Last month, an ECLAC executive said that Central America would be more competitive once the regional energy integration system SIEPAC comes online and reduces energy costs. Meanwhile, four Central American nations are in the top 10 countries in terms of fostering a climate for renewable energy projects, according to a report by the Multilateral Investment Fund of the Inter-American Development Bank and Bloomberg New Energy Finance. After years of energy woes, is Central America finally making strides? What challenges does the region face and are its efforts to address them adequate?

Cristina Eguizábal, editor-at-large of Foreign Affairs Latinoamérica: “Despite the positive news concerning SIEPAC’s potential and the interest of Central American countries in developing alternative energy sources, the region continues to face tremendous challenges regarding energy production and consumption as the following figures attest. While in most countries, city dwellers enjoy the comforts of electricity, only Costa Rica has an electrical grid that covers its entire territory (99.3 percent). At 80 percent total and more than 90 percent in urban areas, El Salvador and Panama are making progress. However, the situation is appalling in Honduras, Nicaragua and Guatemala: only 69 percent, 55 percent and 42 percent of their respective territories are covered by the national power grid. It is true that electricity comes mostly from renewable sources (hydraulic and geothermal), but it only constitutes 12 percent of the region’s energy consumption. Hydrocarbons generate 45 percent of the total and more than half of that is oil used for transportation. More of the third of the energy consumed in the region (38 percent) is in the form of firewood for cooking. The extended use of wood stoves is the main cause of deforestation.

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Venezuela Allows Intimidation, Censorship of Critics: Report

Venezuela’s removal of human rights safeguards and concentration of power in President Hugo Chávez has allowed for intimidation and censorship of Chávez’s critics, Human Rights Watch said in a report released Tuesday. See story on page 2.
Political News

Venezuela Allows Intimidation, Censoring of Chávez’s Critics: Report

Removal of human rights safeguards in Venezuela and a concentration of power in President Hugo Chávez has given officials free rein to censor and intimidate the government’s critics, Human Rights Watch said in a report released Tuesday, the Associated Press reported. In the 134-page report, the independent rights group said the government has sent a message to human rights advocates, judges, journalists and broadcasters that “the president and his followers are willing and able to punish people who challenge or obstruct their political aims.” Also, Chávez’s government “has enacted rules that dramatically reduce the public’s right to obtain information held by the government,” and has portrayed local human rights defenders as public enemies, making them “more vulnerable to acts of intimidation by low-level officials and threats and acts of violence,” the report adds. In addition, fears of retaliation have produced a chilling effect on Venezuela’s media and has “undercut the ability of judges to adjudicate politically sensitive cases,” according to the report, entitled “ Tightening the Grip: Concentration and Abuse of Power in Chávez’s Venezuela.” The report’s release came four years after the South American country, the rights group’s investigators “intentionally avoided establishing contact with government officials or drawing public attention.” The group added that it requested information in writing from top Venezuelan officials, but did not receive any responses.

Economic News

Argentine Peso Plunges on Black Market Amid Tighter Controls

Argentina’s peso dived on the country’s black market Tuesday, extending declines in which it has fallen 10 percent against the dollar in the past week, Dow Jones reported. The peso’s plunge comes as the government of President Cristina Fernández de Kirchner has severely limited Argentines’ purchase of dollars and other currencies. The peso fell to about 6.60 to the dollar on Tuesday, according to local media. This week’s declines come as Argentina seeks dollars for overseas winter vacations. The central bank recently announced that it would bar the purchase of foreign currency for personal or corporate savings and other unspecified purposes, also making it more difficult to purchase dollars for overseas travel.
Company News

HSBC Executive Quits Amid Money-Laundering Probe

The head of HSBC Holdings’ anti-money laundering programs told U.S. lawmakers in a hearing Tuesday that he was resigning after a Senate subcommittee issued a scathing report that lax procedures at HSBC allowed billions of dollars to be laundered through the bank’s operation in the United States, The Wall Street Journal reported. The report by the Senate Permanent Subcommittee on Investigations said billions of dollars in cash was funneled from HSBC’s Mexican unit through its bank in the United States even though regulators and the bank’s own compliance officials had warned the money may have originated from drug cartels and other illicit operations. David Bagley, the HSBC executive who announced his resignation on Tuesday, said that “HSBC has fallen short of our own expectations and the expectations of our regulators.” The U.S. government’s Office of the Comptroller of the Currency were aware of many of the problems at HSBC, but did not take forceful enough action to stop the bank from changing its practices, according to the Senate report, which was released Monday after a year-long investigation. The report also said that data was removed from transactions involving Iran, Sudan and North Korea in an effort to evade U.S. sanctions against the countries. Among the HSBC executives testifying on Capitol Hill was Paul Thurston, who was the chief executive for HSBC in Mexico in 2007 when the bank learned of authorities’ concerns about drug money being laundered through the bank. Thurston, who now works for HSBC in Hong Kong, said some of what he discovered after reviewing suspicious accounts “took my breath away.” Thurston added that the British bank’s Mexican operation often struggled to review alerts of suspicious transactions, which sometimes amounted to 1,000 per week. Each of the bank’s 1,300 branches in Mexico screened for money laundering and Thurston said he had attempted to centralize the screening. Sen. Carl Levin (D-Mich.), who chairs the subcommittee that compiled the report, said the problems that were uncovered illustrated how large international banks can attract lucrative business through their U.S. units and connections to foreign affiliates and then conceal potentially illicit activity. “The end result is that the U.S. affiliate can become a sinkhole of risk for an entire network of bank affiliates and their clients around the world playing fast and loose with U.S. banking rules,” said Levin. Also on Tuesday, the head of Mexico’s bank regulator defended its role in the situation, saying it had told HSBC repeatedly to improve its anti-money laundering controls, Reuters reported. Guillermo Babatz, the head of the banking and securities commission, or CNBV, said it had become aware of problems in the bank’s anti-money laundering procedures early as 2002. The bank finally began taking needed action years later and by 2009 had “markedly” eased the regulator’s concerns, said Babatz.

The Dialogue Continues

Will Economic Successes in China and Vietnam Inspire Cuba?

Q Cuban President Raúl Castro visited communist allies China and Vietnam earlier this month. The visit happened as Cuba ponders “updating” its economic model amid an anemic growth rate and concerns about the potential end of largesse from Venezuela, where ailing President Hugo Chávez is seeking re-election later this year. Will economic successes in China and Vietnam inspire economic reforms in Cuba? To what extent is China growing in importance as a benefactor to Cuba? How precarious is Cuba’s economic position right now?

A Adrian H. Hearn, convenor of international relations research at the University of Sydney China Studies Centre: "Raúl’s visit is part of an ongoing diplomatic to-and-fro between Cuba and China. President Hu Jintao visited Havana in 2004 and 2008, as did Vice President Xi Jinping in 2011, to offer technical assistance to Cuba’s agriculture and electronics sectors, credit for the purchase of Chinese manufactures and investment in Cuban oil. Raúl went to Beijing to advance these prior accords, including the possible expansion of CNPC’s Cuban interests in the wake of Repsol’s departure. Cuban diplomats have long enjoyed a high level of access to China’s political elite, reflected in Hu’s public declarations about support for Cuban sovereignty and a ‘beautiful tradition of friendship.’ Raúl is keen to consolidate this friendship ahead of China’s November leadership transition, meeting with Hu, Premier Wen Jiabao and the men who will replace them, Xi Jinping and Li Keqiang. With 2011 bilateral trade surpassing $1.9 billion, China is an important market for Cuban nickel (and potentially oil), but also a supplier of intermediate goods. Cuba is sourcing fertilizers, tractors and everything in between from China to revamp its agriculture sector, and planning the same to supply other emerging industries. The Chinese state benefits in three ways: exports of manufactures, imports of natural resources and a ringing public endorsement from the Western Hemisphere’s bastion of socialism. As consumerism and inequality become the norm in China, Raúl can reassure a nation in transition that its government represents scientific progress, humanitarianism, economic stability and international solidarity: hallmarks not only of a ‘responsible stakeholder,’ but of a leader in a changing world."

Editor’s note: The above is a continuation of a Q&A published in Tuesday’s issue of the Advisor.
tion and an important source of air污染 which contributes to global warming. The World Health Organization considers dirty cooking smoke to be one of the five biggest health hazards for women and children in developing countries. Central America needs more efficient energy sources, beginning with clean stoves.”

Angel Baide, independent energy consultant: “Central America will definitely become more competitive if energy costs are reduced and regional integration can achieve that result if it is allowed to work. SIEPAC is delivering only a starting platform. An active market requires a robust regional grid, and, since everybody benefits from the grid, all should contribute to pay its cost. But governments look at the regional system and see little activity. They therefore think that no more transmission is called for. This low level of activity is in part due to the misguided definition of ‘regional’ transactions in the treaty as only those where buyers and sellers are in different countries. The cost of SIEPAC is charged only to ‘regional’ transactions. Since there are few of those at the beginning, the cost per transaction is high. Thus, agents shy away from doing business across borders, in a vicious circle. Governments have to open the door to private players and invite them to come in. Many potential market agents are not aware of the options the regional market offers them. They have to be informed and encouraged to take advantage of those options. As the market rules are currently written, national system operators can withhold information on prices from the regional system operator. The governments have to change this so the regional operator receives all the information on costs and is able to do a regional dispatch and optimize the use of resources for the whole region. Today, governments are not fostering these developments. To make these changes that will allow Central America to fully exploit the physical, institutional and regulatory infrastructure created by SIEPAC is the challenge the region faces.”

José María Blanco, regional director of the Biomass Users Network-Central America: “As I have seen energy prices increasing after the privatization process took place in this region, I have my doubts that energy costs will be reduced once SIEPAC goes online. For a region that needs to mobilize at least $500 million in fresh investments annually for the power generation sector alone in order to cope with a growing demand after the recent world financial crisis, the cost of capital for the lending share of the investments will be higher than in the past. There are several reasons. One is external to this region, due to a higher risk perception of major private lenders in many OECD countries for investing overseas in large infrastructure projects. The other is internal. Most are costly renewable energy projects due to stringent environmental regulations and growing social pressures from locals that have delayed many good projects from coming online in recent years, in particular, medium and large hydro developments.”

“I have my doubts that energy costs will be reduced once SIEPAC goes online.”

— José María Blanco

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