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Inter-American Dialogue

Latin America Advisor

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Subscribers may pose questions to the Board of Advisors for the Featured Q&A by contacting the Editor at rsimpson@thedialogue.org

Featured Q&A *With Our Board of Advisors*

Q The United States has been accused of bugging the offices of several members of the United Nations Security Council last year—including Mexico and Chile—during the run-up to the US-led invasion of Iraq. What impact, if any, do you think the allegations will have on US relations with Chile and Mexico?

A Guest Comment: Jose Angel Gurria: "The mere fact that there is a credible suspicion that the US (or the UK in support of the US) or anybody else was trying to spy on Mexico or any other country to know what they were thinking about Iraq or any other matter is so scandalous and far-reaching that it baffles the mind. What is also bizarre is that this has not (or at least not yet) become a front page piece of news that should be as damaging to the credibility and prestige of the countries and the people involved as the question of WMD itself. But from the Mexican perspective, it also is an eloquent testimony to how much relations between the US and Mexico have deteriorated. If there is any substance to the suspicion (a big 'if'), it will mean the US ambassador to the UN was not speaking to the Mexican ambassador, the US secretary of state was not comfortable to simply pick up the phone and call the Mexican foreign minister and discuss the issues, and that President Bush felt it was not productive to call President Fox. If somebody, somewhere, with some level of authority or responsibility made the stupid decision to spy on the secretary general of the UN and/or the offices of some of the UN Security Council ambassadors, one has to focus on the substantive message: even if you are a neighbor, a partner and a friend, as the US-Mexico relation is often described by officials of both countries, there is something seriously wrong with it. So wrong that eavesdropping will substitute for dialogue, negotiation, or even the management of legitimate differences. We

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PHOTO OF THE DAY

Brazilian President Luiz Inacio "Lula" da Silva (right) met on Tuesday with Vitorio Carlos de Marchi, the president of Brazilian beverage giant AmBev. Belgium's Interbrew announced today it would buy a controlling stake in AmBev, creating the world's largest brewer by volume.

Source: Agencia Brasil.

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NEWS BRIEFS

Figure at Center of Scandal in Brazil Asserts His Innocence

Speaking publicly for the first time since being dismissed last month for his involvement in a corruption scandal, a former top aide to Brazilian presidential Chief of Staff Jose Dirceu said Tuesday he was not guilty of any wrongdoing. "At this moment, I have great interest in finding the truth and proving my innocence," said Waldomiro Diniz. Diniz was fired after a videotape surfaced last month showing him soliciting campaign donations for the ruling Workers' Party from a gambling industry figure in exchange for political favors. After falling as much as 2.48 percent in early trading, the **Sao Paulo Stock Exchange**'s benchmark Bovespa index ended just 0.25 percent lower yesterday to close at 22,442.4 points.

Source: Reuters.

Argentine Salaries Increased 2.61 Percent in January

Salaries in Argentina rose an average of 2.61 percent in January from the previous month. Public-sector pay increased 0.23 percent month-on-month, while registered and non-registered private-sector salaries rose 4.26 percent and 0.87 percent, respectively.

Source: INDEC.

Alfa Restates 2003 Net Profit

Mexican conglomerate **Alfa** on Tuesday restated its 2003 net earnings after its non-consolidated telecommunications unit **Alestra** posted lower-than-expected profits. Alfa said its 2003 profit was 979 million pesos ($US 89 million), down 33 percent from the previous year. Last month, it had reported a 25 percent decline.

Source: Reuters.

Political News

Official: So Far, "Not Enough" Valid Signatures for Chavez Recall Vote

The head of Venezuela's National Electoral Council (CNE) said Tuesday that the country's opposition had only collected 1.83 million valid signatures for a recall referendum on the presidency of Hugo Chavez, short of the required 2.4 million constitutional minimum, Reuters reported. "It's not enough," CNE President Francisco Carrasquero said, but added that the opposition would be able to reconfirm an additional 1.1 million disputed signatures this month. The CNE said it will announce a final decision on the referendum by the end of the month. Opposition leaders blasted the decision and vowed to continue street protests. "They've just announced the blatant robbery of one million signatures," said opposition leader Antonio Ledezma. "We call on people to keep up the peaceful civic fight in the streets." Two opposition protesters were killed yesterday during street clashes with Venezuelan troops, bringing the total to at least six people who have died in five days of violence. Dozens have been wounded. The Organization of American States and The Carter Center, which have been monitoring the referendum process, criticized the CNE's decision to individually recheck over 800,000 signatures contained in petition forms where signatories' personal data was filled in with similar handwriting. "This decision could affect the results of the process," the two organizations said in a joint statement. Michael Shifter, a political analyst at the Inter-American Dialogue (the owner of this publication) said that, beyond criticism of the referendum process, there is not much the international community will likely do to intervene. "Spreading violence could, over time, trigger a more forceful and assertive response, if it becomes clear that the Venezuelan situation risks becoming a threat to regional peace," Shifter told the *Advisor*. Chavez, meanwhile, will remain behind a "fig leaf of legitimacy," Shifter said, and "could gain political advantage by blaming any disorder on an opposition that doesn't respect institutions."

Two opposition protesters were killed yesterday during street clashes with Venezuelan troops, bringing the total to at least six people who have died in five days of violence.

Rebel Leader Asserts Command Over Haiti's Military, Police Forces

Haitian rebel leader Guy Phillipe on Tuesday declared himself head of the military and the National Police, but said he would respect the authority of acting President Boniface Alexandre, Reuters reported. "I am commander in chief of the national resistance front, military chief," Phillipe, with armed men and police officers in tow, told reporters. The former police chief said he would disarm the rebels if Alexandre requested it, but he told the acting president to create a new army to replace the one disbanded in the 1990s by Aristide. Philippe said he welcomed the 300-plus US troops that make up the vanguard of an international peacekeeping force being sent to Haiti. US Defense Secretary Donald Rumsfeld told reporters that the presence of the multinational force, which will swell to 5,000 soldiers—with 1,500-2,000 US troops—had resulted in the rebels making "a conscious decision to behave and that's a good thing." Washington is trying to create a council of a dozen prominent Haitians to organize early elections for the poorest country in the Western Hemisphere. Aristide supporters have gone into hiding in fear of reprisal killings by the still-armed rebels. Meanwhile in France, Jean-Claude "Baby Doc" Duvalier, the former Haitian dictator forced into exile in 1986, told Miami television station WFOR-CBS4 that he wants to return to his homeland, sparking fears among human rights activists who blame Duvalier for

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thousands of murders during his regime. Duvalier said he does not plan to run for president.

Economic News

Report: Drop in FDI in Chile Part of Broader Regional Trend

The Chilean government on Tuesday blamed a 35 percent drop in foreign direct investment in the country last year in part on a broader slowdown in foreign investment flows to Latin America, Reuters reported. In a report issued yesterday, the government's Foreign Investment Committee cited a United Nations study that showed political instability elsewhere in the region and a deceleration in the pace of privatizations accounted for a general decline in foreign investment. "The fall in the flow of capital to Chile ... is in line with the tendency that has been observed in Latin America in recent years," the Committee stated in its report. Cristian Gardeweg, an economist at **Santander Investment Chile**, agreed. "In the last two years we have seen some decline in all of Latin America after the crises in Brazil and Argentina. In the case of Chile, it looks worse because FDI outflows are high, but I am not worried about it," Gardeweg told the *Advisor*. "The thing is that the current account remains very low, and I think [that] is because internal demand remains low, not because of scarce capital." Foreign investment in Chile totaled $2.5 billion in 2003, down from $3.5 billion the previous year, $1.2 billion of which was from the sale of the **Disputada de las Condes** copper mine by the US' **ExxonMobil** to multinational miner **Anglo American**. Of the $2.5 billion in foreign investment last year, 30 percent was in mining, 27 percent in transportation and telecommunications, and 18 percent in industry. Foreign investment peaked in Chile at $9 billion in 1999, when the government privatized its major power companies.

Lula Asks for Bush's Support in Making IMF Loans More Flexible

Brazilian President Luiz Inacio "Lula" da Silva on Tuesday asked US President George W. Bush to support changes to International Monetary Fund (IMF) lending policy that would allow loan recipients greater flexibility to invest in national development, Reuters reported. Brazilian presidential spokesman Andres Singer said Lula asked Bush in a phone call for his backing "to alter the approach of preventive IMF deals with Latin American countries." Lula made the request after Brazilian officials earlier in the week asked IMF Managing Director Horst Koehler to exempt infrastructure investment from the calculation used to measure countries' compliance with fiscal targets contained in IMF loan agreements. Under Brazil's current $14.8 billion loan agreement with the IMF, it is required to maintain a public-sector primary budget surplus equal to 4.25 percent of gross domestic product.

Subscriber Notice

Discussion on Mexico

with

Luis Rubio
Director General,
Center of Research for Development

Wednesday, March 10, 2004
5:00 – 6:15 p.m.
Inter-American Dialogue
1211 Connecticut Avenue, NW
Suite 510
Washington, DC

RSVP to:
the Inter-American Dialogue
E-mail: meetings@thedialogue.org

Please include your name and organizational affiliation.

Company News

America Movil Issues $1.3 Bn in Debt

Regional mobile phone giant **America Movil** on Tuesday sold $1.3 billion of debt after strong demand upped the sale from the originally planned $1 billion, Reuters reported. The Mexico-based company, among the most demanded Latin American issues, enlisted **J.P. Morgan** and **Morgan Stanley** to sell $500 million of 4.125 percent five-year notes and $800 million in 5.5 percent 10-year notes. America Movil will use the proceeds to refinance outstanding debt, which totaled 40.1 billion pesos ($US 3.6 billion) at the end of 2004, and for other, general purposes.

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Featured Q&A

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should review and maybe revise the whole bases of the relationship and develop a common, more transparent understanding of how we deal with the issues. For Mexico, it is of crucial importance and has political, economic, and national security implications. For the US, it is also important. If they want Mexico to feel closer to the US and be less suspicious about its motives, the first thing to do would be to dismantle the hidden microphones and get a better telephone. The problem about something like this is that, stupid and awkward as it would be, should it turn out to have substance—but even if it didn't—it plays in favor of those who are always trying to plant obstacles and who always object to anything related to the US. It confirms their worst fears and strengthens them. It gives them ammunition to be negative, obstructive and destructive. We don't need that. Neither does the US."

> "If [the US wants] Mexico to feel closer to the US and be less suspicious about its motives, the first thing to do would be to dismantle the hidden microphones and get a better telephone."
>
> *–Jose Angel Gurria*

A Board Comment: Diego Arria: "None. The fact is that the news about the supposed bugging of the UN Secretary General's telephones was a short lived issue—even less will be the case with Chile and Mexico. Officials and senior diplomats know—or should know—that the potential to wiretap their phones is real and should not be ignored. It is easy to guess that at least a couple of dozen of countries could be engaged in these practices at any moment. In addition, bugging technologies are readily available to countless private individuals. How many governments can or do record conversations between the secretary general and officials of UN member countries is anybody's guess; the same could be said about local individuals (for example, in Chile or in Mexico), where wiretapping of their own government officials is a routine practice that would not exclude conversations with the UN secretary general."

A Guest Comment: Gisela von Muhlenbrock: "Although revealed here by the former Chilean ambassador to the UN, Juan Gabriel Gabriel Valdes, long before the news broke in the United Kingdom, the allegation did not have an impact. The trade agreement between Chile and the US was ratified. As further evidence that there have been no repercussions is the sending of Chilean peacekeepers to Haiti. Even before the UN Security Council voted on a resolution calling for a peacekeeping force in Haiti, the minister of foreign affairs of Chile had a phone conversation with US Secretary of State Collin Powell in which it was agreed that Chile would contribute troops. The first part of the contingent will be arriving Wednesday, March 3, and it consists of a 120-member Special Forces unit of the army, to be followed by 100 men from the infantry and 80 more for logistical support. I interpret all the above to be clear evidence that there has been no impact of the bugging revelations on US -Chile relations."

Jose Angel Gurria *is a former Minister of Finance, Foreign Relations, and Commerce of Mexico.*

Diego Arria *is a member of the* Advisor *board, Director of the Columbus Group, and former Venezuelan ambassador to the United Nations.*

Gisela von Muhlenbrock *is an international consultant and former Chief of Staff and Counselor at Chile's Ministry of Justice.*

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Subscription Inquiries are welcomed at freetrial@thedialogue.org

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