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Latin America Advisor

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Featured Q&A *With Our Board of Advisors*

Q Violent incidents in recent weeks have focused attention on indigenous communities in Latin America, most notably with the slaying of illegal diamond miners by Indians in Brazil and calls along Bolivia and Peru's shared border area for an Aymara Indian revolt. What are the ramifications for the region's governments and economies of increased violence and militancy by indigenous communities? How will government officials respond?

A Guest Comment: Phillip McLean: "Images of violent Indians set off mixed emotions of excitement, fear, and romanticism. While the story line is old and familiar, there does seem to be an increasing number of instances recently of indigenous communities taking the law in their own hands. But there is a danger in overgeneralizing by trying to link events in a far corner of Brazil's Amazon frontier with those along Lake Titicaca a thousand miles away in Peru. What the recent round of confrontations between traditional groups and national governments perhaps have in common is that the wider world is pressing in on previously cosseted communities, and they are pressing back in time-honored ways. International nongovernmental organizations have helped raise their feeling of rights and injustice. These new confrontations are not always pleasant or easy to understand. News reports say that a mob of Aymara speakers hanged the mayor of the Peruvian town Ilave for corruption, a brutal and unacceptable sentence for a very fashionable crime. The situation most threatening to any country is, of course, Bolivia, where some 40 percent of the population identify themselves as indigenous, and which has been rocked by violent demonstrations that, among other things, resulted in the fall of a constitutionally elected president last year. "Modern" society must deal with these new demands in the traditional way by recruiting individuals

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PHOTO OF THE DAY

Brazil's Political Coordination minister, Aldo Rebelo, said Thursday the government of President Luiz Inacio "Lula" da Silva needed to improve political cohesion after the Senate rejected Lula's proposal to ban bingo parlors, raising questions about Lula's sway over lawmakers.

Source: Agencia Brasil.

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NEWS BRIEFS

Honduras Pulling Out of Iraq by Month's End

Honduras will withdraw its 370 soldiers from Iraq before the end of this month, ahead of an original July pull-out date, Defense Minister Federico Breve said Thursday. "We have succeeded in coordinating with the coalition countries in a way that allows us to speed up the return of our troops, especially now that violent incidents are increasing," Breve stated. Honduran troops have been in Iraq since the middle of last year, clearing mines and providing medical care in central Iraq.

Source: Reuters.

Peru's Congress to Discuss Mining Royalty Tax Proposals

Peruvian lawmakers will discuss at a May 12 plenary session two proposals to impose a royalty tax on mining companies. Last week, the government of President Alejandro Toledo sent Congress a bill proposing a 1-3 percent tax on miners' sales as an advance installment on income tax. Congress has proposed a flat 3 percent tax on production. In neighboring Chile, the government is expected to introduce legislation by May 21 on imposing up to a 3-percent royalty on foreign mining revenue, a proposal that has sparked an outcry from companies, which say such a tax would scare off investors.

Source: Reuters.

Pedro Malan Elected President of Unibanco Board

Former Brazilian Finance Minster Pedro Malan has been elected the president of the board of directors of **Unibanco**, Brazil's second-largest private bank. Malan had been the board's vice president since May 2003.

Source: company statement.

Political News

Bush Announces Measures Aimed at Hurrying Fidel Castro's Fall

US President George W. Bush on Thursday announced new measures aimed at hastening the departure of Cuban President Fidel Castro. The measures, adopted in response to recommendations made in a 500-page report by a presidential commission on Cuba, include increased enforcement of existing US restrictions on travel and trade with the communist nation, and a two-year $59 million campaign to promote democracy in Cuba and call international attention to the Castro regime's threat to US interests. As much as $18 million will be spent on deploying airplanes to broadcast anti-Castro messages into Cuba through Radio Marti and Television Marti and evade Cuban jamming. "This strategy is a strategy that encourages the spending of money to help organizations to protect dissidents and to promote human rights. It is a strategy that encourages a clear voice of the truth being spoken to the Cuban people through radio and TV Marti," Bush said yesterday. Some lawmakers criticized the new measures. Senator Max Baucus (D-MT) said the Bush administration's "absurd and increasingly bizarre obsession with Cuba" was diverting money from the "war on terror." The full report of the Commission for Assistance to a Free Cuba is available on the Web at http://state.gov/p/wha/rt/cuba.

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US Announces Indictments of Nine Colombian Drug Lords

US law enforcement officials on Tuesday announced the indictments of nine leaders of a Colombian drug ring—accused of trafficking over $10 billion of cocaine into the US—on racketeering and other criminal charges, Reuters reported. Three of the indicted Colombians are among the "most wanted" international drug traffickers, and the FBI added another Colombian, Diego Leon Montoya Sanchez, to its 10 most wanted fugitives list. The State Department said the US is offering up to $5 million for information leading to each of the eight defendants' arrest. The "Norte Valle Cartel" exported over 500 metric tons of cocaine, worth over $10 billion, to the US since 1990. "Today, we have ripped out the foundation of the largest and most powerful drug cartel in Colombia," said Drug Enforcement Administration head Karen Tandy. "We have indicted the ringleaders of a criminal organization responsible for bringing into the United States one-third to one-half of the cocaine that reaches our shores." The racketeering indictment—handed down by a grand jury on April 29—accuses the cartel of murdering as many as 500 people and attempted to block extradition of drug dealers to the US by bribing Colombian law enforcement officials and legislators. Of the nine defendants, one—Arcangel Henao-Montoya—is already in custody in New York.

Economic News

Chile Announces Plans to Invest in Liquefied Natural Gas Project

The Chilean government will invest $400 million to $500 million in a project to import and process liquefied natural gas (LNG) and reduce its dependence on natural gas from neighboring Argentina, Chilean President Ricardo Lagos announced Thursday, according to Reuters. "By the end of 2007, we are going to have this project operating and Chile will be independent energy-wise," Lagos said in a televised speech. "We'll have a

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firmer, more diversified energy matrix and that will guarantee a sure supply in the long term." Chile is faced with an energy crunch after Argentina said last month it would reduce natural gas exports to Chile to meet domestic demand. Argentina announced further cuts this week, reducing natural gas exports to Chile by one quarter. The supply cuts have strained relations between the two countries, with Chile accusing Argentina of breaking an agreement signed in the 1990s and threatening to seek international arbitration. Chile depends on Argentina for some 37 percent of its electricity generation needs. However, government officials as well as analysts say Chile will not have to impose electricity rationing, as only a quarter of its power is generated by natural gas. The rest is generated from hydro-electrical sources. The LNG project announced yesterday by Lagos includes an international tender for gas producers, and the construction of a special port and plant in Chile to regasify the fuel. Lagos said Indonesia offered last week to sell LNG to Chile.

Company News

Telefonica Moviles Completes Due Diligence Review of BellSouth Ops

The chairman of Spain's **Telefonica Moviles** said Thursday the company had concluded a due diligence review of **BellSouth**'s Latin American operations and feels "comfortable" about its planned purchase of BellSouth's assets in the region, Reuters reported. "Last week, the process of due diligence was finished and we still have 10 days to communicate our conclusions, but in general terms we feel comfortable," Antonio Viana said during a conference call. In March, Telefonica Moviles announced it had reached an agreement to buy BellSouth's Latin American mobile assets in a $5.85 billion cash and debt deal. The purchase will propel Telefonica Moviles into a virtual tie with Mexico's **America Movil** as the largest mobile operator in the region terms of subscribers. Telefonica Moviles ended the first quarter with roughly 34 million subscribers in Latin America, while BellSouth had 10.6 million customers in the region. The deal is expected to close in the second half of this year. Latin America accounts for more than a quarter of Telefonica Moviles' revenue. The Spanish mobile operator, 93 percent-controlled by Telefonica, on Wednesday reported a first-quarter net profit of 423 million euros ($US 511 million).

Brazilian Regulator Sees Possible Approval of AmBev Merger Soon

Brazilian antitrust regulator Cade on Thursday said it might soon approve the merger of local brewer **AmBev** and Belgium's **Interbrew**, pending a review of its impact on the market, Reuters reported. Cade head Joao Grandino Rodas told lawmakers that the $11.5 billion merger does not appear to threaten current market competitiveness. "As Interbrew does not take part in the Brazilian market, there would be no competition problem. It's a new entrant," he said, adding that Cade was still examining the deal's effect on future competition. Interbrew and AmBev announced on March 3 the creation of **InterbrewAmbev**, which would surpass **Anheuser-Busch** as the world's biggest brewer by volume. AmBev controls two-thirds of Brazil's beer market.

Capitol Hill Watch

A weekly look at US congressional activity on Latin America

Pernod-Ricard Hires Lobbyists to Block Trademark Legislation

French wine and spirits group **Pernod-Ricard** has hired Republican lobbyists to halt House Majority Leader Tom DeLay's (R-TX) efforts to move the Cuban "Havana Club" rum label—jointly marketed by Pernod-Ricard and the Cuban government since 1993—into **Bacardi USA**'s hands. DeLay backs proposed legislation that would alter US trademark law to prevent US and foreign companies from registering or defending in court trademarks associated with property expropriated by foreign governments. Lead Senate sponsor Pete Domenici (R-NM) said the legislation would protect owners of trademarks confiscated by Cuba, but "does not in any way decide which party owns a Cuban trademark in the US, nor does [it] prevent the Cuban government or its various entities from having access to our courts or from registering legitimate trademarks in the US." The US Patent and Trademark Office ruled earlier this year that Bacardi doesn't have the right to the Havana Rum trademark. Bacardi has made contributions to the campaign funds of at least 13 members of the House.

Source: The Hill, Roll Call.

Haitian Leader Meets with Congressional Black Caucus Members

Haiti's interim prime minister, Gerard Latortue, met in Washington this week with members of the Congressional Black Caucus (CBC). CBC member Rep. Kendrick Meek (D-FL) said the meeting with Latortue was productive, and that "Haiti needs assistance right now, not tomorrow, but now." However, Rep. Maxine Waters (D-CA), former CBC chair, called on Congress not to recognize Latortue on the grounds that former President Jean-Bertrand Aristide, who fled the country on February 29 amid a widespread revolt, was forced to resign by nondemocratic means.

Source: Miami Herald, Pacifica Radio, and Roll Call.

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Featured Q&A

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from these communities into membership in national institutions, especially political parties, government ministries and parliaments."

Guest Comment: Marisa Ferreira: "The recent incidents involving indigenous communities in Latin America reflect their frustration with a state that is unresponsive to pressing social and economic needs. Historically, the approach has been either exaggerated paternalism or extreme indifference. In Brazil, the geographic isolation of indigenous communities and their separate legal status prevents integration into Brazilian society. In Peru and Bolivia, indigenous populations are numerically superior, but have been traditionally ignored and are mired in extreme poverty. This has led to increased polarization and has fed the growth of *indigenista* movements. The question is how to integrate these communities into modern society while respecting ancient traditions and cultures. A successful model exists in Alaska, where native peoples were integrated into the economic and political fabric of society through the creation of native corporations that maintained certain levels of control over resources within the corporation's boundaries. This arrangement allowed native groups to obtain fees and enter into business ventures, which in turn has spurred their socioeconomic development, led to their political empowerment, and enabled them to maintain their culture. Regardless of the solutions adopted, the failure of national governments to respond guarantees continued violence and poverty among these communities."

> "The violence that we've seen in recent weeks in Brazil and on the Peru-Bolivia border by indigenous peoples should serve as a wake-up call for Latin American governments."
>
> *– Shannan Mattiace*

Board Comment: Shannan Mattiace: "Over the course of the last 15 years, a majority of countries in the region have to varying degrees legally recognized Indian rights. These legal commitments oblige Latin American governments to acknowledge the specific needs and demands of Indian peoples that live within their national boundaries. Increasingly, Indian peasants are mobilizing politically as Indians in the Andean region and across Latin America. That being said, I'm not sure these conflicts can or should be seen in strictly ethnic or racial terms. They are the result of the complex intermingling of class and race. The violence that we've seen in recent weeks in Brazil and on the Peru-Bolivia border by indigenous peoples should serve as a wake-up call for Latin American governments. Impoverished Peruvians, *mestizo* and Indian alike, have long demanded more and sustained attention from Lima in dealing with corrupt municipal officials, as well as Army and Shining Path brutality. Attention and resources have not been forthcoming. Similarly, for years in Brazil, wildcat miners (many of whom are also quite poor) have encroached upon indigenous lands where mining is illegal. These conflicts have simmered for decades, occasionally breaking out in open violence. One potential response—particularly in the case of Peru—would involve the genuine decentralization of economic and political power to local governments."

Phillip McLean *is a Senior Fellow in the Americas Program at the Center for Strategic and International Studies.*

Marisa Ferreira *is a Foreign Associate at Schmeltzer, Aptaker & Shepard.*

Shannan Mattiace *is Assistant Professor of Political Science at Allegheny College.*

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Subscription Inquiries are welcomed at freetrial@thedialogue.org

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1211 Connecticut Avenue, Suite 510
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Phone: 202-822-9002 Fax: 202-822-9553

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