CSIS | CENTER FOR STRATEGIC & INTERNATIONAL STUDIES | Americas Program

Hemisphere Insider

Vol. II: Issue 26, October 19, 2012

Program News

CSIS Presents Venezuela Elections Retrospective

October 10, three days after Venezuela's presidential elections, the Americas Program held a discussion with CEO of the Center for Democracy and Development in the Americas (CDDA) Leopoldo Martínez, former director of Petróleos de Venezuela S.A. Pedro Burelli, and senior professional staff member of the Senate Foreign Relations Committee Carl Meacham.

Martínez had acted as a U.S.-based spokesperson for the Mesa de la Unidad Democrática (MUD) coalition involved in the presidential campaign of Henrique Capriles. He said the "results reflect the expression of the Venezuelan people," but noted that the government controlled 80 percent of the AM radio spectrum, Venezuela's dominant medium. President Hugo Chávez got 180 (*continued* →)

In Depth

Paraguay: The Case for Leaving Mercosur

Paraguay's suspension from the Southern Cone Common Market (Mercosur) could be a blessing in disguise. The trading bloc's June decision, following the impeachment of Paraguayan president Fernando Lugo, allowed the bloc to admit Venezuela, which Paraguay opposed. But it also grants the bloc's smallest country a unique but far-fetched opportunity to reconsider the benefits of full versus associate membership. In addition to full members Argentina, Brazil, Paraguay, Uruguay, and now Venezuela, other South American states have joined as associate members—Chile, Bolivia, Colombia, Ecuador, and Peru. These countries can trade with the bloc but do not enjoy voting rights. On the other hand, they are free to cut independent trade deals. By rejoining as an associate, Paraguay could establish its own commercial agreements in markets better suited to its commodity-based exports. Free trade with Asian nations would provide Paraguay with a lucrative export market for crops such as soybeans and sugar. Under the terms of full membership, Paraguay has been outproduced and overshadowed by bigger members Brazil and Argentina. Judging from recent events, it is questionable if Paraguay's interests matter very much to them. As South American countries mull over the return of their ambassadors to the neighboring state, Paraguay could use this juncture to consider the economic benefits of free trade agreements beyond Mercosur and charting its own course within the region and the world. —**Anna Lukacs**

In the News

Caribbean: Cuba

Cuba's minister of foreign trade and investment Rodrigo Malmierca met with Brazilian businessmen in São Paulo this week to discuss a bilateral partnership in biopharmaceuticals. The nations already have a cooperative agreement for the development of certain products, but a formal partnership would enable Brazilian companies to sell their products to Cuba and develop new ones in conjunction with Cuba's institutions. —*America Economía* (Chile)

Haiti

On the heels of the United Nations Security Council decision to extend the MINUSTAH peacekeeping mission to Haiti another year, UN Special Representative in Haiti Mariano Fernández Amunátegui foresaw a continued presence, saying that if conditions continue to remain stable, the mission could take on a more political character. —*Haiti Libre* (Haiti) hours of media coverage during the campaign versus 27 hours for Henrique Capriles. Despite lopsided resources, Capriles garnered 44 percent of the vote compared with Chávez's 55 percent, picking up 2.2 million more votes than the challenger did in 2006.

Burelli pointed out that Capriles ran a civil campaign, despite *chavista* maneuvers such as printing up fake literature attributed to the challenger. However, the only point to debate was who could best distribute welfare benefits from state oil revenues. In Burelli's view, Capriles failed to address Venezuela's lack of productiveness.

Meacham warned that any red flags concerning security challenges that Venezuela might pose "just got a little brighter." He urged the United States to adopt a more assertive tone in dealing with Chávez and defending U.S. foreign policy interests such as energy self-sufficiency—a priority for North American countries.

Central America: Nicaragua

Nicaragua could receive US$1 billion in foreign direct investment (FDI) this year. According to state investment agency ProNicaragua, the country received US$289 million in the first quarter of 2012, a 76 percent increase from the same period last year. Nicaragua receives the second-highest FDI in Central America after Costa Rica, with the majority of flows coming from Mexico, Canada, the United States, Venezuela, and Spain. The government estimates FDI will reach US$11 billion within 5 years. —*El Nuevo Diario* (Nicaragua)

North America: Canada

Canada has entered a "debt danger zone" as its debt-to-income ratio reached the highest level in the nation's history. According to Statistics Canada, debt-to-income hit 163.4 percent in the second quarter of 2012, placing it near the mark that accompanied the beginning of the UK and U.S. housing market collapses. Royal Bank of Canada economist David Onyett-Jeffries said that Canada may avoid a crunch because of Canadians' higher home equity and the rarity of subprime mortgages. —*The Globe and Mail* (Canada)

Mexico

Mexico opened a dispute against China through the World Trade Organization (WTO), accusing China of awarding unfair subsidies to textile manufacturers. In a press release, the Mexican government claimed that action was needed to protect Mexican interests. According to WTO rules, China is now obliged to offer a solution to the complaint. If it is not resolved within 60 days, Mexico may request a dispute panel to take further action. —*El Economista* (Mexico)

South America: Brazil

The Brazilian Central Bank announced yet another reduction in its key Selic (*Sistema Especial de Liquidação e Custodia*) interest rate. The new level at 7.25 percent constitutes a 0.25 percent reduction and means a tenth straight rate cut on the part of the bank's monetary policy committee. This new base rate is the lowest Selic has ever been since Brazilian monetary policy began its regime of inflation rate targets in 1999. —*Valor* (Brazil)

Argentina

Argentine minister of economy Hernán Lorenzino assured investors that the country's dollar-denominated debts will be paid in dollars. After new federal currency controls caused Chaco state to pay creditors in pesos on dollar-denominated bonds last week, Moody's issued a report calling into question all foreign currency debt in Argentina. Lorenzino claimed collusion between ratings agencies and speculators. —*La Nacion* (Argentina)

. . . .

Americas Program Staff: Stephen Johnson, director; Michael Graybeal, program coordinator
Senior Associates: Anton Edmunds, George Grayson, Phillip McLean, Johanna Mendelson Forman, Carlos Regúnaga, Christopher Sands, Duncan Wood
Senior Advisers: Luis Carlos Ugalde, Amb. David Johnson
Adjunct Fellow: Douglas Farah
Intern Scholars: Anna Lukacs, Alek Suni