intensive and extensive risks, particularly those related to climate variability and change climate, but also to address structural development problems (rural poverty, chaotic urbanization, deterioration of socio-economic

“There are still significant gaps in risk identification ... and proactive risk management with a multi-hazard approach.”

— Juan Pablo Sarmiento

conomic conditions, marginalization, as well as issues of land tenure, land use and land use management and environmental degradation) and mainstreaming disaster risk reduction within the development planning across scales and sectors, as the only way to modify the dramatic increased in vulnerabilities (exposure, fragility and lack of resilience) that we are seeing globally."

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

Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2012

Erik Brand

General Manager, Publishing
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Rachel Sadon

Reporter, Assistant Editor
rsadon@thedialogue.org

Inter-American Dialogue

Michael Shifter, President

Peter Hakim, President Emeritus

Genaro Arriagada, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

Maria Darie, Director of Finance & Administration

Paul Isbell, Visiting Senior Fellow

Claudio Loser, Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director,
China and Latin America Program

Manuel Orozco, Director, Remittances
and Development Program

Tamara Ortega Goodspeed, Senior
Associate, Education

Jeffrey Puryear, Vice President, Social Policy

Viron Vaky, Senior Fellow

Latin America Advisor is published every business day, except for major U.S. 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 ISSN 2163-7962

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.

Subscribers can write editor Gene Kuleta at gkuleta@thedialogue.org to suggest topics for the **Advisor's** daily Featured Q&A section.